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Advocate M.C. Newman
21 December 2018

PROVIDENCE INVESTMENT FUNDS PCC LIMITED (MANAGED BY ADMINISTRATION MANAGERS) (the "**Plaintiff**") whose registered office is c/o Deloitte LLP PO Box 137, Regency Court, Gategny Esplanade, St. Peter Port, Guernsey and whose address for service is at Redwood House, St Julian's Avenue, St. Peter Port, Guernsey

ACTIONS

PRICEWATERHOUSECOOPERS CI LLP (the "**Defendant**") whose registered office is 1 Embankment Place, London, whose principle place of business in Guernsey is at Royal Bank Place, 1 Gategny Esplanade, St. Peter Port, Guernsey and whose address for service is c/o Babbé LLP, La Vieille Cour, La Plaiderie, St. Peter Port, Guernsey **TO APPEAR** before the Bailiff or his Deputy in the Royal Court at 9:30a.m. on Friday, 21 December 2018 **TO SEE** the Court order the Defendant **TO PAY** the sum of FOURTEEN MILLION TWELVE THOUSAND SEVEN HUNDRED AND THIRTY POUNDS AND THIRTY EIGHT PENCE (£14,012,730.38) or such other sum as the Court considers just, together with interest and costs, the whole arising in the following circumstances:

Introduction

1. The Plaintiff (**PIF**) was incorporated in Guernsey on 1 March 2012 as part of the privately owned Providence group of companies. The dominant individual behind the Providence group was Mr Antonio Carlos de Godoy Buzaneli. PIF's role in the group was to raise funds from outside investors, ostensibly for investment in debt factoring businesses in Brazil.
2. PIF was incorporated as a protected cell company under Part XXVII of the Companies (Guernsey) Law, 2008 (**Companies Law**). On 13 June 2012, PIF was registered by the Guernsey Financial Services Commission (**GFSC**) as a Closed-ended Collective Investment Scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (**POI Law**) and the Registered Collective Investment Scheme Rules, 2008 (**2008 Rules**).
3. The Defendant (**PwC**) is the Channel Islands member firm of PricewaterhouseCoopers, one of the 'Big Four' international accounting firms.
4. PwC was PIF's auditor. In or about February 2015, PwC commenced its audits of PIF for the period from 1 October 2012 to 31 December 2013 and for the year ended 31 December 2014. After a prolonged audit process, on 27 April 2016 PwC gave clean audit reports on the Financial Statements of PIF for both those periods.

5. On 7 June 2016, the Securities and Exchange Commission of the United States (**SEC**) began proceedings in the United States to put a stop to the fraudulent offering of securities in the United States by entities of the Providence group.
6. On 22 July 2016, PwC wrote to PIF announcing its resignation as PIF's auditor and stating that: "*there are no circumstances connected with our ceasing to hold office ... which we consider should be brought to the attention of the Company's members or creditors*".
7. On 9 August 2016, Administration Managers were appointed to PIF by Order of the Royal Court of Guernsey made on an application by the GFSC.
8. On 19 April 2018, Mr Buzaneli entered into a plea agreement in the United States by which he agreed to plead guilty to conspiracy to commit mail fraud in connection with the operations of the Providence group. Two associates of Mr Buzaneli's, Mr Julio Enrique Rivera and Mr Jose Manuel Ordenez Junior, had agreed to plead guilty to the same charge in November 2017 and February 2018, respectively.
9. From the inception of its business in 2012, and throughout the period when it was audited by PwC, PIF was operated by Mr Buzaneli and others as a fraudulent Ponzi scheme. In total, the equivalent of approximately £41,046,117 (calculated using exchange rates at the time of the appointment of the Administration Managers) was raised from investors by PIF. Upon the appointment of the Administration Managers in August 2016, in the order of £37,241,917 (again, using exchange rates at the time of the appointment of the Administration Managers) was outstanding to investors from PIF and PIF had no realisable assets.
10. PIF, acting by its administration managers, brings these proceedings against PwC for negligence, breach of duty and breach of contract as its auditors.

PwC's duties and obligations

11. As its auditor, PwC owed to PIF duties in tort and obligations in contract under PwC's engagement letter (pleaded below) and the ordinary obligations of an auditor:
 - (1) To conduct a competent audit in accordance with the reasonable skill and care to be expected of an auditor undertaking the audit of an investment company in accordance with International Standards on Auditing (ISAs), with the requirements of the Companies Law and with the requirements of the POI Law and the 2008 Rules; and
 - (2) To report on PIF's financial statements in accordance with the same skill and care, standards and requirements.
12. As part of such duties and obligations owed to PIF, PwC was required:
 - (1) To plan and perform its audit so as to obtain reasonable assurance that PIF's financial statements were free from material misstatement, whether due to fraud or error;
 - (2) As stated in its own audit plan, to obtain a deep, thorough and detailed understanding of PIF's business;

- (3) To conduct its audit in accordance with International Standards on Auditing (ISAs), including ISA 240 on the auditor's responsibilities relating to fraud, and with proper professional scepticism, that is to say with: "*An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical examination of audit evidence*" (ISA 200);
- (4) To conduct its audit with expedition so as to enable PIF's financial statements to be filed on time, or with minimal delay;
- (5) In the event that:
 - (a) it identified a fraud or obtained information that indicated that a fraud might exist; or
 - (b) it ought, as a reasonably competent auditor, to have identified a fraud or obtained information that indicated that a fraud might exist; or
 - (c) it suspected, or had reasonable grounds to suspect, a fraud, or irregularities giving rise to a substantial risk of loss to investors;

then to report promptly (and without waiting for finalisation of the financial statements) to an appropriate organ of PIF independent of the suspected fraud or irregularity and to the GFSC as PIF's regulator and the body charged with powers to protect investors. Failing the making of such reports, PwC was required to resign and report such matters to the members and creditors of PIF in accordance with section 273 of the Companies Law;

- (6) In accordance with the terms of section 27A of the POI Law, to report to the GFSC any matter of which it became aware in its capacity as auditor and which related to the business or affairs of PIF and which it had reasonable cause to believe was, or was likely to be, of material significance for determining either (a) whether a person was a fit and proper person to carry on controlled investment business, or (b) whether the GFSC should exercise its powers under the POI Law in order to protect investors from a significant risk of loss;
- (7) In the event that it communicated with the GFSC in relation to the affairs of PIF, to ensure that it made a complete and accurate report to the GFSC of any matters which were, or were likely to be, of material significance for determining whether the GFSC should exercise its powers under the POI Law in order to protect investors from a significant risk of loss;
- (8) To report upon whether the financial statements gave a true and fair view of the financial position of PIF as of the relevant period ends and of its financial performance and its cash flows for the periods then ended in accordance with United Kingdom Accounting Standards and were properly prepared in accordance with the requirements of the Companies Law;
- (9) If the financial statements did not give such a true and fair view or were not properly prepared, to give a qualified report, or disclaim an opinion or resign and make a

statement of any circumstances connected with its ceasing to hold office that needed to be brought to the attention of members or creditors of PIF in accordance with s.273 of the Companies Law;

- (10) To consider the other information contained in PIF's Annual Report, including the Corporate Information, the Report of the Directors, the Statements of the Directors' responsibilities, the Cell Information and the Statement of Investment Manager's Responsibilities, and to report appropriately in the event of any misstatements or material inconsistencies with the financial statements; and
- (11) Upon ceasing to hold office, to make a statement of any circumstances connected with its ceasing to hold office that needed to be brought to the attention of members or creditors of PIF in accordance with s.273 of the Companies Law.

What happened

13. On 21 November 2011, Mr Paul Everitt of Fund Corporation of the Channel Islands Limited (**Fund Corporation**), a fund administration company, emailed Mr John Luff, a partner in PwC, telling him that Fund Corporation had a new client who would be interested in a discussion about PwC becoming auditors of a new Guernsey fund.
14. On 9 December 2011, Mr Luff met Mr Buzaneli, who was the new client, to discuss the possibility of PwC becoming the auditors of Mr Buzaneli's new fund.
15. In December 2011, Providence Group Limited (**PGL**) was incorporated in Guernsey with Mr Buzaneli and Mr Ordonez as the shareholders.
16. On 24 February 2012, Providence Investment Management International Limited (**PIMIL**) was incorporated in Guernsey as a subsidiary of PGL. The directors of PIMIL were Mr Buzaneli, Mr Rivera, Mr Stephen Dewsnip, Mr Roger Parry and Mr Michael Betley.
17. On 1 March 2012, PIF was incorporated as a protected cell company under the Companies Law. PIF was, at all material times, a subsidiary of PGL and, therefore, a sister company of PIMIL.
18. PIF's directors were Mr Buzaneli, Mr Dewsnip, Mr Everitt (until 10 August 2015) and Mr Parry (from 10 August 2015). Mr Dewsnip, Mr Everitt and Mr Parry were all directors of Fund Corporation, leaving Mr Buzaneli as the only director of PIF who was engaged in the wider business of the Providence group.
19. PIF had no employees. Its affairs were administered by Fund Corporation, which was acquired by PGL in or about October 2014 and re-named Lumiere Fund Services Ltd (**Lumiere**) and by staff employed by a group company registered in Guernsey called Providence Wealth Guernsey Limited (**PWGL**), which company is in voluntary liquidation.
20. On 18 May 2012, PIMIL was licensed by the GFSC to undertake the restricted activities of promotion, management, administration and advising in respect of collective investment schemes and general securities and derivatives.

21. On 23 May 2012, PwC sent an engagement letter for the provision of tax consulting services to PGL. PwC thereby confirmed its willingness to act for companies owned by or associated with Mr Buzaneli. PwC's terms were accepted on behalf of PGL on 23 or 25 May 2012.
22. On 13 June 2012, PIF was registered by the GFSC as a Closed-ended Collective Investment Scheme under the POI Law and the 2008 Rules.
23. As PIF was a protected cell company, the directors were required under the Companies Law to keep cellular assets attributable to each cell separate, and separately identifiable from cellular assets attributable to other cells, and the assets attributable to each cell were protected from liabilities not attributable to that cell (sections 445-454).

The Scheme Particulars

24. On 13 June 2012 PIF published its Scheme Particulars entitled "*Unlock High Fixed Income Returns from Brazil*" and a number of sets of Supplemental Particulars. Each set of Supplemental Particulars related to a particular combination of investment currency (Sterling, US Dollars, Euros or Swiss Francs), investment term (18 or 36 months) and interest payment intervals (monthly, quarterly or on maturity). References below to the Scheme Particulars include the Supplemental Particulars where appropriate.
25. The Scheme Particulars solicited subscriptions for preference shares in the funds represented by the cells created as part of PIF's cellular structure.
26. In the Scheme Particulars:
 - (1) PwC was named as PIF's auditor;
 - (2) Fund Corporation was named as PIF's administrator, secretary and registrar;
 - (3) PIMIL was named as PIF's investment manager;
 - (4) It was stated that the accounting period of PIF ended on 31 December each year, with the first accounting period running from 1 March 2012 to 31 December 2012, and that the audited financial statements of PIF would be prepared and received by shareholders within six months of the end of each financial year.
27. The Investment Objective was stated by the Scheme Particulars to be (Supplemental Particulars, para 2.2.1):

"... to provide an opportunity to invest in a structure that aims to provide an attractive level of return on a reduced risk basis. The objective of the Fund is to provide the applicable Preferred Return to Preference Shareholders on a fixed basis ... by providing access to Brazilian debt factoring opportunities."
28. The Investment Strategy and Process was detailed in the Scheme Particulars as follows (Supplemental Particulars, para 2.3):

"2.3.1 The Fund (acting through [PIMIL]) will enter into contractual loan agreements ... with one or more suitably qualified Brazilian companies (including Providence Fomento Mercantil, Investimento e Participacoes, Ltda. and BPA Fomento Mercantil, Investimento e Participacoes, Ltda.), (the "Factoring Companies");

2.3.2 Under the terms of the Loan Agreements, the Fund shall provide finance to the Factoring Companies which will in turn enter into a series of debt factoring contracts in Brazil with counterparties ... The Factoring Companies will return to the Fund an agreed return which will be used to meet the Preferred Return, a portion of the monies payable under the Loan Agreements will be paid to the Investment Manager and used to cover the Fund's expenses.

2.3.3 The Factoring Companies shall establish segregated accounts for the Company with relevant and appropriate banks. The amounts in these accounts shall be held as security for the loans receivable by the Factoring Companies from the Company. As all receivables held in Brazil by the Factoring Companies are repayable to these accounts it is anticipated that the loans to the Factoring Companies will have significant security coverage.

2.3.4 ...

2.3.5 As a result of this the Fund's assets at any time will consist of primarily cash and contractual obligations and rights."

29. The two Brazilian debt factoring companies referred to in paragraph 2.3.1 of the Supplemental Particulars, Providence Fomento Mercantil, Investimento e Participacoes, Ltda. ("**Providence Fomento**") and BPA Fomento Mercantil, Investimento e Participacoes, Ltda. ("**BPA Fomento**"), were both owned as to 95% by PGL and as to 5% by Mr Buzaneli, who was also the "*controller manager*" of both companies.
30. The "*Preferred Return*" offered to subscribers for preference shares varied from 9.5% pa to 14.25% pa, depending upon the combination of investment term, interest payment interval and whether the preference share was of Class A, B or C.
31. In relation to fees and costs, the Scheme Particulars provided that:
 - (1) The Investment Manager (PIMIL) had been issued with all the Participating Shares in each fund and (in lieu of fees) PIMIL would receive a distribution of profits after payment of the Preferred Return on the Preference Shares which would constitute its sole source of fee income in respect of each fund (Supplemental Particulars, para 5.2);
 - (2) Other expenses would be paid by the Manager (presumably the Investment Manager) from the proceeds of distributions on the Participating Shares. Such expenses included the Administrator's fees, legal fees, auditors' fees and expenses and out of pocket expenses (Supplemental Particulars, para 5.3-5.4).
32. The Scheme Particulars made no provision for investors' funds to be applied for any purposes other than lending to suitably qualified Brazilian debt factoring companies under

contractual loan agreements providing for the factoring companies to establish segregated accounts for PIF with relevant and appropriate banks.

33. In particular, the Scheme Particulars made no provision for investors' funds to be paid to PGL, or other elements of the Providence group outside Brazil, for its or their own use.
34. No disclosure was made in the Scheme Particulars of any taxation or other difficulties affecting the making of payments to Brazil or the receipt of payments from Brazil. Paragraphs 9.7 and 9.8 of the Scheme Particulars identified risk factors including uncertainties over restrictions on foreign investment and currency repatriation and tax and regulatory changes affecting the ability of PIF, as a foreign investor, to invest in the markets (sc. in Brazil) and to re-patriate assets, but no pre-existing obstacles were identified as affecting the stated investment strategy.
35. It is to be inferred that PwC consented to being named as PIF's auditor in the Scheme Particulars and that PwC would have sent a letter to the Commission confirming its willingness to act as auditor of PIF.

The conduct of PIF's business

36. PIF began receiving investors' money, in the form of subscriptions for preference shares allocated to protected cells, in or about September 2012.
37. From about March 2013, the conduct of PIF's business was characterised by two features:
 - (1) Not all of the money subscribed by investors was invested in debt factoring businesses in Brazil and the proportion which was so invested steadily decreased over time;
 - (2) The increasing proportion of money subscribed by investors which was not invested in Brazil was transferred to PGL and spent on costs and expenses incurred by the wider Providence group and its principals, or simply paid to those persons, or used to pay commissions to persons who introduced investors or in paying dividends on behalf of PIF.
38. Despite operating in this way, PIF continued to invite subscriptions from investors on the basis of the Scheme Particulars as described above. Some amendment were made to the Scheme Particulars with effect from 1 January 2016, but these did not disclose the use made by PGL of the monies paid to it.
39. Staff at Fund Corporation (and later Lumiere, whilst employed by PWGL) maintained a record of the proportion of investors' money which was invested in Brazil. Money which was paid to Brazil was referred to as being 'deployed' to Brazil and the amounts deployed to Brazil were recorded on a 'Brazilian Deployment tracker' spreadsheet. These spreadsheets showed what the position would be if 65% of subscriptions were deployed to Brazil and the level of actual deployment.
40. The actual deployment of investors' subscriptions to Brazil can be summarised as follows up to the end of 2014 (with subscriptions in other currencies translated into Sterling):

Period	Subscriptions £	To Brazil		To PGL	
		£	%	£	%
2013	4,762,264	3,751,665	79%	1,010,599	21%
2014	14,169,219	4,165,976	29%	10,003,243	71%
Cumulative 2012-2014	18,824,386	7,897,994	42%	10,926,392	58%

41. During 2015 and 2016, the rate of deployment to Brazil reduced still further. Of the money invested between January and September 2015, only 5% went to Brazil and 95% went to PGL. From October 2015 onwards the figures were 3% and 97%.
42. The above figures do not distinguish between cells. The position varied in relation to individual investments and, therefore, in relation to individual cells. Some early investments were deployed 100% to Brazil; in other cases little or none of the money subscribed ever reached Brazil. For these cells, the protected assets attributable to the cell could not include straightforward debt claims against the Brazilian factoring companies as no payments from those cells ever reached the factoring companies.
43. Insofar as PIF did make investments in Brazil, the earliest loans were made to BPA Fomento, which was already in existence, having been incorporated in 2006, but all subsequent payments were made to Providence Fomento, which was established for the purpose and incorporated on 16 July 2012.
44. In relation to the use made of investors' cash not paid to Brazil, the standard practice was that Ms Jenny Veillard of PWGL would send an email to Mr Buzaneli listing the balances on Providence group accounts and claims for payment. Mr Buzaneli would then give instructions as to what should be paid. Although not in PIF's name, the accounts listed in this way were funded from subscription monies received by PIF and incoming subscriptions were simply treated as cash available to be spent wherever Mr Buzaneli thought fit.
45. By way of example, Ms Veillard's email to Mr Buzaneli of 7 July 2014 proposed making payments totalling £200,701 out of an expected investor's subscription of CHF600,000 (the equivalent of £380,000), which, she said: "*should leave £170,000 available for deployment to Brazil [out of a subscription of £380,000] leaving a balance of approx £12,000 on the account*". In the event, the deployment tracker spreadsheet showed that, out of the subscriber's investment of £380,000 received on 8 July 2014, only £105,550 (28%) was deployed to Brazil.
46. As pleaded below, the twin practices of not investing all subscriptions in Brazil and of paying the balance to PGL (or one of its subsidiaries) for general use, were not concealed by those administering PIF and copies of the Brazilian deployment tracker spreadsheet were provided to PwC. Investors, however, were not informed of these practices.

PIMIL's accounts for the period ended 24 July 2013

47. On 6 January 2014, PwC signed a clean audit report on the accounts of PIMIL for the period ended on 24 July 2013.
48. In performing this audit PwC acquired, or ought to have acquired familiarity with the operations of both PIMIL and PIF, given that PIMIL's principal activity was the provision of fund management and advisory services to PIF.
49. Further, by performing the audit of PIMIL and giving a clean audit report on its accounts, PwC continued to hold itself out as the appointed auditors of the Providence group in Guernsey.

Developments in 2014

50. PIF's first accounting period ran from 1 October 2012 to 31 December 2013. Its first audited financial statements were, therefore, due to be filed by 30 June 2014.
51. On a date before 25 September 2014, PwC provided "in principle" willingness to act letters to the GFSC for the audit of PIF, subject to completion of take-on diligence.
52. In an email to Mr Parry (a director of PIF and Fund Corporation) of 25 March 2014 Mr Luff of PwC said that: *"it would make sense if we come up and meet you to discuss the approach to the fund [ie PIF] audit as we will need to be in contact with the factors in Brazil to understand the operations of their business fully as part of this"*.
53. Thereafter, on a number of occasions during 2014, Mr Luff expressed PwC's concern that they had to have access to the Brazilian factors to ensure they were audited (ideally by PwC), and had controls operating which were effective to cover the risks related to the instruments they issued to PIF. Thus, PwC had identified that PIF's solvency depended upon the Brazilian factors being creditworthy for the amounts advanced to them by PIF.
54. In particular, in an email of 7 October 2014, following a meeting with PIF on 29 September 2014, Mr Luff said that they had discussed that the Brazilian Factors had been audited by the firm of Topcont in Sao Paulo and that the next step would be for PwC in Brazil to be introduced to Topcont so that they could assess that firm's work.
55. During the remainder of 2014 little or no progress was made on the audit of PIF, notwithstanding that PIF's accounts became overdue for filing on 30 June 2014.

Developments in 2015

56. The audit meetings commenced in the first quarter of 2015, with a meeting between PIF and PwC on 27 February 2015.
57. In or about March 2015 a draft Review of Performance and Governance as at 31 December 2014 was produced internally for PIMIL ("the PIMIL Review"). This review noted that:

- (1) The movement of money into and out of Brazil was subject to tax in either direction. Therefore, minimising actual cash movements was attractive and had been a driver of cash management;
 - (2) Loans from PIF to the Brazilian factoring companies were recorded in PIF's books as being at an interest rate of 24% pa;
 - (3) Cash management decisions had generally been made by Mr Buzaneli and documented by confirmatory emails from him;
 - (4) The cash management had led to money being moved from PIF to other group companies (i.e. other than the Brazilian factoring companies);
 - (5) There had been ongoing tracking of the overall cash management, but this had generally only been received by Mr Buzaneli;
 - (6) PIF's bookkeeping reflected a loan receivable from the Brazilian Factors of 100% of the subscriptions into the funds (although not all that money had been received by the Brazilian Factors) 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.
58. The PIMIL Review further included a recommendation that all monies invested into PIF should be moved from PIF directly to one of the factoring companies, as well as a number of recommendations for improved management controls over the operations of PIF.
59. On 2 April 2015 a further meeting took place between Mr Everitt (a director of both PIF and, now, Lumiere) and Mr Luff of PwC at which Mr Everitt told Mr Luff about the PIMIL Review.
60. On 9 April 2015, Sharon Blackwell of PWGL had her first meeting with PwC's audit team of Ian Tait, Senior Manager, and Verlene Abdol, Senior Associate, at which Mrs Blackwell explained the process and the PwC team asked questions about oversight and review of cash management.
61. Following that meeting, also on 9 April 2015, Ms Blackwell sent a batch of material to PwC by email, including:
- (1) The PIMIL Review;
 - (2) The original Scheme Documents; and
 - (3) Her "*cash deployment summary workbook*", in respect of which she said that she would set up a meeting to talk PwC through it.
62. The cash deployment summary workbook sent to PwC by Mrs Blackwell showed details of the deployment of investors' funds up to the end of February 2015, including the amounts deployed to Brazil and the amounts deployed to PGL.

63. From 13 to 23 April 2015, PwC held preliminary discussions with representatives of Lumiere in order to obtain an understanding of the businesses of PIMIL and PIF.
64. On 28 and 29 April 2015, PwC informed PIF that it intended to submit a formal audit plan to the board of PIF before starting audit work in June. PIF responded that it had expected PwC to start the audit in April and that it had a filing deadline of 30 June 2015 with the GFSC which it would be extremely problematic to miss.
65. On 11 May 2015, PwC met with PIF/PIMIL to present its proposed Audit Plan document. At this meeting, PwC said that it had issues with the cash deployment, which it did not regard as in line with the scheme particulars, and with the fact that Mr Buzaneli was so involved everywhere. PwC recommended that PIF should keep the GFSC informed and provide them with a copy of the audit plan.
66. On 19 May 2015, Mr Dewsnip counter-signed PwC's undated engagement letter on behalf of PIF. By this letter, PIF agreed with PwC, amongst other things, that:
- (1) *"... we [ie PwC] shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements (including any material misstatements resulting from fraud, error or non-compliance with law or regulations), although our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance that may exist";*
 - (2) *"The primary responsibility for keeping the [GFSC] informed about the affairs of the Company rests with the directors, and we shall advise you if, during the course of our work as auditors, or any other role, we become aware of any matter that we consider that the directors should report to the Commission. Nevertheless under the [POI Law], there may be circumstances whereby we are required to report directly to the Commission, and may do so without the knowledge or consent of the directors. If in the normal course of our work as auditors or any other role, we come across matters, which give us reasonable cause to believe that any of the authorisation criteria specified in the [POI Law] has not been fulfilled at any point in time and that this matter is likely to be of material significance to the Commission in the exercise of its supervisory functions, then we shall communicate this to the Commission".*
67. On 28 May 2015, PwC sent PIF the final version of the Audit Plan, describing it as for submission to the GFSC.
68. The Final Audit Plan:
- (1) Stated that PwC had conducted suitable take-on procedures for a Guernsey Closed Ended Investment Scheme registered with the GFSC;
 - (2) Stated, under the heading of *"Deep business understanding"* that PwC sought to thoroughly understand PIF's business and obtain a detailed understanding of the business and that it had, *"throughout the extensive preparation for these audits"* held several meetings with key management from Lumiere;

- (3) Noted that, under ISAs, PwC was responsible for obtaining reasonable assurance that the financial statements taken as a whole were free from material misstatement, whether caused by fraud or error, and stated that PwC planned and performed its audit so as to have a reasonable expectation of detecting material misstatements in the financial statements or the accounting records, including any material misstatements resulting from fraud;
- (4) Classified the risk of fraud due to management override of controls as a "significant" risk, that being the highest level of risk recognised by PwC (the others being elevated risk and normal risk);
- (5) Proposed to: "*Obtain supporting documentation for the rationale underpinning the transfer of investor funds from PIF to PGL as this is not what we would have expected to observe*";
- (6) Proposed to: "*Assess the recoverability of investor funds transferred to PGL through inspection of subsequent receipts and by engaging PwC Brazil to inspect the financial records of the factoring businesses*";
- (7) Identified a risk in relation to fraud in revenue recognition, and proposed to assess: "*the transfer of funds through PIF and other Providence Group entities through substantive testing of bank statements within PGL. This will entail the inspection of bank statements of PGL to assess the movement of the funds to and from PIF*";
- (8) Included the following, under "*Initial observations*" (emphasis added):

"... In a number of instances cash received from PIF investors appears to have been transferred to [PGL] ... before distribution to the Factoring Companies in Brazil or other PGL group related entities that were not disclosed in the Scheme Particulars as recipients.

*Furthermore, when we have seen PIF transfer cash to PGL we note that these transfers are unsupported by loan or other investment agreements; there is no evidence of board consideration or board approval at PIF ... PIF investors are therefore exposed to credit risk from PGL and potentially other group related entities when this was never the investment strategy of PIF. ... **We are of the view that the passing of PIF monies to PGL is a clear breach of the PIF Scheme Particulars.***

...

For the period under review, we have also noted the following:

- *The PIF monies that are transferred to the Factoring Companies or PGL (as described above) are done so, on the sole instruction of Mr Buzaneli and there is no evidence of formal ratification by the boards of PIMIL or PIF. While the transfers were documented we have grave concerns that the transfers are done at the behest of a single, connected individual with no oversight from the boards of the manager and the fund."*

69. On 29 May 2015, Paul Everitt of PIF wrote to the GFSC, copying Mr Luff of PwC, on the subject of the review of governance at PIF. This letter noted that not 100% of cash invested had been moved from PIF to the Brazilian factoring companies with a proportion being transferred to PGL and stated that: "*In 2014 the amount transferred to the Brazilian factoring companies stood at around 40%*". The 'follow up' actions proposed in the letter emphasised that PwC had started their audit and would be asked to carry out a controls review.
70. In early June 2015, PwC began their audit fieldwork.
71. On 30 June 2015, PIF's accounts to 31 December 2014 became overdue for filing and PIF's accounts to 31 December 2013 became overdue by 12 months.
72. On 2 July 2015, Mr Tait of PwC informed Ms Blackwell of the progress of the audit in a telephone call. Among other things, he said that the financial statements must split the investment loan balance between PGL and the Brazilian factors in each individual cell to reflect what actually happened, that PwC needed to look at PGL in depth to understand where the money PGL has to pay the dividends to the investors and PIMIL had come from to make sure it had not come from new investors' money, thus breaching the POI Law, and that as the PGL accounts were not audited they were almost "*not worth the paper they're written on*". Mr Tait said that the time it had taken PwC had been down to the time it took to figure out what was going on.
73. On 8 July 2015 an audit up-date meeting took place between PwC (Mr Luff, Mr Tait and Ms Abdol) and representatives of PIF and PIMIL (Mr Parry, Mr Purvis, Mr Tattersall and Ms Blackwell). At this meeting:
- (1) PwC said that it had engaged PwC Brazil to review the audit of Providence Fomento by Fortec in Brazil, but this activity was on hold until confirmation that the 2014 audit was complete (as well as the 2013 audit);
 - (2) The PIF/PIMIL side explained that a tripartite legal agreement was to be drafted to document the relationship and current transaction flow between PIF, PGL and Providence Fomento and that the agreement would document the 24% return (from Brazil) on which the structure worked;
 - (3) PwC highlighted that they were currently unable to place any comfort on the guarantee provided to PIF from PGL, there being no written or board sanctioned agreement, and it was agreed that the directors of PIF would carry out an exercise over their assessment of the ability of PGL to meet their guarantee to PIF.
74. On 13 July 2015, Mr Everitt of PIF forwarded to Mr Luff of PwC an email he had sent the previous day to the GFSC. This said, amongst other things, that the monetary value of the 40% (which had gone to Brazil) as at 31 December 2014 was £7,898,261 and that the significant majority (99.8%) of monies in the 60% (ie which did not go to Brazil) went to PGL. It followed from this that, as at 31 December 2014, while £7,898,261 of investors' money had gone to Brazil, one and a half times as much, £11,847,391, had gone to PGL.

75. On 19 August 2015, Ms Blackwell sent PwC a review by PGL of subsidiary operations and (its) parental guarantees. This review included extracts from PGL's signed (but unaudited) financial statements as at 31 December 2013 and 31 December 2014. Amongst other things, it appeared from this review that:

- (1) PIF received a 24% return from Providence Fomento;
- (2) The return payable to investors in PIF ranged between 9.5% and 14.25%;
- (3) As at 31 December 2013, PGL's liability on its guarantee to PIF stood at £4,794,865 and that, according to the extract from PGL's unaudited accounts, its current assets stood at £557,407 and current liabilities at £1,694,905 (giving net current liabilities of £1,137,498) while its fixed assets consisted of investments in subsidiary undertakings valued at £53,497,197, of which almost all was represented by unrealised gains on investments of £52,903,633;
- (4) As at 31 December 2014, PGL's liability on its guarantee to PIF stood at £18,825,428 and that, according to the extract from PGL's unaudited accounts, its current assets stood at £5,447,705 and current liabilities at £11,386,638 (giving net current liabilities of £5,938,933) while its fixed assets consisted of investments in subsidiary undertakings valued at £86,102,290, of which almost all was represented by unrealised gains on investments of £52,903,633 in 2013 and £30,136,203 in 2014 (totalling £83,039,836);
- (5) The only trading subsidiaries which could account for the unrealised gain of £83m were the two Brazilian Factoring Companies, a timber trading company in Panama (Providence International Trading Limited) and another trading company in Panama (BPA Capital S.A.), as to which no details were given.

76. Mr Tait of PwC responded on the same day (19 August 2015) noting that the paper served as a high level review but did not go into sufficient detail in assessing support for the guarantee and lacked a final conclusion. He also noted that:

- (1) There appeared to be very few income generating subsidiaries (of PGL) and the most substantial of those were the Brazilian factoring companies;
- (2) When reviewing the extracts from the PGL financial statements it was clear that the investments in subsidiary undertakings were almost all made up of unrealised gain and that they would expect the paper to go into more details as to what made up this unrealised gain.

77. On 17 September 2015 Mr Tait of PwC emailed PIF's administrators on the subject of PwC's fees. Mr Tait said:

"I wanted to raise the matter of fees for the PIMIL and PIF 13/14 period/year end audits. You will appreciate that we have been engaged for some time and accumulated some significant costs associated with the work performed to date. As we are substantially thorough the bulk of the audit work ... and the significant

outstandings are either with Brazil or the financial statements review and completion process, we are in a good position to pin down our projected costs to completion."

78. Mr Tait then proposed that PwC should issue interim invoices for £15,000 for work on PIMIL for the period ended 24 July 2014, for £40,000 for work on PIF for the period ended 31 December 2013 and for £25,000 for work on PIF for the year ended on 31 December 2014, making a total of £80,000.
79. On 23 October 2015, Mr Tattersall sent PwC translated copies of the accounts of both Providence Fomento and BPA Fomento for the years ended 31 December 2013 and 2014 as audited by the firm of Fortec in Brazil. These accounts showed (with figures translated from Brazilian Reals at BRL4.15 to £1, being the rate at 31 December 2014):
 - (1) In the case of Providence Fomento for the year ended 31 December 2014: total assets of £9.4m, of which only £3m were receivables from clients, profits for the year of £342,000 and equity of £354,000;
 - (2) In the case of BPA Fomento for the year ended 31 December 2014: total assets of £16.4m, profits for the year of £207,000 and net liabilities of £465,000.
80. In October 2015, PIF, PGL, Providence Fomento and PIMIL entered into a Loan Framework Agreement. This agreement was stated to have an effective date of 1 October 2012 and provided for:
 - (1) Providence Fomento to accept liability to PIF for amounts loaned by PIF directly to it as well as for monies paid to entities nominated by Providence Fomento;
 - (2) PGL to guarantee Providence Fomento 's liabilities to PIF.
81. From about October 2015 onwards, PIF faced a cashflow crisis, with the dividends due in October being paid out of incoming subscriptions.
82. On 9 November 2015 a meeting took place between the GFSC and PIF which was attended by Mr Luff and Mr Tait of PwC. At this meeting:
 - (1) Mr Luff of PwC told the GFSC that Providence was a unique product and that it was an unusual scenario which had led to challenges for the team at PwC;
 - (2) Mr Luff said that, throughout the process full visibility had been provided by the board in Guernsey;
 - (3) Dawn Sealey of the GFSC pointed out that (as a result of the delays in the accounts) an investor that had invested (in PIF) for 18 months might never get to see a set of audited accounts;
 - (4) Mr Luff said that, as cash paid into PIF had been used by different parts of the Providence Group, PwC were conducting a global review of the group to satisfy themselves with the financial position of the group and to ensure appropriate documentation was in place for certain transactions.

83. On 17 December 2015 a further meeting took place between the GFSC and PIF which was attended by Mr Luff of PwC. The purpose of the meeting was for the GFSC to receive an up-date on the status of the outstanding accounts of PIF and PIMIL. At this meeting:
- (1) Mr Parry of PIF and Mr Luff told the GFSC that the accounts were not yet ready but that everything that could be done in Guernsey had been done and they were waiting on Brazil;
 - (2) Mr Luff went on to tell the GFSC that the directors of PIF (whilst the note of the meeting records Mr Luff as saying the directors of PwC, this would appear to be an error) had completed their review of PGL. The initial draft seen by Mr Luff (apparently that sent in August) had not raised any issues. As an aside, Mr Luff mentioned that the bulk of the net assets of the group sat in another factoring business which had not been audited;
 - (3) Mrs Sealey asked if there were any protection of investor concerns that needed to be addressed and Mr Parry said that there were not;
 - (4) Mr Luff said that it was hoped that the accounts would be complete or near completion by the time of a further up-date in mid-January 2016.
84. Also on 17 December 2015, Mr Luff emailed Mr Parry, following PwC's proposal of interim bills of £80,000 made three months earlier on 17 September 2015, proposing that PwC invoice £15,000 to PIMIL and £65,000 to PIF so that these invoices could be settled before the year end. Mr Moroney replied that they would be able to settle £40,000 pre year end, with the balance to follow in January.
85. On 18 December 2015 PwC issued interim bills for £25,000 and £15,000, which were not paid.

Developments in 2016

86. In January 2016, an Internal Assurance Team (IAT) established within PGL and constituted by Ms Blackwell and Joanna Carré, prepared a "*Holistic Review of PGL and its Subsidiaries*". This review included the following statements:
- (1) There had not been any formal board meetings for PGL for over a year;
 - (2) In relation to PIF that:
 - (a) No evidence was being provided to Guernsey that the asset coverage in Brazil (for monies received from investors) included sufficient **liquid** assets (emphasis in original) so that return of monies to Guernsey could occur if it was required to meet distribution payments;
 - (b) There was no evidence that the controls agreed in September (2015) in relation to cash flow, ensuring sufficient funds in Guernsey to pay dividends, salaries etc, were being undertaken;

- (c) The last two quarters of dividend payments (ie October and December 2015) relied on incoming investor money;
 - (d) There was no evaluation of a number of matters, that of greatest concern being whether the spending of the group as a whole was exceeding the projected income from the excess return on investor money. In that regard: *“There are undertakings and commitments being entered into on a daily basis around the world in the Providence name which investor money is needed to fund”*.
87. On 12 January 2016, Mr Tait of PwC emailed Ms Blackwell saying that one of the things that PwC were waiting on was a detailed review of BPA Fomento as, when PwC had spent time going through the draft review they determined that the bulk of the financial support that could be offered by PGL went back to BPA Fomento. Mr Tait enquired after the progress of an extended review of BPA Fomento which he understood a firm in Brazil named Toledo to be undertaking.
88. Ms Blackwell responded on the same day, 12 January 2016, that they had agreed on a paper and that she would chase. On 14 January 2016 she emailed Mr Tait to say that his contact regarding the valuation paper was Adam Tattersall, to whom she had forwarded the email.
89. At a meeting between PIF and PwC on 19 January 2016, PwC informed PIF that, in the light of the review conducted by PwC’s Brazilian colleagues of the local audit of Providence Fomento, it would be necessary for PwC Brazil to conduct an audit itself in order for PwC to place reliance on the results and it was agreed that such an audit would be carried out in Brazil.
90. On 29 January 2016 another meeting took place between the GFSC and PIF which was attended by Mr Luff and Mr Tait of PwC. At this meeting:
- (1) Mr Luff explained that PwC had not been able to get the comfort they required from a review of the working papers of the Brazilian auditor of the Providence factoring companies in Brazil;
 - (2) Mr Luff further explained that other procedures had been agreed in that:
 - (a) PwC in Guernsey had undertaken post-balance sheet reviews as at 31 December 2013 and 31 December 2014 in order to ensure that the amounts due back into PIF had been received; and
 - (b) PwC Brazil had been instructed to perform audits in Brazil;
 - (3) Mrs Sealey enquired about additional cell launches by PIF and requested that the Commission be kept informed as and when any issues arose from the audit process.
91. On 4 February 2016, following a review they had carried out since October 2015, Collas Crill provided written regulatory advice to Lumiere, PIMIL and PIF. This advice included the following:

"1.6 *Currently the Guernsey Entities do not implement strong risk controls in key areas, and in some areas these are completely lacking. Each of these areas pertains to (or is most starkly evident in) the operation of PIF. These are:*

1.6.1 *Cash-flow and investment recording. This is an issue for Lumiere and the PIF Board; ...*

1.7 *... In accordance with Group policy, incoming fund flows from Guernsey (i.e. PIF) are used to meet the Group's operational cash requirements.*

...

5.2.22 *... We understand that the Group uses cash invested into PIF to fund a significant amount of Group expenses."*

92. On 2 March 2016, Mr Tait chased Mr Tattersall for the valuation paper on BPA Fomento and Mr Tattersall replied promising the valuation paper as soon as the Brazilian group's 2015 financial statements had been finalised.
93. Also on 2 March 2016, Mr Tait chased Mr Moroney at PWGL regarding PwC's outstanding invoices for £25,000 and £15,000 as PwC had been expecting settlement in January 2016. On 3 March, Mr Moroney replied with apologies and said that they would look to settle these invoices: "*in the next few weeks*".
94. On 4 March 2016, Mr Tait sent a quick note on status to Mr Parry of PIF. Amongst other things, Mr Tait said:
- "Adam [Tattersall] informed us on Tuesday of this week that the BPA Fomento review is still ongoing. As previously discussed this is something that we do need to review as part of the audit as it is a fundamental part to the going concern assumptions and continued operation of the Fund, particularly given that BPA Fomento holds the lions share of the PGL group's value and PGL acts as guarantor in line with the loan framework agreement."*
95. By 21 March 2016, the SEC had commenced inquiries in the United States into the operations of the Providence group.
96. On 22 March 2016, PwC again chased its outstanding invoices and Mr Moroney replied with apologies and that: "*Unfortunately we have had a very quiet start to 2016 & things have only picked up this month. Will take us another couple of weeks to see the cash flow benefit of this & we will look to clear the balance due as soon as we can next month*".
97. On 30 March 2016, a meeting about the PIF and PIMIL audits took place between PwC and Mr Parry, Ms Blackwell, Mr Tattersall and Mr Everitt on the Providence side. PwC reported that:
- (1) PwC Brazil were awaiting some documents to confirm bank movements but would then be able to confirm their happiness on their work on Providence Fomento to PwC in Guernsey;

- (2) The valuation paper in relation to BPA Fomento needed to be delivered that week and to have sign-off by Toledo as soon as possible in the next week;
 - (3) PwC were not likely to want to continue with the appointment, but this was more due to battle fatigue than anything else and they would give an “*unblemished*” letter setting out the reasons when a new auditor had been found.
98. On 6 April 2016, Mr Tattersall sent PwC the promised internal valuation which covered the material Brazilian subsidiaries of PGL as prepared by the management of PGL. This valuation:
- (1) Did not include a balance sheet;
 - (2) Gave no details of turnover;
 - (3) Indicated that the Brazilian subsidiaries were substantially affected by foreign exchange gains and losses, recorded as net losses of £1.24m in 2014 and £6.2m in 2015;
 - (4) Indicated post-tax profits of £5.4m in 2014 and £1m in 2015;
 - (5) Put forward a valuation of £89m, based on actual operating profits in 2015, forecasts for the following three years, an earnings multiple of 10 and a 15% liquidity discount. Being based on operating profits, this valuation took no account of either foreign exchange losses or taxation.
99. Mr Tait responded on 7 April 2016 with a number of questions, including:
- (1) A request for PGL’s balance sheet. Mr Tait pointed out that the main interest in PGL for the directors (of PIF) and for PwC’s audit should be around PGL’s ability to meet its guarantee to PIF, so there was interest in the balance sheet of PGL, its assets, liquidity, etc to be able to meet its obligations under the guarantee;
 - (2) A request for an explanation of the causes of the foreign exchange impact, as to which Mr Tait noted significant foreign exchange gains/losses in 2015.
100. Mr Tattersall responded to Mr Tait’s questions on 13 April 2016. On the two questions above:
- (1) He attached the balance sheet for PGL for the year to 31 December 2014 and wrote: “*As you know, the group does not sit on large quantities of cash as deployment is critically managed to generate the returns that we then share with investors. Instead it is pledging the enterprise values of every Providence company under PGL. Admittedly time may be needed to leverage or dispose of those enterprises to yield the cash to discharge the guarantee but the key objective was to offer security*”;
 - (2) Mr Tattersall said that the foreign exchange losses were caused by the devaluation of the Brazilian Real against the US Dollar. The Real had devalued by 48.8% against the US Dollar between 1 January 2014 and 31 December 2015.

101. Also on 13 April 2016, Mr Tattersall sent to PwC Topcont's valuation opinion on PGL's Brazilian subsidiaries. This applied alternative valuation techniques to the figures previously provided, but did not verify or confirm the figures, and made no allowance for foreign exchange gains or losses, or taxation.
102. On 15 April 2016, Mr Tait responded to an email from Mr Tattersall chasing progress on the audit. In respect of the valuation of PGL, Mr Tait said that they had done what they could to substantiate/corroborate what had been provided.
103. On 18 April, Mr Everitt emailed PwC to say that they had "*extreme business reasons*" to be making the audit sign off happen as soon as possible.
104. On 22 April 2016 Mr Tait noted in an email to Mr Everitt that another pressing point that they needed to finalise in order to close the process out was the audit fees.

The 2013 and 2014 accounts

105. On 27 April 2016, PwC gave clean audit reports on the Financial Statements of PIF for the period from 1 October 2012 to 31 December 2013 and for the year ended 31 December 2014. References below are to the financial statements for the year ended 31 December 2014, that being the most recent period audited by PwC for PIF.
106. In the Report and audited Financial Statements of PIF for the year ended 31 December 2014:
 - (1) The Report of the Directors stated:

"Activities and Incorporation

Incorporation

...

The Company is an umbrella fund constituted as a protected cell company under The Companies (Guernsey) Law, 2008. The provisions of the Law enable the Company to create one or more cells for the purpose of segregating and protecting the assets within the individual cells. Persons investing and dealing with a cell of the Company shall only have recourse to the assets attributable to that particular cell. They shall have no recourse to the assets of any other cell, except as provided under the Law against any non-cellular assets of the Company. ...

Operations throughout the year and to date of signing the financial statements

The movement of monies in and out of Brazil is subject to taxation in either direction. The returns generated through the factoring operations are expected to continue to be such that the deployment of 100% of subscription monies to the Factoring Companies is not always required in order to generate the agreed investor return. The Investment Manager monitors the deployment position to ensure that, where 100% of subscription monies has not been deployed to the Factoring Companies for the reasons detailed

above, there are sufficient assets in the Factoring Companies to repay the loans from the Company.

...

Where 100% of subscription monies have not been deployed to the Factoring Companies for the reasons detailed above, they have been transferred to PGL and utilised within the wider group. ...

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. ...

PGL is acting as guarantor to Providence Fomento. ... The directors of the Company have concluded their review of the latest available report from PGL and are satisfied that PGL has sufficient resources to meet any required obligations as they fall due, including the guarantee pledged to Providence Fomento.

...

Statement of Directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and are in accordance with Guernsey Law and United Kingdom Accounting Standards "UK GAAP".

In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
 - make judgments and estimates that are reasonable and prudent;
 - ...
 - prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business."
- (2) Details were given of the cells established during the year and of the Net Asset Value (NAV) of each class of preference shares in issue at the year end. In each case the NAV per share was given as £100.00.
- (3) The report by PwC as auditors to the members of PIF stated:

"Report on the financial statements

We have audited the accompanying financial statements of [PIF] which comprise the Balance Sheet as of 31 December 2014, the Profit and Loss Account and the Statement of Changes in Shareholders' Net Assets Attributable to Holders of

Redeemable Preference Shares for the year then ended and a summary of significant accounting policies and other explanatory information.

...

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Corporate Information, Report of the Directors, Statements of the Directors' responsibilities, Cell Information and Statement of Investment Manager's Responsibilities."

- (4) The Balance Sheet and Statement of Changes in Shareholders' Net Assets Attributable to Holders of Redeemable Preference Shares as at 31 December 2014 showed:
- (a) Proceeds from redeemable preference shares issued of £14,063,428;

- (b) Total assets of £19,415,832, of which £18,956,632 (98%) was accounted for by investment loans;
 - (c) Net assets attributable to preference shareholders of £18,825,428.
- (5) The notes to the Financial Statements:

- (a) Stated (under Going Concern at note 2(b)) that:

The directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. ...

PGL is acting as guarantor to Providence Fomento. ... The directors of the Company have concluded their review of the latest available report from PGL and are satisfied that PGL has sufficient resources to meet any required obligations as they fall due, including the guarantee pledged to Providence Fomento.

- (b) Showed (at note 3) that the investment loans were receivable entirely from Providence Fomento and BPA Fomento;
- (c) Stated (under Credit Risk at note 12(c)) that:

PGL is ... acting as guarantor to Providence Fomento. PGL is required to carry out its own regular review of its ability to meet these guarantees ... This review has been carried out for the year and to the date of signing these financial statements and has been provided to the directors of the Company and Providence Fomento. The directors of the Company have concluded their review of the latest available report from PGL and are satisfied that PGL has sufficient resources to meet any required obligations as they fall due. PGL has pledged its own assets as security which comprise a number of successful businesses trading globally.

107. While the Directors' Report (quoted above) made reference to 100% of subscription monies not having been deployed to the Factoring Companies, with the balance being transferred to PGL, the Financial Statements did not disclose the amounts involved, namely that out of the proceeds from the issue of preference shares of £14m only about 40% had been deployed to the Brazilian Factoring Companies, with the balance having been transferred to PGL. Nor did the Financial Statements state the amounts deployed to Brazil for each cell.
108. The Financial Statements contained no provision against the possibility that either the subscription monies deployed to the Factoring Companies or the amounts transferred to PGL would prove irrecoverable.

Events after the accounts were signed

109. Also on 27 April 2016, PwC provided a management letter to PIF's board. This was entitled "Audit findings" and included the following information:

- (1) After referring to the remarks in their Audit Plan concerning the actual cash management strategy adopted by PIF and to the absence of the segregated bank accounts at the Factoring Companies which were promised in the Scheme Particulars, PwC continued: *"in our opinion, had this fundamental information been made available to investors at the time of investment the additional information could possibly have led investors to form a different view about their investment strategy and [the] risk [of] investing in PIF. It is also noted that the signed financial statements will be the first time that these fundamental amendments will have been communicated to historic investors"*;
 - (2) In relation to lack of management oversight and effective discharge of duties of governance, PwC said: *"... Board level decisions dealing with transactions, operations and flow of funds have been made by a single, connected and controlling member of the Board [ie Mr Buzaneli] with limited evidence of formal ratification of decisions made or actions taken by either Board of PIMIL or PIF during the periods subject to audit"*;
 - (3) In relation to going concern assessment and recoverability of loan receivables, PwC said: *"During the periods subject to audit, no formal going concern assessment or review was completed by PIF with respect to the recoverability of the loan receivables outstanding from the Factoring Company or the cash balances transferred to the group Parent [ie PGL]"*;
 - (4) Under further qualitative findings, PwC said that it had: *"... identified that all of the funds received to settle the repayment of matured Cells was received from PGL as opposed to Providence Fomento, facilitated by the Loan Framework Agreement"*.
110. These points were not included in the financial statements or otherwise communicated by PwC to preference shareholders in PIF, or those who might be considering subscribing to PIF.
 111. On 28 April 2016, Mr Luff chased Mr Everitt for the settlement of the outstanding £40,000 of invoices issued in December 2015 and agreed for payment in January 2016.
 112. On 7 June 2016, the SEC began proceedings in the United States to put a stop to the fraudulent offering of securities in the United States by entities of the Providence group.
 113. On 17 June 2016, the GFSC wrote to the boards of PIF and PIMIL making reference to the Motion filed by the SEC and asking for confirmation that the directors PIF were in a position to sign reliable solvency certificates as well as confirmations and information on other detailed matters.
 114. On 21 June 2016, the GFSC wrote to Lumiere imposing conditions on the operation of PIF, including that no further subscriptions should be accepted. On 7 July 2016, the GFSC imposed further restrictions on PIF.
 115. On 22 July 2016, PwC wrote to PIF announcing its resignation as PIF's auditor and stating that: *"there are no circumstances connected with our ceasing to hold office ... which we consider should be brought to the attention of the Company's members or creditors"*.

116. On 9 August 2016, Administration Managers were appointed in respect of PIF by the Royal Court of Guernsey made on an application by the GFSC.
117. The Administration Managers have found that, at the date of their appointment, PIF owed in the region of £37,225,117 to investors and had no material realisable assets.

PwC's negligence and breach of duty

118. In breach of the duties and obligations which it owed to PIF, PwC conducted its audits of PIF negligently, failed in its reporting duties and reported negligently on PIF's financial statements, as set out below.
119. PwC failed to obtain and/or to act upon either a deep or any adequate understanding of PIF's business model. By 31 December 2014, the proportion of investors' subscriptions to PIF being invested in Brazil was on a strongly downwards trajectory and had reached a point where only 40% was being invested in Brazil with the remaining 60% being passed to PGL. The information which PwC obtained, or ought to have obtained, concerning PIF's business model indicated that fraud might, and probably did, exist and constituted evidence that PIF's financial statements were likely to be materially misstated due to fraud. This information included the following:
- (1) PIF's Scheme Particulars (which PwC considered) promoted the Scheme as unlocking "*High Fixed Income Returns from Brazil*" and as aiming to provide an attractive rate of return at low risk;
 - (2) The Scheme Particulars made no reference to any tax or other difficulties in paying or receiving money from Brazil or to any proposal or need to retain a large proportion of investors' subscriptions outside Brazil altogether and to pay them to PGL;
 - (3) By the time PIF was paying 60% of investors' subscriptions to PGL and only 40% to Brazil, the scheme was functioning as a means of raising money for PGL's use, with subsidiary investments in Brazil. That was not the basis on which the Scheme was described in the Scheme Particulars. Raising money on one basis and using it on another was fraudulent;
 - (4) In order for the 40% remitted to Brazil to generate the 24% return on all subscriptions which PIF expected, the Brazilian Factoring Companies needed to deliver returns of 60% pa, after all local costs and foreign exchange risks and during a period when the Brazilian Real was devaluing heavily. Such returns are implausible and suspiciously high for a low risk investment;
 - (5) In order for the Brazilian Factoring Companies not only to generate the 24% return on investments but also to fund the return to investors of the 60% of the capital which was not remitted to them but taken by PGL, they needed to generate a return in the region of 125% pa (assuming an 18 month investment) and again after all local costs and foreign exchange risks over a period when the Brazilian Real was devaluing. Such returns were not credible;

- (6) If reliable returns of 60% or more could be obtained from Brazil, it made no commercial sense for the Providence Group to be steadily reducing the proportion of the available capital which was deployed to Brazil and instead to spend it on day-to-day expenditure elsewhere;
 - (7) Despite PwC's resolution in its audit plan to obtain supporting documentation for the "*rationale underpinning the transfer of investor funds from PIF to PGL*", as this was not what PwC expected, no credible documented rationale was ever produced;
 - (8) In short, PIF's apparent business model was incoherent and made no commercial sense but gave clear indications that the true function of the scheme was simply to funnel money to PGL upon the pretence to investors that it was being invested in Brazil. This was fraudulent.
120. PwC failed to attach proper significance to the complete absence of internal controls within PIF over the periods it was auditing, in that:
- (1) PIF was operating a business plan (of transferring more investors' funds to PGL than to Brazil) which was inconsistent with its Scheme documents and which had not been formally adopted on behalf of PIF;
 - (2) Control over the use of funds resided solely with Mr Buzaneli, with a total absence of oversight from the board of PIF or anyone else;
 - (3) Mr Buzaneli had a stark conflict of interest since he was a director of and had a dominant ownership interest in PGL, which was receiving the lion's share of the money;
 - (4) There was no documentation in place setting out the basis on which funds were transferred to PGL or that BPA Fomento was accepting responsibility for funds it was not receiving (the Loan Framework Agreement did not exist until October 2015);
 - (5) PIF had made no assessment of the creditworthiness of PGL, notwithstanding that PGL was receiving most of the investors' money.
121. PwC failed to obtain and/or to act upon a proper understanding of Providence Fomento's financial strength, or lack thereof. As at 31 December 2014:
- (1) PIF's accounts showed investment loans receivable from Providence Fomento and BPA Fomento of £18.9m, almost all of which was due from Providence Fomento;
 - (2) Providence Fomento's accounts for the year ended 31 December 2014 (sent to PwC on 23 October 2015) showed total assets of £9.4m, profits for the year of £342,000 and equity of £354,000. Providence Fomento was not good for a liability of £18.9m;
 - (3) Out of the assets in Providence Fomento's accounts only £3m were receivables from clients. Thus, out of the £7.9m deployed to Brazil by PIF by 31 December 2014, only 37% was being used in debt factoring, which meant that, out of the £18.8m of

Preference Shareholders' assets in PIF's accounts, only 16% could actually have been used in debt factoring in Brazil;

- (4) It was, therefore, impossible for Providence Fomento to generate the returns from debt factoring upon which PIF's business model was predicated.
122. PwC failed to obtain and/or to act upon a proper understanding of PGL's creditworthiness, or lack thereof. PGL's guarantee was PIF's only recourse if Providence Fomento failed to generate the returns needed to pay interest and repay capital on the 60% of investors' money which Providence Fomento itself never received (a sum of over £10m as at 31 December 2014). In addition PGL was meant to function as security for Providence Fomento if it was unable to pay interest and return capital on the 40% which it did receive. PGL's total liability as a guarantor as at 31 December 2014 was £18.8m. The evidence available to PwC demonstrated that PGL was not creditworthy for such a sum:
- (1) PIF held no evidence that PGL was solvent;
 - (2) PGL was unaudited, so that there were no audited accounts available for review;
 - (3) As PwC was told on 8 July 2015, PIF had not assessed PGL's reliability as a guarantor;
 - (4) PGL's use of money from PIF to meet day-to-day expenditure raised questions over PGL's solvency;
 - (5) PGL's own review, sent to PwC on 19 August 2015, showed that the £10m transferred to PGL by PIF by 31 December 2014 had been dissipated without leaving any trace on PGL's balance sheet;
 - (6) The same review showed that, as at 31 December 2014, PGL had net current liabilities of £5.9m. PGL was unable to pay £18.8m out of current assets. Indeed, this was effectively admitted by Mr Tattersall's email to PwC of 13 April 2016 when he said that: *"Admittedly time may be needed to leverage or dispose of those enterprises to yield the cash to discharge the guarantee"*;
 - (7) The only significant assets in PGL's balance sheet in its review were described as unrealised gains on investments in subsidiary undertakings and totalled £83m. No reasonable or prudent reliance could be placed on unrealised gains in unaudited accounts for assets which did not have an ascertainable market price;
 - (8) As PwC noted, the bulk of the financial support that could be offered by PGL went back to BPA Fomento (Mr Tait on 12 January 2016) and BPA Fomento held the lion's share of the PGL group's value (Mr Tait on 4 March 2016). However, BPA Fomento's accounts (sent to PwC on 23 October 2015) showed it to be balance sheet insolvent with net liabilities of £465,000. There were therefore no assets in BPA Fomento which could be relied upon to support PGL's guarantee and it was not credible that this business could account for unrealised gains of £83m;

- (9) Further, if PGL could realise some value from BPA Fomento, that value would be at risk of erosion due to the exchange rate risk on the Brazilian Real and the taxes asserted by PIF to apply to money remitted from Brazil;
 - (10) In short, no prudent management of PIF could place reliance on PGL's guarantee and no reasonably competent auditor could regard such reliance by management as a reasonable judgment.
123. By 11 May 2015, at the latest, and at all times thereafter, PwC had obtained, alternatively ought to have obtained, information indicating that a fraud might, and probably did, exist in that PIF was being operated as a vehicle to defraud investors by raising money for investment in Brazil and then channelling most of that money to PGL, which had made no commitment to repay it and had no apparent means of repaying it with the result that investors' funds were at grave risk of loss. PwC had or ought to have had such information because by 11 May 2015 PwC had gathered substantial information on PIF, had concluded its exercise of gaining an understanding of the business (over the period from 13 to 23 April 2015), had formalised its thinking to the extent of producing a client service plan and thereby had, or ought to have had, information that:
- (1) Only 40% of investors' money received by PIF was being invested in Brazil;
 - (2) The remaining 60% was not securely retained by PIF but was being transferred to PGL and used to meet day-to-day expenditure;
 - (3) This practice was contrary to the Scheme Particulars and PIF was continuing to raise money on the basis of those Scheme Particulars;
 - (4) The supposed business model under which this practice was taking place made no commercial sense;
 - (5) This practice had become established in a climate where, throughout the period under audit, there was a complete absence of internal controls within PIF, with movements of funds controlled solely by Mr Buzaneli, and an equally complete absence of documentation recording the status of the 60% of funds diverted to PGL;
 - (6) Mr Buzaneli had an acute conflict of interest as a director of PIF, which was making gratuitous payments to PGL, and as director and owner of PGL, which was receiving those payments;
 - (7) There was no evidence that PGL was solvent and the very fact that over £10m of investors' money had been diverted to it in the above circumstances suggested that it could not be relied on;
 - (8) All of the matters quoted above from PwC's management letter of 27 April 2016 were or ought to have been known to PwC by 11 May 2015 and each of them was a strong indicator of fraud or of investors' assets being at risk. In particular, PIF's habit, identified by PwC, of settling the repayment of matured cells with funds received from PGL (to which PIF was paying most of the investors' money) rather than with any proceeds of the factoring business supposedly carried on by Providence Fomento,

was precisely characteristic of a Ponzi scheme under which money from new investors is used to pay off those fortunate enough to have asked for their money back;

- (9) The protected cell structure of PIF meant that investors in cells from which all or nearly all the funds had gone to PGL were at risk of being disadvantaged as against those cells whose money, or some of it, had in fact been invested in Brazil and, further, the former investors were entirely exposed to a risk which had not been disclosed in the Scheme documents and which they had not agreed to take.

124. In the circumstances set out in the previous paragraph, from 11 May 2015, at the latest, PwC was (until its resignation) under a continuing duty to PIF to:

- (1) Report promptly to the GFSC that it had obtained information that indicated that a fraud might exist and/or probably did exist and/or that investors' funds were at grave risk of loss, with investors in some cells being at even greater risk than others;
- (2) Provided that, and as soon as, it was satisfied that to do so would not amount to a "tip-off", to report the same matters to the directors of PIF (or such of them as were not under suspicion);
- (3) Failing making the reports above, or in the event that no satisfactory action was taken on such reports, to resign and report the same matters as circumstances that needed to be brought to the attention of members or creditors of PIF in accordance with s.273 of the Companies Law.

125. PwC was under a particular duty to take such action promptly because:

- (1) It had been held out to investors as PIF's auditor in the Scheme Particulars;
- (2) On 6 January 2014, it had issued a clean audit report on PIMIL's financial statements for the period ended 24 July 2013;
- (3) It was conducting the first audit of PIF's business;
- (4) By May 2015, PIF's accounts for the period to 31 December 2013 were overdue by 10 months, PIMIL's accounts for the year to 24 July 2014 were overdue by 3 months, and PIF's accounts to 31 December 2014 would become overdue at the end of the following month (June 2015);
- (5) PIF was continuing to take money from investors. Every day that passed therefore brought an acute risk of fresh losses to investors.

126. In continuing breach of its duties and obligations, PwC failed to report the necessary matters to the GFSC or to appropriate persons at PIF either by 11 May 2015 or thereafter (save that PwC did express to PIF by its audit plan that there was a breach of the Scheme Particulars). PwC further failed to resign until 22 July 2016, when it stated that there were no matters connected with its ceasing to hold office that it considered ought to be brought to the attention of PIF's members or creditors.

127. PwC's continuing duty to report after 11 May 2015 was intensified by its acquisition of the additional information pleaded above at paragraphs 121(2)-(4) and 122(3), (5)-(8) and by the information which it ought to have obtained through an adequate subsequent events review (as pleaded below).
128. PwC failed to conduct the audit of PIF's financial statements for the period from 1 October 2012 to 31 December 2013 with expedition. Those statements were due to be filed by 30 June 2014 and, for the reasons set out above, the production of prompt audited financial statements was particularly necessary for the information of preference shareholders, those considering becoming preference shareholders and the GFSC. Instead of prioritising the completion of the audit for this period, PwC suggested and encouraged (for example at the meeting on 8 July 2015) delaying work in Brazil so that the 2014 audit could be completed at the same time.
129. Had PwC pursued the 2013 audit with proper expedition, it would have been completed by the end of 2015, at the latest.
130. PwC failed to report the necessary matters, and made inaccurate reports, to the GFSC at the meeting attended by PwC on 9 November 2015. In particular:
- (1) Mr Luff of PwC told the GFSC that Providence was a unique product and that it was an unusual scenario which had led to challenges for the team at PwC, but failed to explain that PIF was breaching the Scheme Particulars, that its business plan made no sense at all and the information indicative of fraud and risk of loss to investors set out above;
 - (2) Mr Luff said that, throughout the process full visibility had been provided by the board in Guernsey, but failed to explain the total lack of evidence that PGL was good for the £10m received by it as at 31 December 2014 and further monies received since;
 - (3) Mr Luff said that, as cash paid into PIF had been used by different parts of the Providence Group, PwC were conducting a global review of the group to satisfy themselves with the financial position of the group and to ensure appropriate documentation was in place for certain transactions. This reassuring statement was untrue since PwC was not conducting, and never conducted, a total review of the financial position of the Providence group;
 - (4) By November 2015, PwC knew or ought to have known that any value within PGL was dependent upon the Brazilian Factoring companies, that of those two companies only BPA Fomento was relevant as support for PGL's guarantee to PIF and that BPA Fomento had net current liabilities. There was therefore no support for PGL's guarantee and the GFSC ought to have been informed of this.
131. PwC again failed to report the necessary matters, and made inaccurate reports, to the GFSC at the meeting attended by PwC on 17 December 2015. In particular:
- (1) Mr Luff told the GFSC that the accounts were not yet ready but that everything that could be done in Guernsey had been done and they were waiting on Brazil but once

more failed to explain that PIF was breaching the Scheme Particulars, that PIF's business plan made no sense at all and the information indicative of fraud and risk of loss to investors set out above;

- (2) Mr Luff went on to tell the GFSC that the initial draft review of itself by PGL had not raised any issues. However, that review was wholly inadequate and showed that:
 - (a) As at 31 December 2014, PGL's liability on its guarantee to PIF stood at £18,825,428 against which PGL had net current liabilities of £5,938,925; and
 - (b) PGL's fixed assets consisted of investments in subsidiary undertakings valued at £86,102,290 of which almost all was represented by unrealised gains on investments in BPA Fomento (which was presumably the company Mr Luff was referring to when he mentioned that the bulk of the net assets of the group sat in another factoring business which had not been audited) and which had net liabilities of £465,000 and was not a credible source of £86m of gains.
- (3) When Mrs Sealey of the GFSC asked if there were any protection of investor concerns that needed to be addressed Mr Luff failed to intervene when Mr Parry said that there were not. Mr Luff ought to have informed the GFSC that there were certainly protection of investor concerns that ought to be addressed.

132. PwC again failed to report the necessary matters, and made inaccurate reports, to the GFSC at the meeting attended by PwC on 29 January 2016. In particular:

- (1) Mr Luff explained that PwC had not been able to get the comfort they required from a review of the working papers of the Brazilian auditor of the Providence factoring companies in Brazil, but failed to explain that, since PGL had negative current assets and its balance sheet depended entirely on its subsidiaries in Brazil and the key subsidiary, BPA Fomento, was balance sheet insolvent with net liabilities, it remained the case that there was no support whatsoever for PGL's solvency;
- (2) After Mrs Sealey enquired about additional cell launches by PIF and requested that the Commission be kept informed as and when any issues arose from the audit process, Mr Luff once more failed to explain that PIF was breaching the Scheme Particulars, that later cell subscribers were at even more risk than earlier cell subscribers, that PIF's business plan made no sense at all and the information indicative of fraud and risk of loss to investors set out above.

133. As explained below, PwC acted negligently and in breach of duty in giving a clean audit report on the Financial Statements of PIF for the period from 1 October 2012 to 31 December 2013 and for the year ended 31 December 2014.

134. The Financial Statements of PIF for the period from 1 October 2012 to 31 December 2013 and for the year ended 31 December 2014 did not show a true and fair view because, in the case of the year ended 31 December 2014:

- (1) Although the Directors' report referred briefly to: "*the deployment of 100% of subscription monies to the Factoring Companies ... not always [being] required in order*

to generate the agreed investor return”, this information was misleading and incomplete, as were the financial statements as a whole, as it was not explained that:

- (a) The proportion of investors’ subscriptions not deployed to the Factoring Companies had reached 60%; and
- (b) The position varied from cell to cell and that in the case of some cells little if any of the amounts subscribed had been invested in Brazil.

Both these matters were highly material information for a user of the financial statements to know;

- (2) The note on Credit Risk at 12(c) contained the untrue and misleading statement that: *“PGL has pledged its own assets as security which comprise a number of successful businesses trading globally”*;
- (3) This statement was untrue and misleading because PGL’s assets did not comprise: *“a number of successful businesses trading globally”*. On the contrary:
 - (a) PGL’s assets comprised only two possibly significant businesses, namely BPA Fomento and Providence Fomento;
 - (b) Those businesses did not trade globally but in Brazil;
 - (c) Only BPA Fomento was relevant to PGL’s role as guarantor because PGL’s ownership of Providence Fomento did not add anything to Providence Fomento’s own commitment;
 - (d) Thus, so far as material to its status as guarantor, PGL only had one asset, namely BPA Fomento, and that did not trade globally;
 - (e) Nor was BPA Fomento a successful business, given that it was balance sheet insolvent and had net liabilities;
 - (f) The statement was misleading because it conveyed the impression that PGL was a valuable guarantor because it had a globally diversified asset base when in fact PGL’s only significant assets were subject to exactly the same risks as PIF’s intended primary business of investing in debt factoring in Brazil.
- (4) The financial statements did not contain a full provision for the risk that the £11m advanced to PGL would prove irrecoverable. Such a provision was necessary because, as explained above, no reasonable board of directors could regard PGL as creditworthy or Providence Fomento as good for a total liability of £18.9m, which included £11m which it had never received;
- (5) The stated judgment of the directors that they were satisfied that PGL had sufficient resources to meet any required obligations as they fell due was not a reasonable or tenable judgment for the directors or auditor to hold, given that even PGL’s unaudited figures showed negative net assets and balance sheet solvency reliant on unrealised

gains on factoring businesses in Brazil. It could not be said that PGL could be relied on to meet required obligations of up to £18.8m as they fell due;

- (6) The financial statements did not contain a provision for the risk that at least a substantial part of the £7.9m advanced to Providence Fomento would prove irrecoverable. Such a provision was necessary because, in the circumstances pleaded in paragraph 121 above, no reasonable board of directors could regard Providence Fomento as good for a liability of £7.9m; and
 - (7) The directors' stated reasonable expectation that the Company had adequate resources to continue in operation for the foreseeable future (which was repeated at note 2(b)) was wholly unwarranted given that (a) PIF had run out of cash (to the point where it was not paying PwC's bills even when it wanted the audit signed off) and (b) connectedly, the level of deployment to Brazil had fallen to 3%, rendering PIF's business defunct.
135. PwC acted negligently in giving a clean audit report on the Financial Statements of PIF for the period for the year ended 31 December 2014 because:
- (1) The audit report ought to have been disclaimed or qualified due to the risk of material misstatement due to fraud, as to which PwC had or ought to have obtained information as pleaded above;
 - (2) PwC knew or ought to have known of the misstatements pleaded at paragraph 134(1)-(6) above;
 - (3) Had PwC conducted an adequate post balance sheet events review (which was particularly necessary given the lapse of time between completion of most of the audit work by June 2015 and the audit sign off in April 2016) it would have known of the misstatement pleaded at paragraph 134(7) above.
136. The Financial Statements of PIF for the period from 1 October 2012 to 31 December 2013 did not show a true and fair view, and were negligently reported on by PwC for, *mutatis mutandis*, the same reasons as those for the year ended 31 December 2014.
137. Failing corrections to PIF's financial statements in the respects identified above, PwC ought to have qualified their audit reports and drawn attention to those matters. PwC ought further, and in any event, to have drawn attention to the circumstances which cast significant, indeed overwhelming, doubt on PIF's ability to continue as a going concern.
138. PwC acted negligently and in breach of duty in informing PIF on 22 July 2016 that there were no circumstances connected with its ceasing to hold office as auditor which it considered should be brought to the attention of PIF's members or creditors. PwC ought to have brought it to the attention of PIF's members and creditors that the company was not a going concern, that it was insolvent and that it had obtained information that a fraud might, and probably did, exist.
139. PIF reserves the right to plead further as to PwC's negligence upon disclosure of PwC's audit files and related papers, which PwC has thus far refused to disclose.

Loss and damage

140. Had PwC discharged its duties and obligations to PIF, either the directors and management of PIF or the GFSC, or both, would have ensured that promptly upon receipt of the necessary report from PwC, PIF ceased to accept further subscriptions from investors and collected in all assets within its reach. PIF would then have avoided the loss of £14,012,730.38 in investors' money received and disbursed after 11 May 2015.
141. Alternatively, the following table indicates the losses that would have been avoided had PwC discharged its duties and obligations to PIF, such that PIF ultimately would have ceased to accept further subscriptions and collected in all assets, as at each month end after 11 May 2015 and up to 31 May 2016:

Date	Gross pref. shares issued (i.e. including rollover amounts)	Net pref. shares issued (i.e. losses that would have been avoided)
11/05/2015	26,696,532.50	14,012,730.38
31/05/2015	26,236,720.22	13,702,918.10
30/06/2015	24,119,960.01	11,893,657.89
31/07/2015	23,092,503.18	10,866,201.06
31/08/2015	21,263,428.94	9,554,096.33
30/09/2015	19,138,558.91	8,000,146.52
31/10/2015	16,442,093.62	6,493,216.90
30/11/2015	12,383,927.43	5,741,870.29
31/12/2015	10,340,495.07	4,462,060.51
31/01/2016	9,141,321.16	3,943,190.76
29/02/2016	8,142,381.13	3,885,876.75
31/03/2016	7,323,048.98	3,501,574.43
30/04/2016	5,732,171.68	2,784,662.82
31/05/2016	2,692,667.08	1,922,414.62

And the Plaintiff claims:

- (1) Damages as set out above;
- (2) Interest at a rate that the court thinks fit pursuant to the Judgments (Interest) (Bailiwick of Guernsey) Law, 1985;
- (3) Further or other relief;
- (4) Costs.

Dated this 14th day of December 2018

A handwritten signature in black ink, appearing to read 'Mathew Newman', is written over a horizontal dotted line.

Mathew Newman
Advocate for the Plaintiff