

# I doctored the statements: the final moments of AI start-up ‘charade’

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Jul 31, 2023 – 6.13pm

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## KEY POINTS

- ◆ Metigy raised: \$13m from investors in July 2021.
- ◆ Fairfull spent: \$7.7m on a property on the NSW southern highlands, \$10.5m on a house in Mosman.
- ◆ Leftover: \$4.1m from the sale of the properties after mortgages were paid.
- ◆ To be paid: 30c in the dollar to unsecured creditors.

A Regal Funds portfolio manager was so worried that his investment in a hotshot artificial intelligence marketing start-up was at risk when it revealed it did not have enough money to pay staff that he rushed to the chief executive’s house to demand answers.

But, when Regal’s Ben McCallum arrived at the Mosman home of Metigy founder David Fairfull, he was told the company’s accounts were “doctored” and “fabricated”, he wrote in an affidavit filed with the Federal Court.

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David Fairfull was Metigy's chief executive. The company collapsed last year. **Dominic Lorrimer**

That, and other documents filed as part of court settlement between Metigy and investors including Regal, Adrian McKenzie's Five V Capital and Alex Waislitz's Thorney Investments, offers the best glimpse yet about the demise of a company that was once valued at more than \$1 billion.

The Australian Securities and Investments Commission is continuing to investigate Metigy's collapse last year, while the company's administrators, Cathro & Partners, will begin public examinations on Tuesday.

Metigy's investors had been told that the company was making tens of millions of dollars in annual recurring revenue when its actual earnings were a fraction of that. The administrator last year found Metigy owed Regal \$20 million and Five V \$5.2 million. Thorney, and two other funds sharing its address, put in \$2.75 million via a loan that could be converted to shares.

The Federal Court in July found that profit and loss statements, revenue forecasts and financial spreadsheets sent to investors by Mr Fairfull were "a charade".

More than \$7 million of the money that investors put into Metigy went to Mr Fairfull through a loan to purchase two luxury properties, one in Mosman, in Sydney's north, and the other in NSW's Kangaroo valley.

Investors were not informed of the loan, on which Mr Fairfull repaid just \$2.5 million, until shortly before Metigy collapsed.

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— David Fairfull to Ben McCallum, according to Mr McCallum's affidavit.

The Mosman house, which cost \$10.5 million, has water views, six bedrooms, four bathrooms and a steam room. The Fairfull family's Kangaroo Valley property, Heggy's, cost \$7.7 million and came with a tennis court, private waterfall, guest cottage, court arena and yoga room.

Mr Fairfull's "charade" unravelled when Metigy's chief financial officer told investors on July 27 last year that the company didn't have enough money to meet its payroll that week, Federal Court judge Steven Rares found.

Regal's Mr McCallum told the court that, the next day, he and others tried to contact Mr Fairfull – a different person to the David Fairfull that chairs accountancy Hall Chadwick – but ultimately went to his house in Mosman.



The property is set on 48 hectares between Berry and Kangaroo Valley.

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David Fairfull's Mosman house on 920 square metres sold for more than \$12 million. **Domain**

By then Mr McCallum had received the company's real financials, showing it had earned sales of just \$43,024 to date in that financial year. Mr McCallum said he handed Mr Fairfull a copy of one of the profit and loss statements showing Metigy's purported revenue and asked him to confirm if it was real.

According to Mr McCallum's affidavit, Mr Fairfull rapidly confessed. "I doctored the statements ... The bulk of the figures are fabricated," Mr Fairfull said, according to Mr McCallum's recollection. "There would have been some transaction, but I don't know the real figures."

Mr Fairfull said that he had acted alone. Mr McCallum responded, he told the court, by telling Mr Fairfull that Metigy was in breach of the investors' agreement with the company. Investors rushed to court to put freezing orders on the properties, which were already mortgaged to Pallas Capital.

Mr Fairfull, who is cooperating with the administrators, and Five V did not respond to requests for comment. A spokeswoman for Regal and a spokesman for Thorney, which did not participate directly in the Federal Court proceedings but could receive money, declined to comment.

Pallas sold both properties last year, with the Mosman house gaining value to sell for more than \$12 million [<https://www.afr.com/link/follow-20180101-p5c0hu>] while the Kangaroo Valley property sold for a \$1.45 million loss [<https://www.afr.com/link/follow-20180101-p5c4xl>]. There was \$4.1 million after the mortgages were paid.

Mr Fairfull declared bankruptcy in November. He was previously bankrupt in the early 2000s. Three groups – Metigy’s administrators, the trustee managing Mr Fairfull’s affairs as a bankrupt, and a set of investors including Regal and Five V – claimed a share of the money.

On July 4, Justice Rares approved an agreement among the groups to split the money with \$476,200 going to Mr Fairfull’s trustee in bankruptcy and personal creditors, and the rest being divided evenly between the shell of Metigy and the investment funds. Justice Rares said litigation over who was entitled to what would “consume substantial amounts of whatever might ultimately be realised” in any court case.

Mr Fairfull’s bankruptcy trustee, Bruce Gleeson, said that he estimated the businessman’s creditors would get back about 30 cents in the dollar depending on costs and any further recoveries.

Simon Cathro, the administrator, said he was working to determine if there were any further claims that could be made over the demise or operation of Metigy, which includes Tuesday’s public examination. “We have been in regular contact with ASIC,” Mr Cathro said.

An ASIC spokeswoman declined to comment.



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