

7 JULY 2016



**CME CAPITAL AUSTRALIA PTY LTD
ACN 006 054 995 (“CME”)
BOSTON PACIFIC CAPITAL PTY LTD
ACN 167 099 087 (“BPC”)
GKN CAPITAL PTY LTD
ACN 006 582 887 (“GKN”)
(ALL IN LIQUIDATION)
(COLLECTIVELY THE “FUNDRAISING ENTITIES”)**

FIRST REPORT OF THE OFFICIAL LIQUIDATORS

Table of Contents

1.	Introduction	1
2.	Background of the Fundraising Entities	1
2.1.	General Findings Regarding Related and Associated Parties	3
3.	Corporate Information and Provisional Liquidators' Report	3
3.1.	Key Findings of the Provisional Liquidators.....	3
4.	Winding Up of the Fundraising Entities	7
5.	Summary of Known Assets and Liabilities of the Fundraising Entities	8
6.	Flow of Funds	9
7.	Liquidators' Assessment of Recoverable Assets	12
8.	Potential Actions Available to the Official Liquidators	19
8.1.	Antecedent Transactions.....	19
8.2.	Recoveries from the Director in Relation to Civil Breaches of the Act	20
9.	Option for a Deed of Company Arrangement ("DOCA")	21
10.	Likelihood of a Dividend to Creditors	24
10.1.	Timing of Dividend to Creditors	25
11.	Other Statutory Requirements.....	25
12.	Meeting of Creditors and Committees of Inspection.....	26
13.	Receipts and Payments Summaries	27
14.	Remuneration of the Provisional Liquidators	27
15.	Remuneration of the Official Liquidators	29
16.	Summary and Way Forward.....	30
17.	Further Queries	31

1. Introduction

We refer to previous Notices to Investors and Creditors of the Companies.

As creditors are aware, Mr Ross Andrew Blakeley and Mr Quentin James Olde were appointed Joint and Several Provisional Liquidators ("**Provisional Liquidators**") of the Fundraising Entities, IMCG Pty Ltd ("**IMCG**") and Boston Pacific Capital Australia Pty Ltd ("**BPCA**") on 21 December 2015, pursuant to an order made by the Federal Court of Australia ("**Court**") and following an application made by the Australian Securities and Investments Commission ("**ASIC**").

The main role of the Provisional Liquidators was set out in the Court Order. Specifically, the Provisional Liquidators were required to prepare a report to the Court and ASIC concerning the Fundraising Entities, to include an assessment as to their assets and liabilities, an opinion on their solvency, the likely return to creditors and any suspected contraventions of the Corporations Act 2001 ("**Act**").

This report was submitted to the Court and ASIC on 24 February 2016.

Following submitting the report the Provisional Liquidators conducted limited further investigations and took minimal other actions whilst awaiting the outcome of ASIC's application to wind up the Fundraising Entities.

ASIC's application to wind up the Fundraising Entities (and IMCG and BPCA) was heard on 16 May 2016, where the Court ordered that the Fundraising Entities be wound up and Mr Blakeley and Mr Olde be appointed as Official Liquidators.

The focus of the administration of the Fundraising Entities' affairs took a different direction following the order for the winding up. The powers, purpose and role of the (now) Official Liquidators changed. The focus of the Official Liquidators is now and has been to assess the options available and take further steps to protect the Fundraising Entities' assets with the objective of maximising the return for creditors.

The provisions of the Act also allow the Official Liquidators to hold meetings of creditors which have been convened for 12 July 2016.

The purpose of this report is to provide creditors of the Fundraising Entities with information regarding the provisional liquidations, and in particular with an update on the Official Liquidators' further investigations, actions and options going forward in the liquidations.

This report is not for general circulation or publication and it is provided specifically for the benefit of the Creditors. It is not to be quoted from or reproduced or used for any other purpose without the express consent of the Official Liquidators.

2. Background of the Fundraising Entities

Each of CME, BPC and GKN were involved in raising investor funds and loaned these monies to various entities that invested in capital markets, equities and property. Their websites offered fixed term fixed rate loans by way of unsecured loan notes with rates of return higher than the big four banks.

It is noted that the fundraising entities were investment platforms allegedly directed at Professional Investors, as defined by Section 9 the Corporations Act. We have provided the definition of Professional Investor in **Annexure A** to this report.

Based on our enquiries and information provided to us to date, we provide below a history of the Companies and events leading to the appointment of the Provisional Liquidators.

Timeline of key events		
Date	Relevant Entity(s)	Key event
2006	N/A	Mr Branislav Grujicic, current director of IMCG, commences work as an apprentice mechanic at Mr Michael Petrou's Ultratune franchise.
2011	N/A	Mr Grujicic begins trading securities as a hobby including attending Trading Pursuits seminars over this period.
5/02/2013	Boston Pacific Consulting	Boston Pacific Consulting is incorporated. It provides consulting services to the Fundraising Entities.
5/12/2013	Boston Pacific Capital	Boston Pacific Capital Pty Ltd is incorporated.
15/01/2014	Boston Pacific Capital	Loan agreement between Boston Pacific Capital and Loma / IMCG are dated.
1/02/2014	Boston Pacific Capital	IMCG Pty Ltd was first advanced monies from BPC.
15/03/2014	Boston Pacific Capital Australia	Mr Petrou appointed sole director of Boston Pacific Capital Australia.
8/04/2014	Boston Pacific Capital Australia	RE & DJ Thomas Pty Ltd name is changed to Boston Pacific Capital Australia Pty Ltd.
1/05/2014	Boston Pacific Capital	Loma Estate Pty Ltd was first advanced monies from BPC.
25/07/2014	Boston Pacific Capital Australia	Loan agreement between Boston Pacific Capital Australia and Loma / IMCG signed.
18/08/2014	CME	Mr Petrou appointed sole director of CME.
20/08/2014	CME	John R Seeley & Co Pty Ltd name is changed to CME Capital Australia Pty Ltd.
1/09/2014	CME	Loan agreement between CME Capital and Loma / IMCG signed.
1/02/2015	CME	CME first advanced monies towards the purchase of properties in Indiana, USA
1/06/2015	GKN	Mr Petrou appointed sole director of GKN.
10/06/2015	GKN	N. & L. Freegard Pty Ltd name is changed to GKN Capital Pty Ltd.
10/06/2015	CME	Berkshire NWI Invest LLC incorporated in the state of Delaware in the United States.
18/06/2015	CME	Properties are purchased in USA.
25/06/2015	GKN	Loan agreement between GKN and Loma / IMCG signed and funds advanced.
1/07/2015	CME	Loan agreement between CME, BPC, BPC Aust and GKN and Berkshire signed and funds advanced.
1/08/2015	All	ASIC commenced investigation under s13(1) of the ASIC Act against the CME Group.
10/12/2015	All	Voluntary Administrators appointed (BDO).
21/12/2015	All	Appointment of Provisional Liquidators.

2.1. General Findings Regarding Related and Associated Parties

Our initial investigations have revealed that three parties in particular, Mr Petrou, Mr Grujicic and Mr Garita have had significant recent and prior business dealings regarding the Fundraising Entities, based on review of email correspondence and other investigations.

We have provided a summary of the relevant related and associated parties at **Annexure B** to this report.

3. Corporate Information and Provisional Liquidators' Report

A summary of the corporate details of the Companies obtained from ASIC's database is included at **Annexure C**.

3.1. Key Findings of the Provisional Liquidators

The matters that the Provisional Liquidators were required to report on and their observations are as follows:

a) The identification of the assets and liabilities of each of the Companies

The main assets of the Fundraising Entities were cash at bank totaling approximately \$318,000 and unsecured loans to IMCG, Loma Estate Pty Ltd ("**Loma**")/QOD Property Group Pty Ltd ("**QOD**") and Berkshire NWI Invest LLC ("**Berkshire**"). Set out below is a summary of the key assets:

CME Group - Investments made by Fundraising Entities and other assets			
Entity	Invested Funds (est)	Rate of interest p.a.	Summary of Assets
IMCG Pty Ltd	\$8.7m	13.0%	<p>Since the start of 2014, IMCG's primary business has been the investment of funds in Contracts For Difference, as well as other financial instruments through IG Markets, Saxo Capital Markets and Interactive Brokers. The trading is completed by the director, Branislav Grujicic, who began trading financial instruments in 2011 as a hobby.</p> <p>Prior to 2014, Grujicic and IMCG ran an online eBay store, and currently has a registered trade mark for Sapphire Stone, which is a type of cookware.</p>
Loma Estate Pty Ltd	\$2.0m	9.0%	<p>Loma Estate is a property development company. Its current director is Ashlee Garita, daughter of Lou Garita, a bankrupt who was the previous director of Loma and has had previous dealings including property development involvement with Mr Petrou.</p> <p>Loma has acquired one site at 680 Calder Highway, Maiden Gully, and apparently intended acquiring a further site at 708 Calder Highway in May 2016. It has applied for planning applications in respect of a residential development for around 300 residential lots. Win Securities Ltd provided initial mortgage funding, with the Fundraising Entities providing unsecured mezzanine funding.</p>

CME Group - Investments made by Fundraising Entities and other assets

Entity	Invested Funds (est)	Rate of interest p.a.	Summary of Assets
Berkshire NWI Invest LLC	\$1.7m	8.0%	<p>Berkshire LLC is a US-incorporated entity with Mr Petrou as its sole director. Based on our searches, Berkshire has acquired 21 properties in and around Hammond, Indiana, over the period June to September 2015. These properties have been renovated and currently either tenanted or are available for rent.</p> <p>Two property agents, Home Connection Realty and Property Boss, currently manage the properties on behalf of Berkshire.</p>
Mamounia Pty Ltd	\$58k	2.5% per month	<p>Client of Cornwall Stodart. CME's records indicate that the amount of \$58,820 was advanced to Mamounia, with the loan repayable with interest on 9 February 2016.</p> <p>Mamounia repaid the amount of \$66,370 inclusive of interest on 5 April 2016.</p>
Alex Petrou	\$80k	10.0%	<p>Brother of Michael Petrou. The amount of \$80,000 was transferred to Alex Petrou in June 2015 from BPC.</p> <p>This was in accordance with an email exchange between Mr Petrou and Mr Alex Petrou in September 2015.</p> <p>The loan was on an unsecured basis and repayable with interest of 10% per annum at maturity on 23 June 2017.</p>
Limos Online Australia Pty Ltd ("LOA")	\$45k	Unknown	<p>Mr Petrou is the sole shareholder of LOA and his wife, Ms Natalia Petrou, is the sole director.</p> <p>The debt owing by LOA is not recorded in the accounts of the Fundraising Entities.</p> <p>Mr Petrou swore in an affidavit submitted to the Court that an at-call loan exists from CME to LOA for \$45,000.</p>
4DX Pty Ltd	\$50k	Unknown	<p>Mr Alex Petrou is one of the Directors and a shareholder of 4DX.</p> <p>According to the records of BPC, it loaned approximately \$50,000 to 4DX in July 2014. Little else is known.</p>

The Fundraising Entities entered into loan agreements with each of Loma, Berkshire and IMCG (collectively, the Borrowing Entities) as below:

Borrowing Entities - Loan Agreements summary			
Loan to	IMCG	Loma	Berkshire
Notes commencement date	15/01/2014	15/01/2014	1/07/2015
Term	6 years	6 years	6 years
Interest rate	13.0%	9.0%	8.0%
Interest calculation method	Compounded annually	Compounded annually	Compounded annually

The Loan Agreements all contain similar terms and were only formally entered into in July 2015, after the majority of funds were advanced.

Mr Petrou has admitted the Loan Agreements were backdated in the event that the Fundraising Entities went into liquidation. Mr Petrou commented that this was to protect the Borrowing Entities from a liquidator who may recall the monies early.

The Official Liquidators have reviewed the Loan Agreements and note the following:

- (i) No security is provided by the Borrowing Entities;
- (ii) The lender has no right to accelerate the agreement or to demand repayment in any circumstances;
- (iii) There are no events which would cause the Borrowing Entities to default on the loan;
- (iv) There is no clear mechanism to identify what funds are advanced under the agreements, whether any funds are advanced and, if so, on what date the funds are advanced;
- (v) There are no loan covenants;
- (vi) The loans can be extended by either the borrower or the lender providing notice;
- (vii) The amount repayable by the borrower can be reduced unilaterally by the borrower if the agreement is "substantially altered" (including by the appointment of liquidators to the lender); and
- (viii) The lender is responsible for the borrower's costs associated with the management of any dispute under the loan agreement.

Mr Petrou has advised that the Loan Agreements were drafted by him, without any independent input or advice from a lawyer.

The Official Liquidators consider the Loan Agreements disproportionately and unusually favour the Borrowing Entities and would be voidable against the Official Liquidators as uncommercial transactions. This is discussed in more detail later in this report.

Given our findings regarding Mr Petrou's relationship with Loma, Berkshire and IMCG, the advancing of monies and entering into of the Loan Agreements potentially represent breaches of duties by Mr Petrou as a director of the Fundraising Entities.

The Official Liquidators comment later in this report regarding the recoverability of the loans.

The Fundraising Entities liabilities mainly consist of loans to related or associated parties and monies owed to investors. A summary of known current investors of the Fundraising Entities as at the appointment of the Provisional Liquidators is provided below:

CME Group - Fundraising Entity Investor Summary			
Entity	Funds Raised (\$)	Investor Funds Owing (\$)	# of investors
CME Capital	14,620,298	10,940,301	95
Boston Pacific	2,481,113	1,788,966	26
GKN Capital	470,000	470,000	8
Total	17,571,411	13,199,267	129

Further details regarding the assets and liabilities of the Fundraising Entities is discussed at Section 4 of this report.

b) An opinion as to the solvency of each of the Companies

The Provisional Liquidators' investigations indicate the Fundraising Entities were possibly insolvent from January 2015 and were probably insolvent from August 2015.

A summary of the Provisional Liquidators' investigations and interim opinion are included at **Annexure D** of this report.

c) The likely return to creditors

Whilst the Provisional Liquidators provided an estimate of the likely return to creditors in their Report to the Court, this estimate was wide ranging. This was in particular due to the uncertainty surrounding the amount recoverable from Loma and potential recoverable amounts from antecedent transactions in a potential official liquidation.

Further investigations are required into the recoverability of assets and from actions uniquely available to a liquidator to provide a more accurate determination of the likely return to creditors.

However, an updated estimate of the likely return to creditors is provided at Section 9 of this report.

d) Any other information necessary to enable the financial position of the Companies to be assessed

The Provisional Liquidators identified the following further information that would be required to enable a more detailed assessment of the financial position of the Fundraising Entities:

- (i) Whilst Berkshire and Loma were requested to provide evidence of their financial position, Loma refused citing they were not required to provide this pursuant to the Loan Agreement and Mr Petrou, on behalf of Berkshire, advised that financial statements have not been prepared for Berkshire;
- (ii) Independent valuations of the Properties owned by Loma and Berkshire were requested but not provided;

- (iii) Source documentation to support the Fundraising Entities electronic accounting files (MYOB);
- (iv) Confirmation from parties such as Mr Alex Petrou, QOD and Mamounia Pty Ltd of their ability to repay their loans;
- (v) Further quantification of potential recoveries in liquidation;
- (vi) Confirmation of the taxation position of each of the Fundraising Entities; and
- (vii) Forensic images of additional devices (phones, tablets) operated by Mr Petrou and former contractors/employees.

e) Any suspected contravention of the Act by any of the Companies

The Provisional Liquidators identified that the Companies may have contravened the following sections of the Act:

- (i) Section 911A of the Act with respect to the requirement of a person who carries on a financial services business in Australia to hold an Australian Financial Services Licence unless an exemption applies;
- (ii) Section 727 of the Act, which prohibits a person from making an offer of securities unless a disclosure document has been lodged with ASIC;
- (iii) Not registering a Managed Investment Scheme pursuant to Section 601ED of the Act; and
- (iv) Engaging in an activity which would require disclosure to investors pursuant to Section 113 of the Act.

f) Any suspected contravention of the Act by the directors and officers of the Companies

The following possible contraventions of the Act by Mr Petrou were identified by the Provisional Liquidators:

- (i) Not exercising his powers and discharging his duties as a director with the care and diligence that a reasonable person in his position would exercise (Section 180 of the Act);
- (ii) Not exercising his powers and discharging his duties in good faith in the best interests of the Fundraising Entities and for a proper purpose (Section 181);
- (iii) Improperly using his position to gain an advantage for himself or someone else and causing detriment to the Fundraising Entities (Section 182); and
- (iv) Duty to prevent insolvent trading by the Fundraising Entities (Section 588G).

We understand that ASIC is still conducting further investigations regarding the possible breaches by Mr Petrou and the Fundraising Entities.

4. Winding Up of the Fundraising Entities

ASIC's application to wind up the Fundraising Entities, BPCA and IMCG was heard on 16 May 2016. At this hearing, the Court ordered that Mr Quentin Olde and I be appointed Joint and Several Official Liquidators of the Companies.

As previously advised, the judge hearing the matter, Justice Moshinsky, made the following findings at the winding up hearing:

- (i) The winding up of the Companies was not opposed by Mr Petrou;
- (ii) Mr Petrou accepted that the Companies are now insolvent;
- (iii) There is a justifiable lack of confidence in Mr Petrou's and Mr Grujicic's ("**Directors**") management of the Companies;
- (iv) The Directors appear to lack the necessary expertise and experience to operate a securities trading business. These are matters of serious concern, particularly in light of the representations made to investors by the Fundraising Companies;
- (v) The Companies have been operating an investment scheme which on the evidence currently before the Court involves a serious mismatch between short-term liabilities and long-term returns.

As a result, earnings on the investments made by the Companies did not generate sufficient funds to pay interest owing to investors with the Fundraising Companies. The Fundraising Companies were reliant on new investments to meet those liabilities;

- (vi) It appears that the affairs of the Companies may not have been conducted by the Directors with due regard to legal requirements;
- (vii) The evidence indicates that the Companies (among other things):
 - Failed to undertake appropriate due diligence in relation to a number of matters;
 - Failed to obtain security to support loans made to other entities;
 - Failed to document investment decisions; and
 - Lent funds in circumstances where there was a conflict of interest and on uncommercial terms.

5. Summary of Known Assets and Liabilities of the Fundraising Entities

Mr Petrou has provided his assessment of the assets and liabilities of the Companies in Reports as to Affairs ("**RATA**") submitted to the Provisional Liquidators. These are summarised at **Annexure E**.

The RATA'S submitted by Mr Petrou is his estimate only and does not reflect the Provisional Liquidators' views as to the assets and liabilities of the Fundraising Entities. We note that for many of the assets, Mr Petrou has advised that the net realisable value is "unknown".

The Fundraising Entities' records show the following book values for its major assets and liabilities:

Financial Positions of the Fundraising Entities as at 21 December 2015 - Book Values					
	Related Party (Y/N)	CME (\$)	BPC (\$)	GKN (\$)	Total Loans (\$)
Assets					
Cash at our Bank	N	414,780	23,971	1,646	440,397
Loans (Book Value, incl. Interest)					
IMCG	Y	7,956,565	515,282		8,471,847
Berkshire	Y	1,769,889			1,769,889
Loma / QOD	Y	1,887,152	167,023	107,839	2,162,014
Cornwall Stodart	N	52,937			52,937
Mamounia	N	58,820			58,820
Alex Petrou	Y		83,883		83,883
Limos Online Australia Pty Ltd	Y	45,000			45,000
4DX Pty Ltd	Y		50,000		50,000
Total Loans		11,770,363	816,188	107,839	12,694,390
Total Assets		12,185,143	840,159	109,485	13,134,787
Unsecured Creditors	N	12,738,643	1,958,388	500,980	15,198,011
Net Assets		(553,500)	(1,118,229)	(391,495)	(2,063,224)

Please note that the above financial positions reflect the assets and liabilities per the books and records of the relevant company and do not represent the Official Liquidators' assessment of estimated realisable values.

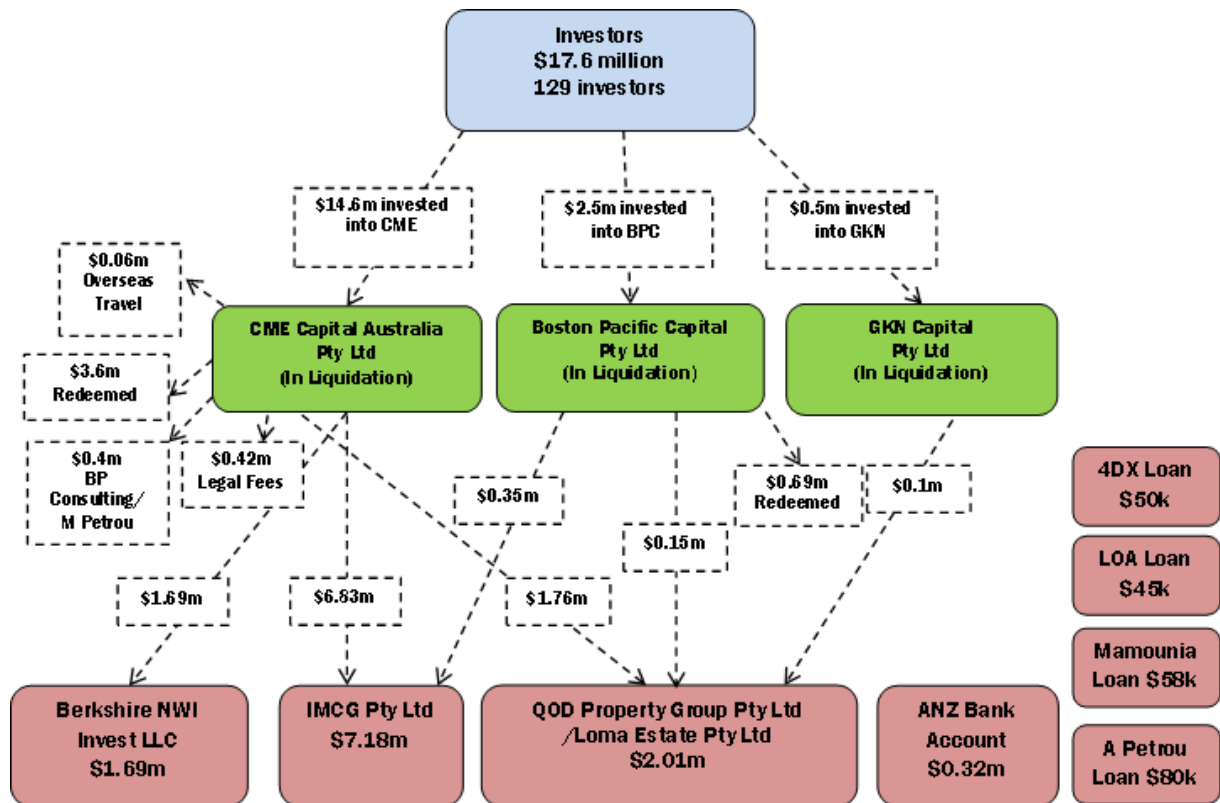
Based on book values however, there appears to be a shortfall in assets available to meet creditor claims.

6. Flow of Funds

The Official Liquidators' investigations reveal that approximately \$17.6 million was raised by the Fundraising Entities from investors and approximately \$4.4 million was repaid to investors as redemptions. As at 21 December 2015, there were 129 investors who were owed approximately \$13.1 million.

Provided below is a diagram that summarises the monies raised by the Fundraising Entities and how they were applied based on our enquiries to date and available information.

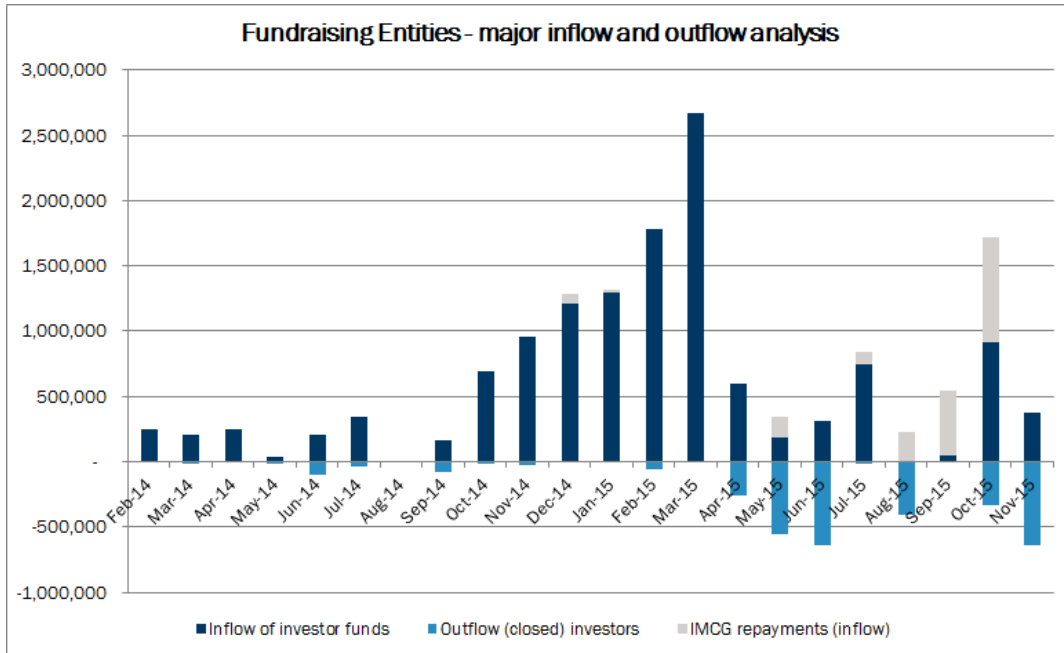
Please note that this is a high level analysis only and further investigations are required regarding tracing the identity of certain transactions.



The Official Liquidators have conducted an analysis of the Fundraising Entities' electronic accounting files (MYOB) and bank statements. While the above is still subject to verification and further investigations, we note that of the \$17.6 million identified as being raised, the approximate major amounts disbursed by the Fundraising Entities were:

- (i) \$7.18 million (net) was advanced to IMCG;
- (ii) \$4.3 million was repaid to investors;
- (iii) \$2.01 million was advanced to Loma Estate Pty Ltd/QOD;
- (iv) \$1.69 million was paid towards the purchase of properties in Indiana, USA;
- (v) \$230,000 being paid as loans towards related and unrelated parties;
- (vi) \$60,000 being was for overseas travel;
- (vii) \$420,000 was paid in legal fees; and
- (viii) \$400,000 was paid to BP Consulting/Mr Petrou.

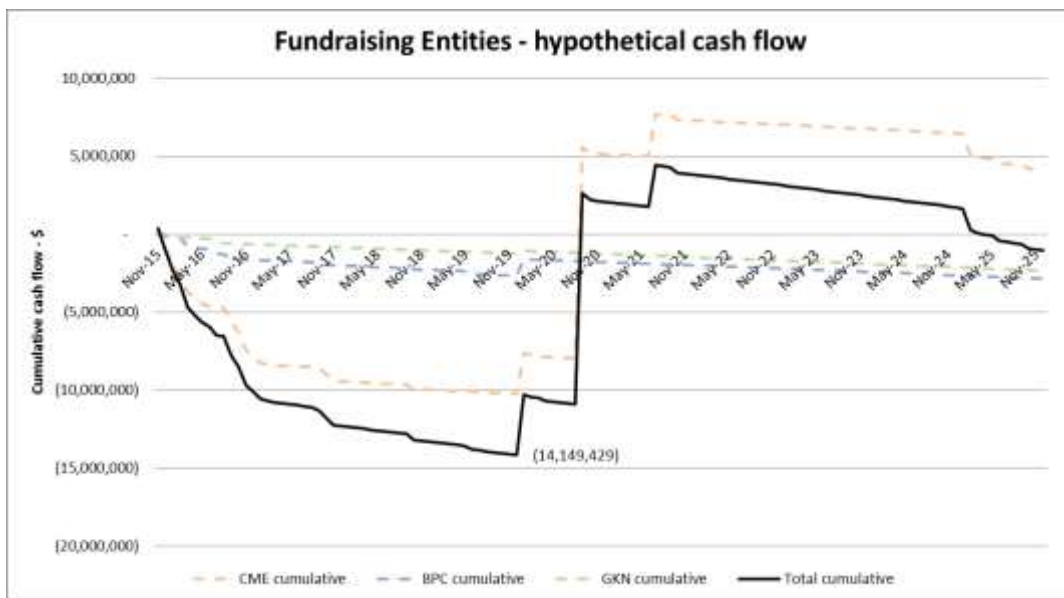
An analysis of the Fundraising Entities major inflows and outflows has also been conducted and summarised in the graph below.



The table above indicates that certain investors redeemed their investments from April 2015 to November 2015, approximating \$4.38 million in total.

Our analysis of the Fundraising Entities’ business model illustrates a significant mismatch between the short-term liabilities the Fundraising Entities have incurred with investors, compared to the long-term investments in the Borrowing Entities. They would be virtually entirely reliant upon raising funds from new deposits from current or other investors or recalling funds from IMCG to meet redemptions, and thus being their sources of liquidity.

We have also performed a hypothetical cash flow of the Fundraising Entities from the date that funds were frozen (17 November 2015) to 2015 as detailed below:



Based on the combined Fundraising Entities' current expected cash inflows and outflows, the Fundraising Entities appear to be cash deficient to a maximum value of approximately \$14 million until 2020.

As noted in the figure above, on an individual basis, each Fundraising Entity did not have sufficient cash flow to meet its current commitments.

7. Liquidators' Assessment of Recoverable Assets

The Official Liquidators' assessment of the assets of the Fundraising Entities are summarised in the table below and discussed in detail following:

Official Liquidators' Assessment of the Financial Positions of the Fundraising Entities							
Notes	CME		BPC		GKN		
	Low (\$)	High (\$)	Low (\$)	High (\$)	Low (\$)	High (\$)	
Assets							
Cash at our Bank	414,780	414,780	23,971	23,971	1,646	1,646	
Loans							
IMCG	a	2,517,610	2,844,883	163,045	184,240	N/A	N/A
Berkshire	b	1,238,922	1,769,889	N/A	N/A	N/A	N/A
Loma / QOD	c	0	1,887,152	0	167,023	0	107,839
Mamounia	d	66,371	66,371	N/A	N/A	N/A	N/A
Alex Petrou	e	N/A	N/A	0	83,883	N/A	N/A
Cornwall Stodart	f	38,277	52,937	N/A	N/A	N/A	N/A
Limos	g	0	45,000	N/A	N/A	N/A	N/A
4DX	h	N/A	N/A	0	50,000	N/A	N/A
Total Assets		4,275,959	7,081,012	187,016	509,117	1,646	109,485
Breach of duties and damages claim against Mr Petrou		TBD	TBD	TBD	TBD	TBD	TBD
Trading whilst insolvent claim against Mr Petrou		TBD	TBD	TBD	TBD	TBD	TBD
Other Liquidator voidable transactions		TBD	TBD	TBD	TBD	TBD	TBD
Total Potential Recoveries		TBD	TBD	TBD	TBD	TBD	TBD

Notes on Financial Positions:

a) IMCG Pty Ltd (In Liquidation)

(i) Background

IMCG has primarily invested funds in complex and high risk financial instruments, including Contracts for Difference ("CFD") through a number of brokers. Mr Grujicic was responsible for trading the financial instruments.

The records of CME and BPC indicate approximately AUD\$7.18 million net was advanced to IMCG by these two entities from early 2014 onwards on an unsecured basis. It does not appear that any monies were advanced by GKN to IMCG.

Whilst monies had already been advanced by CME and BPC, the Loan Agreements were not entered into between IMCG, CME and BPC until July 2015.

(ii) Cash at Bank

As at the date of appointment of the Provisional Liquidators, IMCG held approximately USD\$1 million and AUD\$38,000 in two (2) bank accounts with the Commonwealth Bank of Australia Limited.

These amounts were transferred to the control of the Provisional Liquidators with the amount of AUD\$1.313 million ultimately being received. The bulk of those funds are currently held on term deposit.

(iii) Financial Trading Accounts

IMCG operated accounts with Saxo Capital Markets Pty Ltd ("**Saxo**") and IG Markets Pty Ltd ("**IGM**") to manage the investments in the various financial instruments.

Following their appointment, the Provisional Liquidators took the following steps:

- Spoke to Mr Grujicic regarding IMCG's assets;
- Wrote to various banks requesting they advise of any bank accounts held by IMCG and that they prevent any withdrawals on the accounts;
- Wrote to Saxo and IGM notifying them of the appointment, requested they provide a full accounting of the accounts and advised that the Provisional Liquidators have sole authority to deal with the accounts;
- Sought legal advice regarding the ownership and control of the IGM account. The IGM account was found to be in the personal name of Mr Grujicic and as such, the Provisional Liquidators sought Mr Grujicic's necessary authority for the Provisional Liquidators to access the account;
- The accounts were found to hold cash and positions in a number of complex financial instruments. The financial instruments included a mixture of foreign exchange, foreign exchange options, interest rate options, CFDs and investments in US and Australian equities;
- Sought legal advice regarding the ability of the Provisional Liquidators to execute trades on the accounts with the freezing orders in place;
- Sought access to the accounts;
- Contacted a number of professional advisors seeking their advice as to how to best manage the accounts. After reviewing the portfolio, these advisors noted variously that:
 - the investments entered into by IMCG were regarded as high risk;
 - the mixture of investments did not show a clear identifiable strategy;
 - the investments appeared to be "pure gambling"; and
 - the varied number of investments indicated that the operator of the accounts should have been an "industry veteran" requiring experience in a number of international markets.

A number of these parties declined to assist due to the complex nature of the investments, their own risk assessment and/or licencing issues; and

- Engaged Minerva Capital Partners to manage and provide the necessary professional advice, including instructing them to put appropriate hedges in place and where appropriate manage individual positions in an attempt to maintain the overall value of the accounts pending the outcome of the Court hearing.

The combined notional value of the Saxo and IG accounts ("Portfolio") as at the date of the appointment of the Provisional Liquidators was \$1,740,647. The value of the portfolio varies over time, however at 5 July 2016, the total notional value of the Portfolio was \$1,758,026.

Whilst hedges have been put in place in an attempt to broadly maintain the value of the accounts, the Official Liquidators consider the three main options going forward include:

Potential Actions - IMCG	Expected Time Period
1 Utilise the available cash and instigate a wind down of all possible positions (either individually or as a portfolio) with the view of firstly making a distribution from IMCG to the relevant Fundraising Entities who would then be in a position to promptly pay an interim dividend to their creditors; or	4 to 6 months
2 Utilise the available cash now to make a distribution from IMCG to the relevant Fundraising Entities who would then be in a position to promptly pay an interim dividend to their creditors. Then instruct Minerva or another investment broker to manage and trade the accounts until the other assets or the Fundraising Entities' assets are realised. This would be in an attempt to increase the available funds but would have higher risks; or	3 to 24 months
3 Instruct Minerva or another investment broker to manage and trade the accounts until the other assets of the Fundraising Entities' assets are realised. As with option 2, this would be in an attempt to increase the available funds to market risks.	18 to 24 months

A further account was identified with Interactive Brokers as holding monies received from the Fundraising Entities. This account was held in the personal name of Mr Grujic and held approximately USD\$35,000. This cash amount has now been transferred to IMCG.

b) Berkshire NWI Invest LLC

CME's records indicate that between February and October 2015, approximately AUD\$1.7 million was paid towards the purchase of residential properties in Indiana, USA.

It appears that these monies were transferred from CME directly to three (3) entities registered in the USA for the purchase of the 21 residential properties. Whilst no monies were ever paid directly to Berkshire, title to these properties were put directly into the name of Berkshire between June and October 2015.

CME entered into a loan agreement with Berkshire on 1 July 2015 after the majority of the monies had been transferred to the vendors of the 21 properties. The loan is repayable at 8% per annum, with interest payable upon maturity on 1 July 2021.

The Official Liquidators' preliminary investigations indicate the total value of the properties based on statutory valuations is approximately USD\$1.3million (approx. AUD\$1.77million).

The Official Liquidators understand the properties are earning rental income at approximately USD\$18,000 per month gross of management costs.

The Provisional and more recently the Official Liquidators have taken the following steps with respect to Berkshire:

- Investigated CME's records with respect to advances made towards the purchase the US properties;
- Liaised with colleagues in the USA to investigate Berkshire, the ownership and value of the properties;
- Obtained legal advice with respect to the Fundraising Entities' interest in the properties;
- Invited Mr Petrou/Berkshire to submit a proposal to repay the loan via an immediate refinance or a short term externally managed realisation of the properties;
- As Berkshire did not grant the Fundraising Entities any security, the Official Liquidators initiated court proceedings in the Lake County Court, Indiana, USA to protect the Fundraising Entities' interest in the properties. In this regard, "Lis Pendens" (a potential legal interest) have been registered against each property's title in an attempt to stop any sale of the properties or mortgages being raised against the properties. Such action would have the effect of stripping the value from these properties to the detriment of the Fundraising Entities.

The Official Liquidators consider the Fundraising Entities may be the beneficial owners of the properties at law.

In the alternative, the Official Liquidators consider that the amounts paid for Berkshire's benefit are voidable as against the Official Liquidator as uncommercial transactions or unreasonable director-related transactions and thus would become repayable to the Fundraising Entities.

The Official Liquidators' solicitors are currently in correspondence with Mr Petrou's and Berkshire's solicitors regarding the advances and the properties. Further details regarding the recoverability of the loan will be provided at the forthcoming meeting of creditors if available.

The Official Liquidators consider the options regarding the properties/recovery of the Berkshire loan going forward include the following:

Potential Actions - Berkshire	Expected Time Period
1 Mr Petrou immediately voluntarily signs over control of Berkshire to the Fundraising Entities. Income is then receipted for the benefit of creditors and the Properties realised in an orderly manner under the control of the Official Liquidators.	12 to 24 months to realise
2 Mr Petrou/Berkshire submits an acceptable proposal to refinance the properties and repay the loans and divert income to the Fundraising Entities in the interim.	3 to 6 months
3 In the event that Mr Petrou's co-operation is not forthcoming, the Official Liquidators to take further legal action that may include seeking the appointment of a Receiver in the USA to take possession of the properties including for their sale.	24 + months

c) Loma Estate Pty Ltd and QOD Property Group Pty Ltd

The Fundraising Entities advanced funds approximating \$2 million to Loma and/or QOD.

Loan Agreements were entered into with Loma only, whereby the loans were to be provided on an unsecured basis and at an interest rate of 9% per annum. The principal and interest are not repayable until 1 September 2020.

The Official Liquidators understand the loans were advanced in relation to a property development located at 680 Calder Highway, Maiden Gully (near Bendigo), Victoria between the period May 2014 to October 2015.

There is a mortgage registered against this property's title in favour of Win Securities Pty Ltd ("**Mortgagee**") dated 19 November 2012. The Official Liquidators further understand that the amount originally advanced by the Mortgagee was \$1.25 million.

A further Deed was entered into between CME and QOD on 27 April 2015 whereby QOD was to be advanced the amount of \$55,667.40 by CME. The terms of the loan were such that no interest would be payable, but the balance plus \$10,000 would be repayable at the end of nine (9) months on 31 January 2016.

Ms Garita, on behalf of QOD, has advised that no monies were ever paid to QOD in respect of the Deed and that any monies advanced to QOD were in respect of Loma.

The Provisional and the Official Liquidators took the following steps with respect to monies advanced to Loma and/or QOD:

- Investigated the Fundraising Entities' books and records to identify advances to Loma and QOD;
- Conducted statutory searches of the property at Maiden Gully;

- Wrote to Loma requesting they provide details of the property development, the amount outstanding to the Mortgagee and Loma's capacity to repay the loan.

Loma replied providing details of the property development, but declined to provide answers to the majority of the Provisional Liquidators' questions on the basis the loan agreement did not require Loma to disclose this information to the Fundraising Entities;

- Requested QOD repay the loan pursuant to the Deed;
- Investigated Ms' Garita's claim that no monies were advanced to QOD with respect to the Deed; and
- Obtained legal advice with respect to recovering the loan monies.

The Official Liquidators consider that the amounts paid to Loma and QOD are voidable against the Official Liquidators as uncommercial transactions and thus repayable to the Fundraising Entities.

The Official Liquidators intend to invite Loma and QOD to submit a proposal to repay the monies owing.

In the absence of a proposal being received, the Liquidators will consider commencing proceedings against Loma/QOD for recovery of the amounts owing.

Therefore, at this stage, the quantum and timing of any return from Loma is unknown.

d) Mamounia Pty Ltd as trustee for the Kurban Family Trust ("Mamounia")

CME's records indicate that the amount of \$58,820 was advanced to Mamounia in November 2015, with the loan repayable with interest on 9 February 2016.

The Provisional Liquidators wrote to Mamounia, requesting the loan be repaid.

Mamounia repaid the amount of \$66,370 inclusive of interest on 5 April 2016.

e) Mr Alex Petrou

The amount of \$80,000 was transferred to Mr Alex Petrou (Mr Michael Petrou's brother) in June 2015 from BPC.

This was in accordance with an email exchange between Mr Michael Petrou and Mr Alex Petrou in September 2015. The loan was not formally documented.

The loan was on an unsecured basis and repayable with interest of 10% per annum at maturity on 23 June 2017.

The Provisional Liquidators wrote to Mr Alex Petrou on a number of occasions requesting he provide evidence of his personal financial capacity to repay the loan. To date, Mr Alex Petrou has not responded to the Liquidators' requests.

The Official Liquidators note the funds advanced to Mr Alex Petrou may be considered an unreasonable director-related transaction pursuant to Section 588FDA of the Act and potentially voidable pursuant to section 588FE of the Act. This potential avenue of recovery is only available to the Official Liquidators.

The Official Liquidators are considering potential further actions to recover these funds advanced earlier than the due date.

f) Cornwall Stodart

Cornwall Stodart Lawyers have advised that they formerly acted on certain matters in relation to the Fundraising Entities.

Cornwall Stodart have provided a reconciliation of their trust account which indicates they were paid \$150,000 by CME in September 2015. Approximately \$59,000 of this was loaned to Mamounia and approximately \$39,000 was redeemed on the request of CME.

Approximately \$52,000 remains in Cornwall Stodart's trust account.

Cornwall Stodart have advised that they have costs outstanding in the amount of \$14,660.39 and are claiming a lien over these funds.

The Official Liquidators are obtaining advice as to Cornwall Stodart's ability to claim a lien over the funds held.

g) Limos Online Australia Pty Ltd ("LOA")

Mr Petrou is the sole shareholder of LOA and his wife, Ms Natalia Petrou, is the sole director.

The debt owing by LOA is not recorded in the accounts of the Fundraising Entities. However, Mr Petrou swore in an affidavit submitted to the Court that an at-call loan exists from CME to LOA for \$45,000.

The Official Liquidators have requested LOA to repay these monies and currently await a response.

h) 4DX Pty Ltd ("4DX")

Mr Alex Petrou (Mr Petrou's brother) is one of the Directors and a shareholder of 4DX.

According to the records of BPC, it loaned approximately \$50,000 to 4DX in July 2014.

The Official Liquidators are investigating the recoverability of this loan.

8. Potential Actions Available to the Official Liquidators

8.1. Antecedent Transactions

Pursuant to the provisions of Part 5.7B of the Act, a liquidator has certain powers to investigate and potentially recover antecedent transactions for the benefit of creditors. The transactions generally fall into two categories, being insolvent trading and voidable transactions (comprising unfair preference payments, unreasonable director-related transactions, uncommercial transactions and unfair loans).

As the Fundraising Entities have now been placed into liquidation, the Official Liquidators have commenced conducting further investigations into the affairs of the Fundraising Entities with the view of identifying and potentially recovering such antecedent transactions if sufficient evidence exists and it is commercial to do so.

In addition to the above identified assets, a number of potential recovery actions are specifically available to liquidators which may be pursued to recover funds where they may have been misappropriated.

The Official Liquidators have not completed their analysis as yet to fully determine the existence and likely recovery of antecedent transactions. However, transactions and dealings have been identified that warrant further investigation. Any further investigations and actions will be conducted with the primary intent of effecting financial recovery for the benefit of creditors.

The Official Liquidators initial investigations have identified the following possible uncommercial transactions or unreasonable director-related transactions involving the Fundraising Entities:

- Funds loaned to IMCG and Berkshire were made on terms that a reasonable person would not have entered into. These transactions benefit Mr Petrou (as director of Berkshire) or Mr Grujicic (as director of IMCG). Therefore, the Loan Agreements entered into by the Fundraising Entities with the Borrowing Entities may be uncommercial transactions;
- Similarly, the Official Liquidators consider that the funds loaned to Loma and QOD were made on unreasonable terms which may amount to uncommercial transactions;
- The Fundraising Entities loaned LOA approximately \$45,000 without security or proper documentation;
- Mr Alex Petrou is a shareholder in 4DX. The Fundraising Entities loaned 4DX approximately \$50k without security or proper documentation; and
- The Fundraising Entities also loaned approximately \$80,000 directly to Mr Petrou's brother, Alex Petrou, without security or proper documentation and at an interest rate not reflective of an unsecured loan.

The Official Liquidators have also identified the below payments made by the Fundraising Entities which warrant further investigation and consideration as to whether they may be voidable in the liquidation:

- (i) Management fees paid by BPC, CME and GKN to Mr Petrou's management company, Boston Pacific Consulting Pty Ltd, totalling approximately \$266,000;
- (ii) Payments from CME and BPC to Mr Petrou of approximately \$201,000;
- (iii) Legal fees paid by CME and BPC of approximately \$380,000;
- (iv) Payments by CME to CME NZ of approximately \$93,000;
- (v) Payments by CME to CME Singapore of approximately \$67,000; and
- (vi) Travel expenses paid by CME and BPC of approximately \$67,000.

Transactions (including a payment of money) between the Company and a creditor during the relation back period (i.e. six months prior to the appointment of the Provisional Liquidator) may constitute an unfair preference pursuant to Section 588FA of the Act.

With regard to the Fundraising Entities, the relation back period is the 6 month period ending with the appointment of BDO Australia as Voluntary Administrators to the Fundraising Entities and BPCA, being 11 June 2015 to 11 December 2015.

The Official Liquidators require further investigations to ascertain what payments made by the Fundraising Entities may be deemed unfair preference payments and thus possibly recovered by the Official Liquidator.

8.2. Recoveries from the Director in Relation to Civil Breaches of the Act

As previously highlighted, the Official Liquidators have identified the following possible contraventions of the Act by Mr Petrou.

- (i) Not exercising his powers and discharging his duties with a degree of care and diligence that a reasonable person in his position would exercise (section 180 of the Act);
- (ii) Not exercising his powers and discharging his duties in good faith in the best interests of the Fundraising Entities and for a proper purpose (section 181);
- (iii) Improperly using his position to gain an advantage for himself or someone else and causing detriment to the Fundraising Entities (section 182);
- (iv) Duty to prevent insolvent trading by the Fundraising Entities (section 588G).

There is the potential for claims to be made against Mr Petrou in relation to any loss and damage caused to the Fundraising Entities due to the potential contraventions of the Act, which could result in commercial recoveries in the liquidation.

Further consideration is required by the Liquidators to determine the merits of any claims, including the financial capacity of Mr Petrou to meet any claim.

9. Option for a Deed of Company Arrangement ("DOCA")

A DOCA is a binding arrangement between a company and its creditors governing how the company's affairs will be dealt with. The aim of a DOCA is to maximise the chances of the company, or as much as possible of its business, continuing, or to provide a better return for creditors than the winding up of the company, or both.

The Official Liquidators advised in their Notice to Creditors dated 27 May 2016, and previously that a DOCA is still possible and, if one is proposed, may represent one option for creditors going forward.

However, as previously advised, as the Fundraising Entities are in liquidation, the required process is for a party to submit a DOCA proposal to the Official Liquidators for their preliminary assessment and consideration.

If the Official Liquidators believe that entering into a DOCA (as proposed) may be in the best interests of the creditors, the Official Liquidators would then consider appointing a voluntary administrator to the Companies who will report to and convene meetings for creditors to vote on the DOCA.

Generally speaking, for a DOCA to represent a superior option for creditors, it must offer something (usually a financial benefit) that is not available in the liquidation. It must also "compensate" for any source of recoveries or funds, that would otherwise be available in a liquidation and thus forgone under a DOCA. This normally necessitates the injection of funds that do not represent an asset or action available to the company i.e. independent third party funds.

Please note that to date, no DOCA proposal has been submitted directly to the Official Liquidators for consideration.

Mr Petrou and his lawyer have been invited to submit any DOCA proposal for the Official Liquidators' consideration. However, no proposal has been forthcoming. Absent a DOCA proposal, the Official Liquidators will continue conducting the liquidation of the Fundraising Entities' affairs.

The Official Liquidators are aware that Mr Petrou has circulated a number of emails amongst investors of the Companies in which he has proposed meetings to discuss a potential DOCA.

The Official Liquidators have also obtained two outlines of apparent DOCA proposals that have purportedly been prepared by Mr Petrou. We again emphasise these have not been formally submitted to the Official Liquidators by any party as the proponent of a DOCA.

Notwithstanding, the Official Liquidators make the following observations regarding the purported DOCA proposals:

Outline of DOCA	Official Liquidators' Comments
Berkshire to instruct the managing agents to pay overall net funds in their trust accounts to the trust account of BDO.	There is no reason why Mr Petrou cannot take immediate steps to transfer the control and shareholding of Berkshire to CME and divert any accumulated or future income to the Official Liquidators.
All future rent to be transferred to the Deed Administrators.	The Official Liquidators consider the Fundraising Entities are the beneficial owners of the properties at law.
All 21 properties purportedly owned by Berkshire be realised and the net sale proceeds comprise the Deed Fund.	

Outline of DOCA	Official Liquidators' Comments
<p>Shareholder of Berkshire, Parkway Global Pty Ltd, sign a transfer of the entire shareholding to the voluntary administrators.</p> <p>Properties to be retained over a 24 to 36 month period to allow for rental income to accumulate.</p>	<p>Thus this proposal does not provide any additional benefit that cannot be provided or obtained in a liquidation scenario.</p>
<p>Loma to make full repayment of the loan at the end of the loan period, in four years' time.</p> <p>Fundraising Entities provide a further \$1.5 million to Loma to advance the property development at 680 and 708 Calder Hwy, Maiden Gully, Vic.</p> <p>Loma offers CME a 15% profit share.</p> <p>Second ranking security is to be provided over the properties by Loma.</p>	<p>Loma has previously been requested to provide details of the properties including a valuation of the properties and the amount owed to the first mortgagee. Loma has refused to provide this information.</p> <p>The Official Liquidators now intend inviting Loma to submit a proposal for the repayment of the loan.</p> <p>It is apparent that Loma is unable to obtain finance from any other financier and requests that funds of \$1.5 million that are currently available to creditors be used to further fund Loma's development. This effectively requires creditors to "double down" and risk further monies with the Garita family and Mr Petrou.</p> <p>Mr Petrou has previously advised the Provisional Liquidators that CME had an agreement to share in the profit of the Loma project and thus this supposed additional offer may already reflect the terms of the "real" agreement with the Fundraising Entities. Thus this provides no additional benefit to creditors.</p> <p>It is unclear whether any equity exists in the property after accounting for the debt owing to the first ranking secured creditor. Thus the offer of granting second ranking security may be "hollow".</p> <p>Overall, this proposal does not provide any additional benefit that cannot be provided or obtained in a liquidation scenario.</p>
<p>Under an earlier DOCA outline, it was proposed that IMCG sell short positions and retain long-term options until 2019, by which time Mr Petrou anticipates the portfolio to grow to \$7 million.</p>	<p>The total value of the Saxo and IGM accounts upon the appointment of the Provisional Liquidators was approximately \$1.74 million. By Mr Petrou's calculations, he expects the portfolio to grow by 41% per annum until the end of 2019. IMCG has a history of considerable losses. Based on the Official Liquidators' enquiries, it is unlikely that a return this high can be achieved. Thus the Official Liquidators consider Mr Petrou's expected return is extremely overly optimistic.</p> <p>With the benefit of taking specialist independent advice, the Official Liquidators have the ability to manage the Saxo and IGM accounts over a period of time, if it is to maximise the value of the accounts and considered to be in the best interests of creditors.</p>

Outline of DOCA	Official Liquidators' Comments
<p>The second DOCA outline received requires control of the Saxo and IGM accounts to be handed to the control of the Deed Administrators and managed by the appropriate people including Mr Grujicic (at cost) for a 3 year period. The anticipated outcome is stated to be \$3.1 million.</p> <p>It also assumes that \$1.5 million of the Fundraising Entities cash reserves (majority is IMCG's) be utilised to further fund Loma.</p>	<p>Mr Grujicic has advised the Official Liquidators he is unaware of this proposal.</p> <p>The DOCA proposes to turn the current value of the Saxo and IGM accounts of approximately \$1.7 million to \$3.1 million in 3 years' time, a 27% per annum return</p> <p>The expected return under this proposal is also above the return that can be achieved by well-known managed funds. Attempting such a return would require a high risk investment strategy.</p>
<p>Mamounia to repay the loan pursuant to the loan agreement</p>	<p>Mamounia repaid the loan during the period of the provisional liquidation.</p>
<p>Mr Alex Petrou to refinance the loan and repay it by mid-2016.</p>	<p>Due to Mr Alex Petrou not responding to the Provisional Liquidators' queries, it is unclear what financial capacity Mr Alex Petrou has to refinance the loan. However, he can (should) readily do this in any event.</p>

Noting that generally for any DOCA proposal to be favourable when compared to a liquidation scenario it requires the injection of independent funds, the only additional funds provided for under the DOCA outline is a 15% profit share in Loma (thus requiring there to be a profit in order to have any value). However, Mr Petrou has previously advised this was already agreed with Loma but not documented.

Mr Petrou, in his second DOCA outline, has asserted the DOCA will lead to 100 cents in the dollar being paid on investors' principle amounts owing. There is no coherent analysis within this DOCA outline and it does not take into account costs that would be a priority. Based on our knowledge of the value of the assets, it is difficult to see that in excess of \$13 million being available to enable a dividend to be paid of 100 cents in the dollar.

Putting aside outstanding professional costs, the value of available assets approximates \$7 million (including the Loma loan). Mr Petrou is essentially proposing utilising the existing assets to further invest in Loma and continue financial market trading to effectively double the pool of assets to over \$13 million in four years' time. We consider this an extremely high risk strategy to pursue, and that it is not in the best interests of creditors as a whole.

Overall the Official Liquidators note there are significant risks and assumptions in the proposed DOCA as outlined and it does not appear to offer creditors a greater return, and indeed potentially offers less in a less timely basis, than what is possible in the liquidation. The Official Liquidators further note:

- (i) The outline as received poses significant uncertainty regarding the Loma loan with no development approvals yet obtained;
- (ii) The Loma proposals require the further advance of \$1.5 million to assist Loma in progressing the property development; and

- (iii) The proposals do not offer anything the Official Liquidators could not achieve in a similar or indeed shorter time frame with the co-operation of relevant parties or if necessary by taking legal action.

The Official Liquidators also note that in the Supplementary Affidavit of Mr Dennis Turner dated 20 December 2015, the Fundraising Entities former Voluntary Administrator, he refers to the first DOCA proposal and stated that it was his opinion "the interests of creditors of the Entities as a whole is not served by considering the DOCA proposal".

It is also noted that any DOCA would preclude any recoveries through actions specifically available to the Official Liquidators such as:

- (i) Section 588FB – Uncommercial transactions;
- (ii) Section 588FDA – Unreasonable director-related transactions; and
- (iii) Section 588G – Director’s duty to prevent insolvent trading by company.

These matters are subject to further investigation and potential actions in the near future.

Actions associated with claims for damages due to breaches of duties by the Director may also be precluded under a DOCA.

Therefore, given the potential claims the Official Liquidators may have against Mr Petrou, his interest in Berkshire, and close association with Mr Garita, creditors must be conscious that he may have considerable self-interest in the liquidations not continuing and being able to effectively still access monies from the Fundraising Entities.

The Official Liquidators are open to receiving and considering any DOCA proposal where it may provide a better outcome for creditors than the liquidations and again note they have invited Mr Petrou to formally submit a DOCA proposal to them.

10. Likelihood of a Dividend to Creditors

Provided at **Annexure F** is an estimated outcome for the Fundraising Entities and IMCG based on the information available to date.

Based on current information, the Liquidators estimate the following returns to creditors:

Summary of Estimated Returns to Creditors		
Company	Estimated Return (cents in dollar)	
	Low	High
CME	27	47
BPC	0.3	17
GKN	0	1

Potential antecedent transactions which may be recovered by the Official Liquidators such as any unfair preference payments, uncommercial transactions, unreasonable director related transactions and any insolvent trading claims remain uncertain at this stage and have therefore not been quantified and included in any potential dividend calculation.

Thus any recoveries from these potential claims may add to the available funds in the liquidation.

10.1. Timing of Dividend to Creditors

As discussed earlier, a portion of the portfolio in IMCG is liquid and together with cash held, a distribution could potentially be made to the Fundraising Entities, enabling the payment of an interim dividend to creditors by the Fundraising Entities in the short-term. Depending on the strategy adopted and the steps required to be taken by the Official Liquidators, this could be in approximately 4 to 6 months' time.

With Mr Petrou's co-operation, the Official Liquidators consider that certainty can also be provided with respect to Berkshire and without the need to incur considerable costs.

Aside from the recovery of the sundry loans, the focus would then be the Loma loan account.

In the longer term, the key factors influencing the timing of dividends to creditors includes:

- (i) The willingness and capacity of Mr Petrou, the Garita family, associated and other entities to repay the monies advanced by the Fundraising Entities without the need for legal action;
- (ii) The timeframe required by these parties to repay the monies;
- (iii) Alternatively, whether legal action is required to be taken by the Fundraising Entities to recover the loans, and the associated time required;
- (iv) The liquidity, security value for the purpose of raising finance, or salability of relevant assets held by those entities; and
- (v) Whether other actions are taken such as any identified unfair preference claims, uncommercial transactions, insolvent trading or other claims against the director.

The Official Liquidators will balance the views of creditors, their duties, timing and costs with respect to the options available to realise the Companies' assets and other potential actions.

11. Other Statutory Requirements

The Official Liquidators are required pursuant to Section 533 of the Act, to lodge a confidential report with ASIC where it appears that either:

- (i) A past or present officer, employee or contributory of the company has:
 - (a) Committed an offence; or
 - (b) Misapplied or retained, or may have become liable or accountable for, any money or property of the company; or
 - (c) May have been guilty of any negligence, default, breach of duty or breach of trust in relation to the company.
- (ii) The company may be unable to pay its unsecured creditors more than 50 cents in the dollar.

Amongst other things, in the report the Official Liquidators are required to report on:

- (i) The reasons for the failure of the company;
- (ii) The asset and liability positions of the company;
- (iii) Potential contraventions of the Act committed by the company and the Director; and
- (iv) An estimate as to when the liquidation will be finalised.

The investigations required for completion of the Section 533 reports will predominately draw upon the work already completed by the Provisional Liquidators. Thus it is not anticipated that significant further time, and thus professional costs, will be incurred relating to statutory investigations and reporting.

ASIC has also indicated that as the regulator and potential prosecutor their investigations are well advanced and should they determine to take any action against Mr Petrou or other parties, they do not envisage requiring any further significant information or support from the Official Liquidators.

12. Meeting of Creditors and Committees of Inspection

As creditors are aware, concurrent meetings of the Fundraising Entities have been convened for 12 July 2016.

At the meetings, creditors will be able to consider appointing a committee of inspection for each of the Fundraising Entities.

Having a committee is not mandatory, but it can allow the Official Liquidators to consult and communicate with a smaller body of creditor representatives, and often on a more timely and cost effective basis.

A committee can also approve some matters such as the Official Liquidators' remuneration. A liquidator must consider any directions given by the committee of inspection, but is not bound to follow them.

The process to appoint a committee and determine the representatives is governed by the provisions of the Act.

To appoint a committee will require resolutions to be passed at the forthcoming creditor meetings, as well as separate meetings of contributories (such as shareholders with a liability to contribute unpaid capital) of the Fundraising Entities which would be held after the creditor meetings.

The function and purpose of committees of inspection are as follows:

- The Official Liquidators will consult with the Committee from time to time;
- The Committee cannot give directions to the Official Liquidators and essentially acts as a sounding board for the Official Liquidators;
- Qualification of a Committee Member includes:
 - a) Being a creditor of the Fundraising Entities;
 - b) An Officer/Employee of corporate Creditor who is authorised in writing by a Creditor;
 - c) Ideally representation of all creditor classes:
 - Regional Creditor.

- Small Creditor.
 - Large Creditor.
- d) Ideally odd number, a minimum of three and no more than nine creditors;
- e) Committee members are not paid for their time serving on the committee; and
- f) The Committee must act on behalf of all creditors and not in their own self-interest.

The Official Liquidators are supportive and encourage the formation of Committees of Inspection for each of the Fundraising Entities.

Any questions about committees and the process generally will be addressed at the forthcoming meetings.

13. Receipts and Payments Summaries

Enclosed (**Annexure G**) with this report are summaries of receipts and payments for the Fundraising Entities for the Provisional Liquidation period (21 December 2015 to 15 May 2016) and for the Official Liquidation period to 30 June 2016.

As at 30 June 2016, the Official Liquidators held the following balances in the Fundraising Entities' liquidation bank accounts:

Liquidation Bank Accounts	
Cash at Bank as at 30 June 2016	
	(\$)
CME	412,212.03
BPC	23,859.21
GKN	1,540.53
Total	437,611.77

Amounts totaling \$1,286,780 are held in the IMCG bank accounts, the majority of which is held on term deposit.

14. Remuneration of the Provisional Liquidators

The remuneration of the Provisional Liquidators for the period 21 December 2015 until 15 May 2016 (inclusive) is subject to the approval of the Court and payable from the assets of the Companies.

The estimated fees that the Provisional Liquidators will apply for approval for at Court as is follows:

Provisional Liquidators' Outstanding Fees subject to Court Approval				
(excluding GST and disbursements)				
	CME (\$)	BPC (\$)	GKN (\$)	Total
21 December 2015 to 15 May 2016	280,000.00	34,000.00	10,000.00	324,000.00

Considerable work was undertaken by the Provisional Liquidators in investigating the affairs of the Companies and preparing the report to the Court. Specifically, the Provisional Liquidators dealt with the following high level matters:

a) Assets

- (i) Determined the assets of the Companies;
- (ii) Recovered cash at bank;
- (iii) Reviewed and obtained advice on the enforceability of the loan agreements;
- (iv) Liaised with various loan recipients to determine the circumstances and recoverability of the loans; and
- (v) Investigated property holdings of Loma and Berkshire and the activities of each company. In particular, obtained reports from colleagues in the USA regarding Berkshire's activities and property holdings.

b) Investigations

- (i) Prepared the Report to the Court;
- (ii) Conducted interviews with Mr Petrou, Ms Amenta and some investors;
- (iii) Collected and reviewed the Companies' books and records;
- (iv) Obtained the Companies' computers and arranged images to be made of them;
- (v) Investigated potential breaches of the Act by the Companies and the Directors; and
- (vi) Investigated potential transactions which may be recoverable by the Official Liquidators.

c) Creditors

- (i) Provided four (4) circular updates to investors;
- (ii) Responded to a high number of creditor queries by telephone and email; and
- (iii) Wrote to investors regarding their claim details and collated, investigated, reviewed and recorded those claims.

d) Administration

- (i) Complied with statutory requirements, including lodgments with ASIC and the Australian Taxation Office; and
- (ii) Created and maintained liquidation files.

Pursuant to the provisions of the Act, it is for the Court to review and ultimately approve the Provisional Liquidators' remuneration.

Therefore, the Provisional Liquidators are required to make an application to Court to have their fees approved for the period of the provisional liquidation. The Court application will include full details and justification of time costs incurred and thus remuneration being sought by the Provisional Liquidators.

The Provisional Liquidators will ultimately be entitled to draw any approved remuneration from the Fundraising Entities' assets.

15. Remuneration of the Official Liquidators

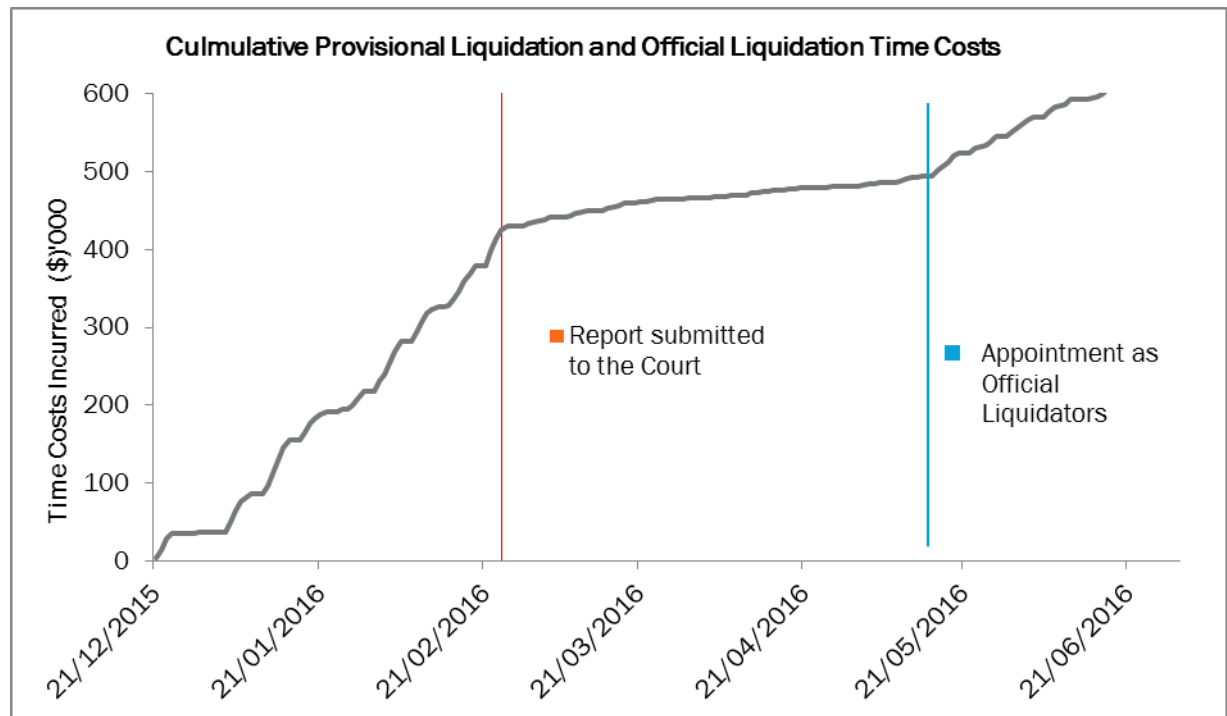
Approval of the Official Liquidators' fees may be sought from creditors or a committee of inspection, if appointed. Alternatively, the Official Liquidators may seek approval of their fees from the Court.

The Official Liquidators have incurred the following fees to 30 June 2016 date in the Official Liquidation:

Official Liquidators' Fees 16 May 2016 to 30 June 2016 (excluding GST and disbursements)				
	CME (\$)	BPC (\$)	GKN (\$)	Total (\$)
16 May 2016 to 30 June 2016	105,072.35	13,150.39	9,367.06	127,589.80

Creditors should note that as Provisional Liquidators, a significant body of the investigations required to conduct the liquidations and to determine the potential recoverable assets have already been completed.

The below graph demonstrates how the Provisional Liquidators' activities regarding the Companies tapered off following the filing of the Report to the Court on 24 February 2016, before activity increased again following their appointment as Official Liquidators:



The Official Liquidators anticipate the bulk of the fees going forward to be incurred in realising assets and seeking commercial recoveries for the benefit of creditors.

Going forward, the Official Liquidators will provide detail regarding fees incurred to, and seek approval from, committees of inspection for the Fundraising Entities, if appointed. If no committees are formed, it will be necessary to seek approval at broader creditor meetings, or from the Court.

16. Summary and Way Forward

The Provisional Liquidators conducted an extensive investigation into the Fundraising Entities' affairs when providing their report to Court. Therefore, in the absence of new matters coming to light, only limited further investigations are envisaged to be required of the Official Liquidators.

ASIC have indicated that they should have the bulk of any information they require from the Official Liquidators for the purpose of any ongoing investigations and potential prosecution action.

Any further investigations will predominately be for the purpose of supporting commercial recoveries for the benefit of creditors.

Accordingly, the Official Liquidators are in a position to focus on and take immediate action to recover assets and commence proceedings if necessary, for the commercial benefit of the creditors.

The Official Liquidators consider the most appropriate way forward is as follows:

- (i) The Official Liquidators of IMCG manages down the Saxo and IGM accounts to maximise returns over a short to medium term. The Official Liquidator of IMCG then utilises the funds realised, together with cash already held, to pay a dividend to the Fundraising Entities which will enable the Fundraising Entities to pay an interim dividend to their creditors/investors;
- (ii) Seek Mr Petrou's immediate agreement to transfer control of Berkshire to CME. The Official Liquidators will then manage the Berkshire properties in the short to medium term and formulate the best strategy to realise the properties over a likely 12 to 18 month period subject to obtaining independent advice. This will also ensure the rent is captured over this time period for the benefit of creditors;
- (iii) Seek recovery of all sundry assets and loan accounts including loans to associated and related parties;
- (iv) Determine the best way forward regarding Loma that maximises the recovery of the advances to Loma/QOD; and
- (v) Complete investigations and identify potential actions uniquely available to the Official Liquidators that may lead to further recoveries for creditors.

It is considered that the above approach will minimise costs and need for litigation going forward, enable an interim and ultimately final return to creditors in a cost effective manner.

None of the above involves a "fire sale" of assets. It involves a managed realisation of assets over the realistic period of time maximising the return to creditors progressively.

In the alternative, if the co-operation of Mr Petrou and/or Loma is not forthcoming, it will likely increase the costs and prolong the liquidations, and necessitate legal action.

17. Further Queries

Creditors will be invited to raise any queries they may have at the meetings of creditors.

Alternatively, please do not hesitate to raise them in the interim via email to any of the following email addresses:

- (a) CMEECapitalInvestors@fticonsulting.com;
- (b) BostonPacificInvestors@fticonsulting.com; or
- (c) GKNCapitalInvestors@fticonsulting.com.

If you wish to raise or discuss any queries with a FTI Consulting staff member directly, please contact this office on (03) 9604 0600.

Yours faithfully



Ross Blakeley
Official Liquidator

Annexure A

"*professional investor*" means a person in relation to whom one or more of the following paragraphs apply:

(a) the person is a financial services licensee;

(b) the person is a body regulated by APRA, other than a trustee of any of the following (within the meaning of the [Superannuation Industry \(Supervision\) Act 1993](#)):

(i) a superannuation fund;

(ii) an approved deposit fund;

(iii) a pooled superannuation trust;

(iv) a public sector superannuation scheme;

(c) the person is a body registered under the [Financial Corporations Act 1974](#);

(d) the person is the trustee of:

(i) a superannuation fund; or

(ii) an approved deposit fund; or

(iii) a pooled superannuation trust; or

(iv) a public sector superannuation scheme;

within the meaning of the [Superannuation Industry \(Supervision\) Act 1993](#) and the fund, trust or scheme has net assets of at least \$10 million;

(e) the person controls at least \$10 million (including any amount held by an associate or under a trust that the person manages);

(f) the person is a listed entity, or a related body corporate of a listed entity;

(g) the person is an exempt public authority;

(h) the person is a body corporate, or an unincorporated body, that:

(i) carries on a business of investment in financial products, interests in land or other investments; and

(ii) for those purposes, invests funds received (directly or indirectly) following an offer or invitation to the public, within the meaning of section 82, the terms of which provided for the funds subscribed to be invested for those purposes;

(i) the person is a foreign entity that, if established or incorporated in Australia, would be covered by one of the preceding paragraphs.

Annexure B

CME Group – Related and Associated Party Investigations	
Name	Comments
Mr Michael Petrou	<ul style="list-style-type: none"> Mr Petrou is the sole director and secretary of CME, BPC, BPCA and GKN. He holds a 50% shareholding in CME and BPC and controlling interests in GKN. Mr Petrou is the sole director of Berkshire NWI Invest LLC and holds a 100% controlling interest in this company. Mr Petrou leased premises from Mr Lou Garita to operate the Fundraising Entities' business. Mr Petrou's responsibilities were wide ranging, including making investment decisions, responding to investor queries, coordinating the management of investor funds and hiring and dealing with employees and contractors. Prior to becoming director of the Companies, Mr Petrou has previously managed a limousine business, an UltraTune franchise, a motor vehicle filter distribution business and a mechanics workshop for the limousine business. Mr Petrou was made bankrupt in 1992 and entered into a composition arrangement with his creditors in 1995, which had the effect of annulling his bankruptcy. In 2004, Mr Petrou was convicted of attempting to "defraud the public authority Commonwealth" and sentenced to 18 months' imprisonment. He was released after six months on good behaviour. Mr Petrou has represented that he was a general manager and director of QOD Property Group Pty Ltd, an entity associated with Mr Lou Garita.
Mr Branislav Grujicic	<ul style="list-style-type: none"> Mr Grujicic is the director and secretary of IMCG. Mr Grujicic is responsible for investing funds loaned to IMCG by the Fundraising Entities. Mr Grujicic previously operated an online eBay store using the IMCG corporate entity. The online eBay presence (Starmax), sold products acquired from China; Mr Grujicic has finished Year 10 in high school, became a qualified mechanic while working at Mr Petrou's UltraTune franchise and started IMCG in 2010 as an online retail business. Mr Grujicic started investing in financial markets as a hobby and has attended investment training courses (totalling approximately one to two weeks) prior to taking the responsibility of investing funds advanced by the Fundraising Entities to IMCG.
Mr Lou Garita	<ul style="list-style-type: none"> Mr Garita is the former director of Loma Estate Pty Ltd and QOD Property Group Pty Ltd. Mr Garita states that he is an employee of QOD. Mr Garita was bankrupt for a three year period from 8 July 1992 to 9 July 1995. Mr Garita is currently a bankrupt. The sequestration order was filed on 22 April 2014. The Bankruptcy Trustee appointed over his affairs is Mr Dennis Turner of BDO Australia. Mr Turner was also appointed Voluntary Administrator of the Fundraising Entities for the period 11 December 2015 to 21 December 2015.
QOD Property Group Pty Ltd ("QOD")	<ul style="list-style-type: none"> According to the records held at ASIC, the current director of QOD is Ms Ashlee Garita. Ms Georgina Gray, the de facto partner of Mr Grujicic, was a former employee of QOD. Records also indicate that funds were advanced from the Fundraising Entities to QOD when requested by Mr Garita. Ms Garita has denied any funds were loaned to QOD and any monies received by QOD were made at the request of Loma and form part of Loma's loan account. As Mr Petrou has signed correspondence as a director of QOD, there is evidence to suggest that Mr Petrou is a shadow or de facto director of QOD.
Ms Ashlee Garita	<ul style="list-style-type: none"> Ms Garita is the daughter of Mr Lou Garita. Current director of Loma Estate Pty Ltd and QOD Property Group Pty Ltd. It is unknown what property development experience Ms Garita has.
Boston Pacific Consulting Pty Ltd ("BP Consulting")	<ul style="list-style-type: none"> Mr Petrou is the sole director and shareholder of BP Consulting, which the Fundraising Entities paid monies to, to provide administrative and consulting services. Mr Petrou has advised the reason for engaging BP Consulting was to ensure administrative efficiency across the Fundraising Entities. The services provided are asserted to have included: <ul style="list-style-type: none"> payment of expenses incurred by the Fundraising Entities such as rent, legal costs and utilities; management fees for services provided by Mr Petrou, his wife Ms Natalia Petrou and Ms Robyn Amenta. The Fundraising Entities did not have a formal agreement with BP Consulting to provide these services.

CME Group – Related and Associated Party Investigations

Name	Comments
	<ul style="list-style-type: none">• Our initial analysis of bank transactions have identified approximately \$323,000 being paid to BP Consulting from the Fundraising Entities between December 2014 and November 2015.• However, the general ledger of CME for the period 1 July 2015 to 30 November 2015 records approximately \$428,000 being paid to BP Consulting. Mr Petrou verbally advised the Official Liquidators that approximately \$520,000 of funds have been paid to BP Consulting.• Given the limited financial information and source documents available to the Official Liquidators, we have not yet fully determined the total amount paid to BP Consulting.• Further investigation would need to be undertaken to confirm the activities of BP Consulting and whether the amount paid to BP Consulting may be voidable against the Official Liquidators.

Annexure C

Summary of Corporate Details			
Company	Directors/Secretary	Shareholders	Percentage Held
CME Capital Australia Pty Ltd	Michael Petrou	Michael Petrou	50%
		Branislav Grujicic	50%
Boston Pacific Capital Pty Ltd	Michael Petrou	Michael Petrou	50%
		Branislav Grujicic	50%
GKN Capital Pty Ltd	Michael Petrou	Parkway Global Pty Ltd (entity associated to Mr Petrou)	100%
Boston Pacific Capital Australia Pty Ltd	Michael Petrou	Boston Pacific Consulting Pty Ltd	50%
		Branislav Grujicic	50%
IMCG Pty Ltd	Branislav Grujicic	Branislav Grujicic	100%

Annexure D

Investigations into the Solvency of the Fundraising Entities

1. What is solvency and insolvency?

Section 95A of the Act describes solvency and insolvency as follows:

Section 95A(1) - A person is solvent if, and only if, the person is able to pay all the person's debts, as and when they become due and payable.

Section 95A(2) - A person who is not solvent is insolvent.

Whether a company is able to meet its debts as they become due is essentially a "cash flow" test rather than a "balance sheet" test (although its balance sheet and other considerations are relevant).

Consideration of the entire financial position of a company and other commercial considerations at any single point in time is required to establish if a company is insolvent.

This includes factors such as the value of the company's assets relative to its liabilities and the nature of these assets and liabilities. Also, the extent to which cash is expected to be generated from future trading activities, or available from alternative sources is relevant to considering a company's solvency position.

2. Balance Sheet Test of Insolvency

The balance sheet test involves a comparison of a company's assets and liabilities. A company is balance sheet insolvent if it has insufficient assets to meet all of its liabilities, including prospective and contingent liabilities, if and when they fall due.

Summarised below is a summary of the Fundraising Entities balance sheets together with the working capital ratio:

Fundraising Entities - assets and liabilities	Low				High			
	CME	BPC	GKN	Total Low	CME	BPC	GKN	Total High
Current Assets	453,057	23,971	1,646	478,673	658,861	23,971	1,646	684,478
Non Current Assets	3,261,688	208,803	32,844	3,503,335	11,470,273	781,302	109,481	12,361,056
Total Assets	3,714,745	232,774	34,490	3,982,009	12,129,134	805,273	111,127	13,045,534
Current Liabilities	1,909,571	281,411	198,903	2,389,884	1,909,571	330,411	198,903	2,438,884
Contingent Liabilities	26,023	22,534	23,198	71,756	26,023	22,534	23,198	71,756
Non Current Liabilities	10,043,686	1,605,443	278,879	11,928,008	10,797,049	1,605,443	278,879	12,681,371
Total Liabilities	11,979,280	1,909,388	500,980	14,389,647	12,732,643	1,958,388	500,980	15,192,010
Net Assets	(8,264,535)	(1,676,614)	(466,489)	(10,407,639)	(603,509)	(1,153,115)	(389,853)	(2,146,477)
Working capital ratio	0.24	0.09	0.01	0.20	0.35	0.07	0.01	0.28

Based on the above assessment of assets and liabilities of the Fundraising Entities, it appears that none of the Fundraising Entities has sufficient assets to pay its liabilities on an individual or collective basis.

This is evidenced by the working capital ratio for each entity being below 1.

A company's working capital ratio is the relative proportion of an entity's current assets to its current liabilities, and is intended to show the ability of a business to pay for its current liabilities with its current assets. A working capital ratio below 1, is indicia that an entity is likely to experience working capital difficulties.

3. Cash flow test

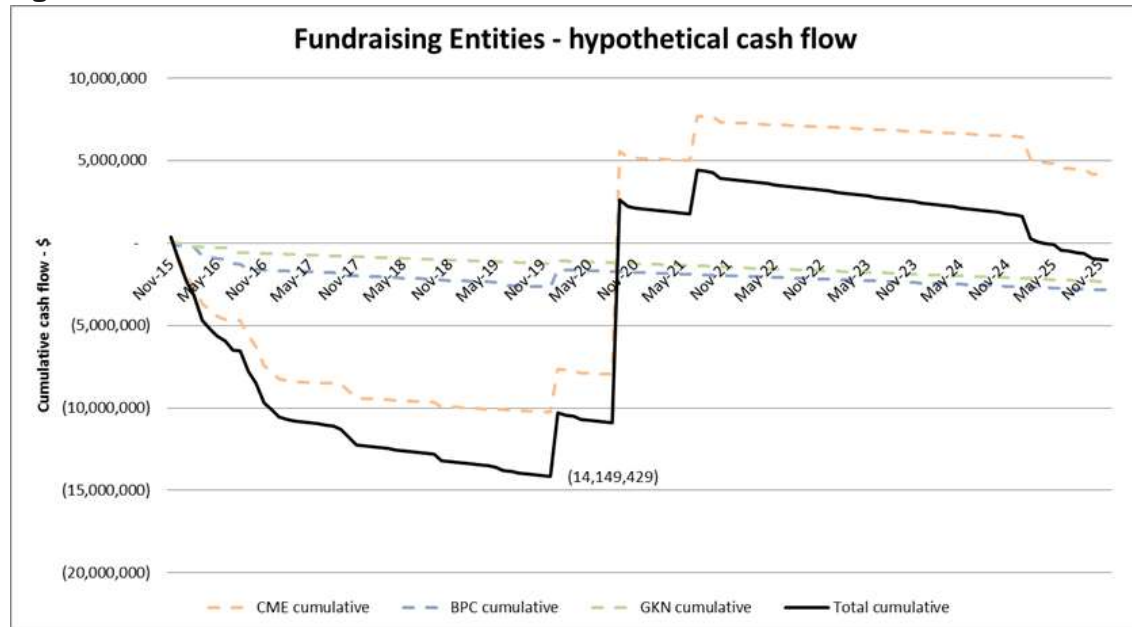
The cash flow test focuses on a company's cash income sources and expenditure obligations.

We have analysed the Fundraising Entities' cashflow on both an individual and combined basis. However, we note that due to the number of internal transfers occurring and investor's monies being transferred to a number of borrowers, we have focused our comments on a combined basis.

We have therefore performed the cash flow test collectively over the Fundraising Entities, using hypothetical cash inflows and outflows with some assumptions about the Fundraising Entities. We have assessed the hypothetical cash flow of the Fundraising Entities from the date that funds were frozen (17 November 2015).

Based on these assumptions, we have prepared a projected cash flow in the figure below:

Figure 1.



Based on the combined Fundraising Entities' current expected cash inflows and outflows, the Fundraising Entities appear to be cash deficient to a maximum value of approximately \$14 million until the start of 2020.

As noted in the figure above, on an individual basis, each Fundraising Entity did not have sufficient cash flow to meet its current commitments.

We also analysed the investor redemption profile of the Fundraising Entities to assess what funds were required to be repaid by the Fundraising Entities and their timing, as detailed below:

CME Group - Investor redemption profile by value				
Period	BPC	CME	GKN	Total
A - 0-3 mths	206,000	2,737,144	195,000	3,138,144
B - 3-6 mths	631,001	1,826,100		2,457,101
C - 6-12 mths	559,965	2,268,500	250,000	3,078,465
D - 12-24 mths	150,000	1,977,000	25,000	2,152,000
E - 24 mths+	242,000	2,131,557		2,373,557
Total	1,788,966	10,940,301	470,000	13,199,267

*Note – this indicative analysis only includes investor principal repayments. Interest payments have been excluded.

When considering the above table and our earlier analysis, the Fundraising Entities are not able to meet their obligations to investors through earnings and cash receipts from current investing activities.

The above table illustrates the mismatch between the short-term liabilities the Fundraising Entities have incurred with investors, compared to the long-term investments in the Borrowing Entities. The Fundraising Entities would be virtually entirely reliant upon raising funds from new deposits from current or other investors or recalling funds from IMCG.

In conclusion, the Fundraising Entities may not be cash flow positive until at least from 2020 onwards. For this to occur, it is dependent on the Fundraising Entities recovering the full value of principal and interest on the loans to IMCG and Loma.

4. Key events impacting the date of insolvency

Based on the above analysis, the Fundraising Entities are balance sheet and cash flow insolvent. We note the following particular key events which we consider when identifying a possible date of insolvency:

- (a) January 2015: Mr Grujicic advised that IMCG suffered losses of approximately \$1.3 million following the Swiss Franc event in January 2015. This would have caused Mr Petrou to suspect that the Fundraising Entities' loan to IMCG may have been impaired;
- (b) July 2015: Mr Grujicic signs the Loan Agreements with the Fundraising Entities on behalf of IMCG, that included key clauses surround the insolvency of the Lender. Mr Petrou's reasoning for the Loan Agreements is to preserve the possible future value of the assets. This raises a concern as it implies Petrou was concerned about the solvency of the Fundraising Entities;
- (c) August 2015: ASIC begins investigating the affairs of the Fundraising Entities. This would have raised concerns over the viability of the business model of the Fundraising Entities where funds of new investors were required to meet existing liabilities;
- (d) Late September 2015: The Fundraising Entities ceased providing funds to IMCG. Further, amounts totalling approximately \$950,000 were recalled from IMCG by the Fundraising Entities between 24 September 2015 and 5 November 2015. We suspect Mr Petrou recalled funds from IMCG as the Fundraising Entities were unable to obtain funds from other sources, raising a further suspicion of insolvency;

- (e) 17 November 2015: Funds of the Fundraising Entities in bank accounts and liquid asset of IMCGs were frozen by Court Order. No further funds could be recalled from IMCG, raising a further suspicion of insolvency; and
- (f) 21 December 2015: The appointment of the Provisional Liquidators to the Companies has likely crystallised the insolvent position of the Fundraising Entities on a cash flow basis.
Whist further investigations are required, based on the above, we conclude that the Fundraising Entities were:
 - (a) Possibly insolvent from January 2015 after the Swiss Franc event; and
 - (b) Probably insolvent from August 2015 when ASIC began investigating the affairs of the Fundraising Entities.

5. Other Factors to take into account when determining the Fundraising Entities solvency

The following are some general indicators of insolvency that are typically considered in assessing the solvency position of any company:

- (a) The Fundraising Entities appear to have experienced cashflow difficulties as they requested the repayment of funds by IMCG outside of the terms of the formal loan agreement. We have also seen examples of where funds are shifted around between entities to meet commitments;
- (b) The Fundraising Entities relied on the unsecured notes being rolled over and interest accrued and not redeemed, to manage its financial position. There was no consistency or certainty in that regard;
- (a) Inability of the Fundraising Entities to produce accurate financial information. The Fundraising Entities management accounts contain inaccuracies and errors;
- (b) A further approximate \$5 million was lent to IMCG following the Swiss Franc event in January 2015. IMCG did not have a track record of raising sufficient cash, through its investment activities, to be able to recoup the losses incurred;
- (c) Numerous related party transactions exist between the Fundraising Entities and other companies and individuals which impact timely cash flows and collectability;
- (d) It is not certain assets (loans) can be realised in a relatively short period of time to provide funds to meet debts owed without affecting the Fundraising Entities' ability to continue to trade;
- (e) The Fundraising Entities changed legal representation three times in 18 months up until the appointment of the Provisional Liquidators;
- (f) The general lack of formal and proven finance/commerce or financial markets expertise of Petrou and Grujicic; and
- (g) The terms of the Loan Agreements between the Fundraising Entities and the Borrowing Entities indicate that if the loans are called in early, a large discount is applied resulting in minimal recovery for the Fundraising Entities.

6. Conclusion

From the analysis, we consider that the Fundraising Entities are not solvent as they:

- (a) Are not solvent on a balance sheet test – insufficient assets to meet liabilities;

- (b) Are not solvent on a cash flow basis – until 2020 assuming loans would be repaid in full with interest, particularly considering the requirements to repay investors; and
- (c) Have other factors also present that suggest they were insolvent.

Whilst further investigations are required, based on our analysis to date, the Fundraising Entities were possibly insolvent from January 2015, and were probably insolvent from August 2015.

Annexure E

CME Capital Australia Pty Ltd (In Liquidation)		
Director's Report as to Affairs as at 21 December 2015		
	Book value (\$)	ERV (\$)
Assets		
Current Assets		
Cash at Bank		
Cheque Account	295,448	295,448
USD cheque account	64,800	64,800
Other receivables		
Cornwall Stodart	91,445	unknown
Kurban family trust	58,820	unknown
QOD Property Group	0	Not provided
DLA Piper funds in trust	39,965	Not provided
ATO (GST and Withholding Tax)	62,134	unknown
Total Current Assets	612,611	360,248
Contingent Assets		
Cornwall Stoddart	unknown	unknown
Non Current Assets		
Trade Debtors	0	unknown
Loan to IMCG P/L	5,607,000	unknown
USD \$ Loan IMCG	1,000,000	unknown
USD \$ Loan IMCG Exchange	419,648	unknown
Loan to Berkshire NWI	1,729,700	unknown
Loan to Loma Estate Pty Ltd	1,885,297	unknown
Total Non-Current Assets	10,641,645	0
Total Assets	11,254,256	360,248
Liabilities		
Current Liabilities		
Trade Creditors	50,000	0
Employee entitlements	6,000	6,000
Loan to BP Consulting	66,769	66,769
Investors <12 mths	1,727,504	1,727,504
Investor Interest <12 mths	34,244	34,244
Total Current Liabilities	1,884,517	1,834,517
Contingent Liabilities		
ASIC	unknown	unknown
BDO	33,000	33,000
FTI Consulting	unknown	unknown
Total Contingent Liabilities	33,000	33,000
Non-Current Liabilities		
Investors >12 mths	9,206,796	9,206,796
Investor Interest >12 mths	280,279	280,279
Loan from BP Capital	26,506	26,506
GKN Loan #116 #124	0	0
Total Non-Current Liabilities	9,513,581	9,513,581
Total Liabilities	11,431,098	11,381,098
Net Assets	(176,842)	(11,020,850)

Boston Pacific Capital Pty Ltd (In Liquidation)		
Director's Report as to Affairs as at 21 December 2015		
	Book value (\$)	ERV (\$)
Assets		
Current Assets		
Cash at Bank	23,970	23,970
ATO	10,022	
Total Current Assets	33,992	23,970
Contingent Assets		
Cornwall Stoddart	unknown	unknown
Non Current Assets		
Loan to IMCG P/L	845,000	unknown
Trade Debtors - CME	26,506	unknown
Trade Debtors - IMCG	9,850	unknown
Trade Debtors - Loma	11,790	unknown
Loan to Loma Estate Pty Ltd	161,000	unknown
Loan to CME Capital	0	unknown
Loan Alex Petrou	80,000	unknown
Total Non Current Assets	1,134,146	0
Total Assets	1,168,138	23,970
Liabilities		
Current Liabilities		
GKN - Loan	0	0
Trade Creditors	7,300	7,300
Investor < 12 months	269,500	269,500
Investor interest < 12 months	3,380	3,380
Total Current Liabilities	280,180	280,180
Contingent Liabilities		
ASIC	unknown	unknown
BDO	33,000	unknown
FTI Consulting	unknown	unknown
Total Contingent Liabilities	33,000	0
Non-Current Liabilities		
Investor > 12 months	1,520,134	1,520,134
Investor interest > 12 months	80,802	80,802
Total Non-Current Liabilities	1,600,936	1,600,936
Total Liabilities	1,914,116	1,881,116
Net Assets	(745,978)	(1,857,146)

GKN Capital Pty Ltd (In Liquidation)		
Director's Report as to Affairs as at 21 December 2015		
	Book value (\$)	ERV (\$)
Assets		
Current Assets		
Cash at Bank		
Cheque Account	1,621	1,621
High Interest	47	47
GST	4,135	4,135
Total Current Assets	5,803	5,803
Contingent Assets		
Cornwall Stoddart	unknown	unknown
Non-Current Assets		
Loan to CME	0	0
Loan to BP Capital	0	0
Loan to Loma Estate	105,000	105,000
Total Non Current Assets	105,000	105,000
Total Assets	110,803	110,803
Liabilities		
Current Liabilities		
Trade Creditors	1,800	1,800
Investors <12 mths	195,000	195,000
Investor Interest <12 mths	1,798	1,798
Total Current Liabilities	198,598	198,598
Contingent Liabilities		
ASIC	unknown	unknown
BDO	33,000	unknown
FTI Consulting	unknown	unknown
Total Contingent Liabilities	33,000	0
Non-Current Liabilities		
Investors >12 mths	275,000	275,000
Investor Interest >12 mths	3,273	3,273
Total Non-Current Liabilities	278,273	278,273
Total Liabilities	509,870	476,870
Net Assets	(399,067)	(366,067)

Annexure F

Estimated Outcome Statement - IMCG		
	Notes	Estimated (\$)
Assets		
Cash in Official Liquidators' Bank Account	1	1,286,781
Nominal value of Saxo and IG Accounts	2	1,758,026
Total Assets		3,044,807
<i>Less:</i>		
Provisional Liquidators' Fees and Disb. (subject to Court Approval)	3	(170,000)
Estimated Official Liquidators' Fees and Disb.	4	(100,000)
Estimated Minerva Capital Fees to Wind-down	5	(70,000)
Estimated Legal Fees	6	(20,000)
Contingency		(20,000)
Equals Available for Creditors		2,664,807
Distributions		
Distribution to CME		2,502,726
Distribution to BPC		162,081
Estimated Total Distribution		2,664,807

Notes to IMCG Estimated Outcome Statement

- (1) Cash at bank held in the Official Liquidators' bank account.
- (2) The value of the portfolio as at 5 July 2016.
- (3) The Provisional Liquidators' fees are subject to the approval of the Court.
- (4) The Official Liquidators will seek approval of their fees at a later date, either through a meeting of creditors or by application to the Court.
- (5) Allows for Minerva's costs going forward to manage an orderly wind-down of the portfolio.
- (6) Allowance for legal fees.

Estimated Outcome Statement - Fundraising Entities								
	Notes	CME		BPC		GKN		
		Low (\$)	High (\$)	Low (\$)	High (\$)	Low (\$)	High (\$)	
Assets								
Cash in Official Liquidators' Bank Account	1	414,780	414,780	23,971	23,971	1,646	1,646	
Potential ATO Tax Refund	2	0	Unknown	N/A	N/A	N/A	N/A	
Estimated Dividend from IMCG	3	2,502,726	2,502,726	162,081	162,081	N/A	N/A	
Berkshire	4	1,238,922	1,769,889	N/A	N/A	N/A	N/A	
Loma/QOD	5	0	1,887,152	0	167,023	0	107,839	
Mamounia	6	66,371	66,371	N/A	N/A	N/A	N/A	
Alex Petrou	7	N/A	N/A	0	83,883	N/A	N/A	
Cornwall Stodart	8	38,277	52,937	N/A	N/A	N/A	N/A	
Limos	9	0	45,000	N/A	N/A	N/A	N/A	
4DX	10	N/A	N/A	0.0	50,000	N/A	N/A	
Total Assets		4,261,075	6,738,854	186,052	486,958	1,646	109,485	
Liquidators Further potential Actions								
Breach of duties and damages claim against Mr Petrou	11	TBD	TBD	TBD	TBD	TBD	TBD	
Trading whilst insolvent claim against Mr Petrou	11	TBD	TBD	TBD	TBD	TBD	TBD	
Other Liquidator voidable transactions	11	TBD	TBD	TBD	TBD	TBD	TBD	
<i>Less:</i>								
Administrators' Fees (BDO)	12	(26,023)	(26,023)	(22,534)	(22,534)	(23,198)	(23,198)	
Provisional Liquidators' Fees and Disb (subject to Court Approval)	13	(280,000)	(280,000)	(34,000)	(34,000)	(10,000)	(10,000)	
Official Liquidators' Fees and Disb. to 30 June 2016	14	(105,072)	(105,072)	(13,150)	(13,150)	(9,367)	(9,367)	
Estimated Official Liquidators' Fees and Disb from 30 June 2016	15	(200,000)	(175,000)	(50,000)	(40,000)	(50,000)	(40,000)	
Estimated Total Legal Fees	16	(150,000)	(120,000)	(50,000)	(30,000)	(20,000)	(10,000)	
Contingency		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	
Equals Available for Creditors		3,489,980	6,022,759	6,368	337,274	0	6,920	
Total Creditors	17	12,738,643	12,738,643	1,958,388	1,958,388	500,980	500,980	
Estimated Dividend to Creditors (cents in the dollar)		27	47	0.3	17	0	1.4	

Notes to Fundraising Entities' Estimated Outcome Statement:

- (1) Cash at bank held in the Official Liquidators' bank accounts.
- (2) Mr Petrou advised in his Report as to Affairs that approximately \$62,000 is outstanding to CME from the Australian Taxation Office. Further investigations are required into the Companies' pre-appointment Business Activity Statements to determine if any amounts may be recoverable.
- (3) Estimated distribution to be received from IMCG.
- (4) In the high case the Official Liquidators estimate the total loan may be repaid to unsecured creditors. In the low case the Official Liquidators have assumed 70% of the loan amount may be recoverable. The recoverable amount depends upon factors including:
 - (a) Mr Petrou's willingness to cooperate with the Official Liquidators;
 - (b) The salability of the properties held by Berkshire;
 - (c) Costs in selling the properties; and
 - (d) Potential costs in obtaining control of and selling the properties.
- (5) In the high case the Official Liquidators have assumed the full recovery of the loans to Loma/QOD are recoverable. In the low case the Liquidators have assumed no recovery may be made. Neither Loma nor QOD have to date provided the requested information pertaining to their assets, liabilities and financial capacity to repay the loan.
- (6) Mamounia has repaid the loan in full with interest.
- (7) In the high case the Official Liquidators have assumed the full loan may be recoverable. In the low case the Liquidators have assumed no recovery may be made. Mr Alex Petrou to date has not provided requested information pertaining to his assets, liabilities and financial capacity to repay the loan.
- (8) In the high case the Official Liquidators estimate the full amount held on trust by Cornwall Stodart may be recoverable. The low case considers Cornwall Stodart lien over the funds held with respect to their outstanding fees.
- (9) In the high case the Official Liquidators have assumed the loan to Limos may be recoverable. In the low case the loan is not recovered.

- (10) In the high case the Official Liquidators have assumed the loan to 4DX may be recoverable. In the low case the loan is not recovered.
- (11) The Official Liquidators have identified a number of transactions which will need to be investigated further to determine whether any recoveries may be made for potential unfair preference payments, uncommercial transactions or insolvent trading claims. At this stage the value of any potential recoveries is to be determined.
- (12) Messrs Dennis Turner and Luke Targett of BDO were appointed as Voluntary Administrators ("**Administrators**") between the period 11 December 2015 to 21 December 2016. The Administrators' fees may have to be paid in priority to unsecured creditor claims.
- (13) Estimate of the quantum of Provisional Liquidators' fees to be requested for approval from the Court.
- (14) Estimate of the Official Liquidators fees going forward. This is based on Mr Petrou and the Loma co-operating with the Official Liquidators regarding Berkshire and Loma respectively.
- (15) The level of legal fees to be incurred in the matters depends upon the forthcoming of the borrowers' capacity and willingness to repay the loans.
- (16) Total unsecured creditor claims have been taken from the Companies' books and records and may vary when claims are adjudicated upon.
- (17) Based on the Official Liquidators' initial review, there may be balances outstanding between the Fundraising Entities. The Official Liquidators have not yet determined these intergroup claims. Some of the Fundraising Entities may be able to participate in the dividend for other Fundraising Entities as an unsecured creditor.

Annexure G

**CME Capital Australia Pty Ltd (In Liquidation)
 Receipts and Payments for the Period
 21 December 2015 to 30 June 2016**

(\$)

21 December 2015 to 15 May 2016	
Receipts	
Transfer from Pre-Appointment bank account	351,005.13
Loan Payout from Mamounia	66,370.60
Total Receipts	417,375.73
Payments	
Transcription Services	(3,153.70)
Advance on dividend	(2,000.00)
Bank Charges	(10.00)
Total Payments	(5,163.70)
Cash at Bank as at 15 May 2016	412,212.03
16 May 2016 to 30 June 2016	
Bank balance at 16 May 2016	412,212.03
Receipts	
Total Receipts	0.00
Payments	
Total Payments	0.00
Cash at Bank as at 30 June 2016	412,212.03

Boston Pacific Capital Pty Ltd (In Liquidation) □
Receipts and Payments for the Period
21 December 2015 to 30 June 2016

(\$)

21 December 2015 to 15 May 2016

Receipts

Transfer from Pre-Appointment bank account	23,859.21
Total Receipts	23,859.21

Payments

Total Payments	0.00
Cash at Bank as at 15 May 2016	23,859.21

16 May 2016 to 30 June 2016

Bank balance at 16 May 2016	23,859.21
Receipts	
Total Receipts	0.00

Payments

Total Payments	0.00
Cash at Bank as at 30 June 2016	23,859.21

GKN Capital Pty Ltd (In Liquidation) □
Receipts and Payments for the Period
21 December 2015 to 30 June 2016

(\$)

21 December 2015 to 15 May 2016

Receipts

Transfer from Pre-Appointment bank account	1,540.53
Total Receipts	1,540.53

Payments

Total Payments	0.00
Cash at Bank as at 15 May 2016	1,540.53

16 May 2016 to 30 June 2016

Bank balance at 16 May 2016	1,540.53
Receipts	
Total Receipts	0.00

Payments

Total Payments	0.00
Cash at Bank as at 30 June 2016	1,540.53