

APPENDIX A

PROPOSED DISTRIBUTION AND RATIONALE¹

1. The Authority has given considerable thought to the fairest way to distribute funds to the investors from those sums to be received from the Trustee in the bankruptcies of the Defendants. This has been no easy task because there are various complicating factors, including the following:
 - i) The fact that the amount available for distribution represents only a tiny fraction (about 1-2%) of the sums the Defendants were ordered to pay.
 - ii) There are three separate bankruptcies (i.e. for each of the Defendants) but only Mr Pruthi's estate has any significant sums available for distribution.
 - iii) Mr Anderson and Mr Peacock were depositors in Mr Pruthi's scheme and those deposits reflected the depositors in their schemes as well as their own investments.
 - iv) There are other creditors in each of the bankruptcies.
 - v) Interest for a particular period or contract (i.e. the investment return) was sometimes rolled into capital for new agreements for deposits without any transfer of the sums referred to, making it difficult to determine what sums said to be by way of deposits from investors actually reflected capital deposited. The second witness statement of Mr Simon Bowker from the Authority dated 30 April 2010 referred to the issue of rolled interest. A copy of this witness statement can be found at pages 118-156.
 - In this witness statement, Mr Bowker stated that from his examination of Mr Pruthi's affairs he understood that in some instances Mr Pruthi rolled interest due for a particular month or agreement into capital for a new agreement commencing the next month. For example, if an aggregator (such as Mr Anderson and Mr Peacock were referred to in this context)

¹ The total combined sum for distribution used in Appendix A is £913,737.10 which was the sum available for distribution at the time of preparing the appendix. The total combined sum for distribution will change over time because of factors such as interest earned on the funds as well as the Trustee's further costs. Therefore, while the figures reflected in Appendix A are likely to correlate closely with the actual final figures at the date of distribution (if the methodology in Appendix A is adopted) they are at this point illustrative only.

was to be paid £450,000 in interest at the end of September, no interest would be paid and this sum would be rolled forward as the capital sum of a deposit agreement commencing on 1 October. This rolling of interest could happen many times so a small capital figure could grow significantly over the course of many agreements. Capital sums could also be made up of rolled interest alongside a further cash deposit.

- This behaviour makes a calculation of what is the true figure of physical sums "deposited" with Mr Pruthi reliant on assumptions as to what constitutes a capital deposit. For the purposes of his statement any interest rolled into capital by Mr Pruthi was included in Mr Bowker's calculations as capital outstanding.
- The net amounts previously calculated are when deposits and returns have been netted off against one another on the cash in/cash out basis.
- For the purposes of this Appendix, I have adopted the same approach used by Mr Bowker in his witness statement because I consider it the most realistic approach in the light of the potential difficulties created by the rolled-interest issue.

vi) Investors were entitled to receive interest at different time periods as there were at least three different types of investments available. The first of these was where interest was paid monthly; the second was where it was paid at the end of a four month period; and the third was where it was paid at the end of a twelve month period. Investors were able to roll-over this interest into existing deposits for further terms.

vii) Those investors who deposited sums at the beginning of the schemes who have received interest payments will have suffered less loss of capital than those investing at the end of the schemes who received no or less interest on their initial deposit of capital. In fact, some of the investors who entered the schemes early on have received by way of interest payments on their initial capital investment a sum greater than that originally invested.

viii) One or two investors deposited significant sums in the schemes shortly

before the Defendants' illegal activities were discovered and prevented from continuing with the result that their losses of pure capital represent a very substantial proportion of the sum likely to be available for distribution.

- ix) It is likely to be impossible to audit with any degree of confidence the figures produced by the Defendants in the quantum hearing and cross-check them against investors' bank statements for various reasons including the difficulty in contacting some investors. It would also be a very expensive and laborious exercise.
- x) For the same reason this makes an approach based on the 'time-invested' next to impossible to achieve, because even following an expensive audit the result would still not be known or very accurate. Some of the reasons for being unable to apply this 'time-invested' approach are detailed below:
 - (1) It would be an extremely time consuming exercise as the Authority would need to know when each individual return/interest payment (where relevant) has been received and take the *net* figure (i.e. capital less interest payment) on each return/payment to be fair. This exercise would involve a further review of the banking material and producing updated and very detailed schedules highlighting all individual payments. The Authority estimates that even if all available information was to hand, the work required to complete this type of exercise would involve several months of full-time work by investigators and forensic accountants.
 - (2) The Authority would also need to speculate on the actual dates that investors received returns and therefore the amounts calculated would not, in any event, be accurate. A hypothetical example would be if an investor transferred £100,000 across on 1 January 2008 and this investment was on a monthly basis with Mr Pruthi whereby he would receive 8% at the end of each month. A detailed analysis would need to be conducted to confirm if the investor received each month's interest repayment (initially of approximately £667) or whether he/she left the money in the scheme (where the interest would then be compounded). Under this method, the repayment of monthly interest would reduce their capital amount (i.e. in this case it would leave a capital amount of £99,333

after the first month). A similar analysis would be required for all investors until 25 November 2008 (the date that search warrants were executed at the Defendants' addresses when they were served with the High Court injunction and freezing order dated 24 November 2008).

- (3) The Authority would very likely need to contact a significant number of investors to confirm any details where the individual payment information was unclear. To date, a substantial number of investors have still not submitted responses to questionnaires regarding their investments and it is indicative of the likely difficulties the Authority may face in seeking to clarify these issues. Even following further enquiries the Authority would be unlikely to have sufficient reliable information to be able to calculate actual interest payments received by investors.
- (4) Given that the Authority has only a very small percentage of funds available for investors (relative to both net and gross amounts); this additional exercise would be of little benefit to investors in any event.
- (5) The Authority believes that the extensive work required in carrying out such an analysis to attempt to determine the 'time-invested' basis for returns, does not appear to be proportionate for the outcomes (the minor benefit to some investors) that might be achieved in undertaking this exercise.

The Authority's proposed approach to the distribution

2. I set out below the Authority's proposed approach to distribution and the rationale behind it. Given the complexities referred to above I accept that this approach is not likely to be attractive to everyone and that alternative approaches might favour particular groups of investors over others. For the reasons I explain below the approach the Authority prefers is intended to be the fairest approach when looked at in the round.
3. The Authority considers that there are two central issues to determine:
 - 3.1. First, when it comes to the distribution of the sums recovered given that there is a very limited pool of money to be returned to investors, should

the distribution look to consider the loss of initial capital first and therefore take into account the interest received by investors before determining a pro-rata distribution.

- 3.2. Secondly, whether the distribution should treat the Defendants' three estates as one and make a pro-rata distribution to all depositors based on the overall amounts available or to make a distribution in respect of each of the schemes.
4. For the reasons I explain below the Authority proposes that:
 - 4.1. The distribution should take into account any interest paid to investors so that the objective is to start by redressing the loss of capital actually transferred into the scheme rather than the notional capital recorded at the time of investigation which for many investors reflects substantial interest payments over time.
 - 4.2. There should be a distribution in respect of each of the three schemes. This respects the hierarchy of the bankruptcies and overall appears the fairest approach notwithstanding the slight marginal variances in pro-rata recoveries between investors at different levels in the scheme.

Should the distribution take into account interest paid to investors?

5. For the purposes of the Payment Order, the sums were calculated on the basis of the amount said to be owing to investors on the basis of the contractual arrangements between the investors and the Defendants at the time of the Authority's intervention. In preparing for the hearing, the Authority's witness evidence had considered both this analysis and an analysis of the '*pure*' capital owed to investors. The second witness statement of Mr Simon Bowker (referred to above) detailed these as follows:
 - 5.1. The first was based on the contractual entitlement of consumers to repayment of capital and accrued interest pursuant to the agreements that they had entered into with the Defendants i.e. the contractual arrangements current at the time of the Authority's intervention on 25 November 2008. This was originally referred to in Mr Bowker's witness

statement as the “Contractual” analysis. In this statement I refer to the amount owed to investors on this basis as the “*Gross*” figure.

- 5.2. The second was to take into account as best he could on the available information the interest received by investors. The Authority has now calculated the amount that may be repayable when initial deposits and returns are netted off against each other on a cash-in/cash-out basis. This is referred to in my statement as the “*Net*” figure.
6. If there had been a full recovery from the Defendants of the sums in the Payment Order I anticipate that the Authority’s suggested approach would have been that, subject to any corrections identified since the Payment Order, the distribution should be in the amounts calculated by Mr Bowker on the contractual basis i.e. applying a ‘*Gross*’ figure.
7. Because the sums available for distribution are a fraction of the sum ordered, basing a distribution on the ‘*Gross*’ figure risks unfairly allocating a greater proportion of the allocation to those investors who have already recovered some or all of their initial capital payment through interest payments, and may indeed have profited substantially from the scheme.
8. The point is particularly stark in respect of those investors who had first invested shortly before November 2008 who subject to any recovery in this distribution will have, in effect, lost the entirety of their capital, when compared to those who had received interest payments at a rate of 10% (or higher) for 10 months and thereby recovered the entirety of their losses.
9. Further to this, the *Net* approach means that those who were investors early on in the scheme will receive nothing from the distribution notwithstanding that they no doubt based their financial arrangements on the assumption that their capital would be returned to them.
10. The Authority proposes that the *Net* approach should be favoured in an effort to prioritise the return of lost capital suffered from the deposit taking scheme.
11. Mr Bowker’s *Net* figures were agreed by the Defendants. The Authority has following its investor contact exercise sought to corroborate those figures. As

explained below, with one notable exception, the discrepancies are limited.

Should the Distribution distinguish between the recoveries from each bankruptcy?

12. For reasons I explain below, the Authority considers that to attempt to merge the distributions would not be appropriate. There are several reasons despite it leading to a more complicated distribution process. First, the scheme operated in this way. Second, the Defendants were directed to pay such sums on the basis of three separate schemes and on the anticipation of some form of recovery by the First and Second Defendants from the distribution of the Third Defendant's sums directed to be paid to the Authority. Third, to attempt to combine the distributions might prefer creditors of one Defendant over other creditors. However in order that the Court can assess the different options I set out what the differences would be.
13. I begin by considering the Authority's approach, effectively a hierarchical approach following the money down from Mr Pruthi's bankruptcy to his investors and Mr Anderson and Mr Peacock and then considering in each of Mr Anderson's and Mr Peacock's bankruptcies the distribution to their investors. I then consider how the distribution would be on the basis of a pure pro-rata scheme, pooling all three Defendants' assets and distributing them. Finally I consider a variation on this second approach, taking out of account the amounts attributable to Mr Anderson and Mr Peacock individually.

Methodology used

14. I have based my calculations on a recent estimate of the total amounts likely to be available for distribution to creditors by the Trustee in each of the three estates (£15,561.53 – Mr Anderson, £188.82 – Mr Peacock and £897,986.75 – Mr Pruthi with a combined total of £913,737.10). While the Authority is by far and away the largest creditor in each of the bankruptcies there are other creditors and so my calculations are at this stage intended to be an approximation of the likely recovery.
15. I have sought to determine the pro-rata distribution in terms of the amounts owed to the investors within the pool of distribution. From the largest pool of

funds available (relating to Mr Pruthi's estate), this would be [1.88 pence for every pound invested] to investors on the net basis and [1.19 pence for every pound] to investors on the gross basis. I include both net and gross figures for my calculations. The lists of investors containing their sums owing on both a net and gross basis are included at pages 157-173. I have also prepared a summary table schedule detailing the total amounts invested through each of the individuals. This worksheet is labelled "Totals" and included at page 174.

16. The Authority proposes that the remaining amount available for distribution (being £15,750.35 for Mr Anderson and Mr Peacock's combined estates referred to above in paragraph 14 of this appendix) is then to be paid to their respective investors. This will slightly increase the distribution amount that these particular investors will receive on either a net or gross basis. I refer to the details at paragraphs 23 to 32 for a further explanation of the proposed methodology and to worksheet labelled "Pref Dist. Details" at page 181 for amounts available for distribution.
17. The Authority's distribution plan accounts only for the known investors through the Defendants' schemes. The distribution amounts for any other relevant investors (which were invested by Mr Anderson or Mr Peacock on the investor's behalf) not included in the Authority's distribution plan will be a matter for the Trustee in their bankruptcies to consider. Any distribution to other investors that are not known to the Authority will result in a reduced distribution percentage for all other investors who have placed funds with that particular defendant.
18. Because the schemes operated in different currencies the net and gross figures were calculated for each of the three currencies in which investments were made (i.e. Sterling (£), Euro (€) and US Dollars (\$)). These amounts were all compared to the final amounts in the Payment Order approved judgement of Vos J on 29 June 2010. The worksheet detailing this work, labelled "Totals", appears at page 174. The two foreign currencies were then converted to Sterling (£) using the average exchange rate between 15 November 2008 and 25 November 2008 (being the two key dates previously identified in the Authority's calculation schedules).
19. The exchange rates applied and relevant historical information (including the

period average rate) were downloaded on 18 January 2013 from the website: www.oanda.com (being a well-known and reliable foreign currency exchange website). The average exchange rates for this period were then used to calculate the Total figures for the proposed distribution plans. A memorandum containing details of the exchange rates used and the related Oanda website historical exchange rate print outs appears at pages 175-177.

20. The proposed distribution class contains all those investors who were identified as properly being within the distribution class for the purposes of the Payment Order including additional investors identified by Mr Anderson during the hearing before Vos J. The proposed distribution class excludes those close relatives of Mr Anderson and Mr Peacock whose investments were disregarded for the purposes of the Payment Order. Further exemption investment details and details about additional investors can be found in the worksheet labelled "Potential Exclusions" at page 178.
21. The Authority carried out some cross-checking exercises where possible to help ensure that the distribution figures produced from the relevant schedules (which are automatically calculated after multiplying the investment amounts by the relevant distribution percentages) are consistent with the amounts manually calculated for the relevant investment groups. See the worksheet labelled "Dist. Approach Calcs" at page 179 for further details.

Total investors sums on a Net and Gross basis

22. Table 1 below details the calculation from the *net* and *gross* amounts, starting from the calculations of Mr Bowker, then making currency conversions and finally taking into account the close relatives exemptions and additional investors identified by the Defendants at the hearing before Vos J.

TABLE 1

INVESTMENT TYPE:	NET AMOUNT (LOCAL CURRENCY)	NET AMOUNT (£)	GROSS AMOUNT (LOCAL CURRENCY)	GROSS AMOUNT (£)

PRUTHI INVESTMENTS (£)	£39,725,923	£39,725,923	£65,851,618	£65,851,618
PRUTHI INVESTMENTS (\$)	\$9,539,787	£6,408,829	\$10,276,160	£6,903,524
PRUTHI INVESTMENTS (€)	€1,926,738	£1,631,754	€3,083,262	£2,611,215
TOTAL - PRUTHI		£47,766,506		£75,366,358
ANDERSON INVESTMENTS (£)	£6,074,660	£6,074,660	£9,708,398	£9,708,398
ANDERSON INVESTMENTS (\$)	\$92,400	£62,074	\$112,000	£75,242
ANDERSON INVESTMENTS (€)	€359,161	£304,173	€419,421	£355,207
TOTAL - ANDERSON		£6,440,908		£10,138,847
PEACOCK INVESTMENTS (£)	£6,054,241	£6,054,241	£9,748,489	£9,748,489
PEACOCK INVESTMENTS (\$)	\$228,000	£153,170	\$300,000	£201,540
PEACOCK INVESTMENTS (€)	€408,013	£345,546	€607,201	£514,239
TOTAL - PEACOCK		£6,552,958		£10,464,267
TOTAL ALL INVESTMENTS		£60,760,372		£95,969,471
<i>LESS EXEMPTIONS</i>				
ANDERSON - CLOSE		£265,740		£904,820

RELATIVES' INVESTMENTS				
PEACOCK – CLOSE RELATIVE INVESTMENT		£0		£384,200
<i>ADD EXTRA DEPOSITORS</i>				
ANDERSON – ADDITIONAL DEPOSITORS		£0		£207,104
TOTAL INVESTMENTS (AFTER EXEMPTIONS/ EXTRA DEPOSITORS)		£60,494,632		£94,887,555
UPDATED TOTAL ANDERSON INVESTMENTS (<i>LESS EXEMPTIONS; PLUS ADDITIONAL DEPOSITORS</i>)		£6,175,168		£9,441,131
UPDATED TOTAL PEACOCK INVESTMENTS (<i>LESS EXEMPTION</i>)		£6,552,958		£10,080,067

The Authority's proposed distribution

23. The methodology of this approach is as follows:

23.1. There are three pools of distribution:

- (1) The investors in Mr Pruthi's scheme.
 - (2) The investors in Mr Anderson's scheme.
 - (3) The investors in Mr Peacock's scheme.
- 23.2. First, the Authority distributes the sums recovered from Mr Pruthi's bankruptcy (assumed to be about £897,986.75) on a pro-rata basis among the investors in Mr Pruthi's scheme.
- 23.3. Then the Authority distributes the sums recovered from the bankruptcy of both Mr Anderson and Mr Peacock on a pro-rata basis in respect of their separate pool of investors. The estates of Mr Anderson and Mr Peacock will be increased by the sums they will receive from the Authority's distribution which will include an allocation based on their status as investors in Mr Pruthi's scheme.
- 23.4. The practical consequence is that the monies from Mr Pruthi's scheme will pass down in part to benefit all of Mr Anderson and Mr Peacock's creditors including those investors in their schemes. Those creditors will also benefit from the modest amounts in their estates: (£15,561.53) and Mr Peacock's (£188.82).
24. In this method, the first stage is using the calculated amounts for all investments with Mr Pruthi (identified above in Table 1). The *net* and *gross* amounts are £47,766,506 and £75,366,358 respectively. These amounts are then used to divide the approximate amount for distribution (£897,986.75), giving a *net* percentage figure of 1.88% for every pence in the pound of investment, and a *gross* percentage figure of 1.19% for every pence in the pound of investment.
25. If this approach is accepted as the most suitable, then investors with Mr Pruthi (including the Trustee in the bankruptcies of both Mr Anderson and Mr Peacock) would all be paid a distribution amount based on one of the above percentage figures (i.e. either the *net* or *gross* figure).
26. The Authority's analysis reveals that Mr Anderson's investments accounted for 12.1% and Mr Peacock's investments were 15.2% (based on the amounts contained in Table 2). The remaining investors (*net* figure of £34,738,080) with

Mr Pruthi accounted for 72.7% of the *net* total investments.

27. It is then necessary to calculate the distribution percentage to both Mr Anderson and Mr Peacock's investors (via their relevant Trustee in Bankruptcy). As a starting point for this, the Authority has used the total investment amounts from Mr Anderson and Mr Peacock as set out in Table 1 above. For Mr Anderson the total figure was £6,440,908 (*net*) and £10,138,847 (*gross*); while for Mr Peacock it was £6,552,958 (*net*) and £10,464,267 (*gross*).
28. The Authority then subtracted the relevant amounts to reflect those 'deposits' from close relatives as defined in the RAO for both Mr Anderson and Mr Peacock and added the extra investment amounts for Mr Anderson, which are identified in Table 1. This produces an amended total figure for Mr Anderson of £6,175,168 (*net*) and £9,441,131 (*gross*); and £6,552,958 (*net*) and £10,080,067 (*gross*) for Mr Peacock, which are also identified in Table 1.
29. The distribution amounts for the relevant investments through Mr Pruthi (i.e. Mr Anderson and Mr Peacock's investments that were allocated above to their relevant Trustees) are then divided by their total *net* and *gross* figures (after exemptions and additional investments are taken into account).
30. Based on the above distribution percentages, the distribution plan for the investments through Mr Pruthi using this method would be as follows:

TABLE 2

BANKRUPTCY ESTATE	NET	GROSS
Anderson - Trustee in bankruptcy:	£108,602	£137,205
Peacock - Trustee in bankruptcy:	£136,326	£158,265

Other investments – by way of business:	£653,059	£602,517
TOTALS	£897,987	£897,987

31. The distribution amounts for the estates of Mr Anderson and Mr Peacock are then added. As mentioned above, these smaller sums of monies recovered from Mr Anderson (£15,561.53) and Mr Peacock's (£188.82) estates would also be distributed separately to their respective investors.

32. For Mr Anderson's investors, this calculation gives a net percentage figure of 2.01% for every pence in the pound of investment, and a gross percentage figure of 1.62% for every pence in the pound of investment. The net percentage figure for Mr Peacock's investors is 2.08% while the gross figure for him is 1.57%. The net percentage for Mr Pruthi would be 1.88% while the gross figure would be 1.19% (as calculated above). These percentages are set out in Table 4 below for comparison purposes.

33. My calculations and comparison of this approach to the other approaches can be found in the worksheets labelled "Pref. Dist. Approach" at page 180 and "Pref Dist. Details" at page 181. These calculations are also subject to claims by other creditors in the respective bankruptcies.

Correction in previous figure used by the Authority and relied upon by Mr Pruthi and the Court

34. Following the Authority's further analysis of the underlying figures it appears that the amount allocated to Mr Pruthi's US\$ depositors (affecting the *gross* figure only) was overstated in that there appears to be an additional amount detailed of US\$10,085,451 (which was not actually the case). As such the US\$ *gross* amount above for Mr Pruthi should be \$10,276,160 rather than \$20,361,611.

35. While the sum of \$20,361,611 was calculated from Mr Pruthi's schedules and agreed by him, the figure of US\$10,085,451 does not appear on analysis to be attributable to any known investors and is an overstatement. The *gross* figure of

\$22,292,893.47 provided by Mr Pruthi was adopted by Vos J in his judgment on 29 June 2010 as the amount that Mr Pruthi was required to pay the Authority.

36. If unchanged, the effect of this overstatement would be to increase the total *gross* investment amount from £75,366,358 to £82,141,763. This overstatement would effectively reduce the pro-rata *gross* return amount from 1.19% to 1.09% for every pence in the Pound of investment, based on the first preferred approach above.

The alternative approaches – a unified distribution

37. This alternative approach is to treat all investors in the Ponzi scheme in the same manner in respect of their proposed distribution percentage, which is made on a pro-rata basis. There are two stages to this analysis.
 - 37.1. The first stage is to include in the distribution Mr Anderson and Mr Peacock, as well as their relevant investors, because Mr Anderson and Mr Peacock were notionally investors in Mr Pruthi's scheme and then to allow for distribution of the sums allocated to Mr Anderson and Mr Peacock to their separate investors.
 - 37.2. This would result in a greater percentage of the distribution going to the investors and creditors for both Mr Anderson and Mr Peacock as they would receive their individual amount as well as a potential sharing of Mr Anderson/Peacock's total distribution. Therefore, it would then become necessary to carry out a further analysis. This second stage reallocates the sums that would otherwise have been distributed to Mr Anderson and Mr Peacock back to the overall sum available for distribution and then the distribution among the other investors is calculated.

Alternative approach – Stage 1

38. To calculate the percentages for this distribution method, one divides the approximate amount for distribution (£913,737.10) by the *net* and *gross* amounts calculated above (after the exemptions and extra depositors have been taken into account, i.e. the *net* figure of £60,494,632 and *gross* figure of £94,887,555 identified in Table 1 above). This calculation gives a *net* percentage figure of 1.51% for every pence in the Pound of investment, and a *gross* percentage figure

of 0.96% for every pence in the Pound of investment.

39. My calculations and workings in relation to this analysis can be found in the worksheet labelled “Alt. Dist. Amts 1 & 2” at page 182.

Alternative approach – Stage 2

40. This method utilises the total Pruthi investments figures in Table 1 above, and then excludes the amounts of investments from Mr Anderson and Mr Peacock. Both had investments with Mr Pruthi, which are deducted from the total sum. The foreign currencies are then converted to Sterling (£) using the same average exchange rate details identified above in paragraph 19 of this Appendix.

41. The relevant figures for this analysis are detailed in Table 3 below:

TABLE 3

		NET AMOUNT (LOCAL CURRENCY)	NET AMOUNT (£)	GROSS AMOUNT (LOCAL CURRENCY)	GROSS AMOUNT (£)
TOTAL	PRUTHI		£47,766,506		£75,366,358
INVESTMENTS (from Table 1)					
LESS INVESTMENTS THROUGH MR PRUTHI:					
ANDERSON INVESTMENTS (£)		£5,336,800	£5,336,800	£11,075,330	£11,075,330
ANDERSON INVESTMENTS (\$)		\$655,000	£440,029	\$655,000	£440,029
ANDERSON INVESTMENTS (€)		€0	£0	€0	£0
TOTAL ANDERSON			£5,776,829		£11,515,359

PEACOCK INVESTMENTS (£)	£6,796,837	£6,796,837	£12,388,167	£12,388,167
PEACOCK INVESTMENTS (\$)	\$222,000	£149,140	\$427,140	£286,953
PEACOCK INVESTMENTS (€)	€360,869	£305,620	€717,648	£607,776
TOTAL PEACOCK		£7,251,597		£13,282,895
TOTAL INVESTMENTS (ANDERSON & PEACOCK THROUGH PRUTHI)		£13,028,426		£24,798,254
AMOUNT FROM PRUTHI INVESTORS (EXCLUDING ANDERSON & PEACOCK AMOUNTS ABOVE)		£34,738,080		£50,568,103
ADD UPDATED TOTAL ANDERSON INVESTMENTS (from Table 1)		£6,175,168		£9,441,131
ADD UPDATED TOTAL PEACOCK INVESTMENTS (from Table 1)		£6,552,958		£10,080,067
TOTAL UPDATED INVESTMENTS IN ALL SCHEMES (EXCLUDING ANDERSON & PEACOCK THROUGH PRUTHI)		£47,466,206		£70,089,301

42. To calculate the percentages for this distribution method, one divides the approximate amount for distribution (£913,737.10) by the *net* and *gross* amounts calculated above (after the investments by both Mr Anderson and Mr Peacock with Mr Pruthi have been excluded/deducted and the exemptions have been subtracted (also additional depositors added), i.e. a *net* amount of £47,466,206 and *gross* amount of £70,089,301 identified in Table 3 above).

43. This calculation gives a *net* percentage figure of 1.93% and a *gross* percentage figure of 1.30% for every pence in the Pound of investment.

44. My calculations and workings in relation to this can be found in the worksheet labelled “Alt. Dist. Amts 1 & 2” at page 182.

COMPARISON OF APPROACHES

45. By way of summary, Table 4 below sets out a comparison of the *pro-rata* recoveries under the Authority's proposed approach to distribution and the alternative approaches identified above.

TABLE 4

DISTRIBUTION APPROACH	NET PERCENTAGE (%)			GROSS PERCENTAGE (%)		
	PRUTHI	ANDERSON	PEACOCK	PRUTHI	ANDERSON	PEACOCK
AUTHORITY'S PROPOSED DISTRIBUTION	1.88%	2.01%	2.08%	1.19%	1.62%	1.57%
ALTERNATIVE APPROACH – STAGE 1 (including Defendants 1 and 2)		1.51%			0.96%	
ALTERNATIVE APPROACH – STAGE 2		1.93%			1.30%	

(excluding Defendants 1 and 2)		
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Approach recommended by the Authority

46. As already mentioned, the Authority recognises that it is likely that whichever approach to distribution is ultimately adopted; there will be some investors who will be in a better position than others.
47. The Authority's proposed approach appears to be the most suitable for the separate legal structures of the different estates. This approach provides a separate distribution amount in respect of each of the schemes and allocates to Mr Anderson and Mr Peacock (or more correctly the Trustee in their separate bankruptcies) sums received from Mr Pruthi's estate.
48. This seems appropriate and does not prejudice Mr Anderson's and Mr Peacock's other creditors who are not included in the Authority's distribution and would need to prove in their bankruptcies. That is a potential issue with the Stage 2 alternative approach which effectively seek to by-pass the legal structure of the bankruptcies possibly to the prejudice of other creditors.
49. The issue that arises with the Stage 1 alternative approach is that it would provide a greater potential distribution recovery for those in the subsidiary schemes of Mr Anderson and Mr Peacock than those in Mr Pruthi's scheme. This is because in addition to their initial distribution amounts, these investors would potentially be entitled to a share of the distribution percentage allocated for the investments that both Mr Anderson and Mr Peacock made through Mr Pruthi.
50. The Authority's suggested approach is not ideal because it means that the investments for each of the Defendants will be treated slightly differently in terms of the distribution percentage that they are likely to receive (see Table 4 above for details). On a *net* basis, there is a variance between Mr Peacock's estate receiving 2.08% (the highest return of the three) compared to Mr Pruthi's estate receiving 1.88% (the lowest return of the three). However as the maximum variance is 0.20%, which is quite low, this is not a strong reason from the Authority's perspective to reject this approach.

51. Equally on a *gross* basis, Mr Anderson's estate will receive 1.62% (the highest return of the three) compared to Mr Pruthi's estate receiving 1.19% (the lowest return of the three). This would lead to a maximum variance of 0.43% which is also relatively low.