

Broker's suspicion launched inquiry

INVESTIGATIONS into the complex affairs of Asil Nadir began almost a year ago when a stockbroking house became suspicious of share transactions made by Jason Davies, a 27-year-old stockbroker. The broking house (whose name is known to The Sunday Times) did not believe that Davies was acting alone when buying vast quantities of Polly Peck stock.

Payments for shares ordered by Davies were often late arriving at the firm. In November 1989 the compliance officer at the broking house was told by Elizabeth Forsyth, Asil Nadir's personal assistant, that Polly Peck funds were behind the purchases made by Davies. He then reported the matter to the stock exchange and was told "the matter is now with a higher authority".

The compliance officer heard nothing more until January when he was visited by Richard Cook, an investigating officer from the Inland Revenue Special Office 2, responsible for cases where large-scale tax evasion and/or fraud are suspected.

Cook announced he was investigating the tax status of the beneficial owners of the Swiss-based companies for which Davies had dealt. Cook believed millions of pounds in capital-gains tax were due on the transactions.

The compliance officer then effected an introduction to Bob Wilkinson, head of surveillance at the stock exchange. He allowed Cook unprecedented access to the exchange's database records, which showed all the transactions for the Swiss-based companies. Cook's only interest was to recover the tax which he believed was owed.

In a completely separate development in February of this year, Kroll Associates, the New York corporate investigation firm, began looking into Nadir's affairs. It was retained by a group of foreign banks which were considering lending funds to Nadir personally and to Polly Peck.

By June, Cook had enough evidence to interview Nadir. Following a tip-off, The Sunday Times began its own investigation. Neither Cook nor Wilkinson would co-operate with The Sunday Times.

In July, when asked by this newspaper if he was aware of

any investigation by the Inland Revenue, Nadir said he was not and forecast record Polly Peck profits of £240m for 1990.

But by August The Sunday Times obtained irrefutable evidence that a tax investigation was being conducted by Special Office 2. We published three stories about the investigation, none of which was challenged.

In the same month Tim Wood, a former senior Polly Peck executive, went of his own volition to the Serious Fraud Office in London's Elm Street. Wood, who had left Polly Peck at the beginning of the year, had become increasingly worried about the activities of Nadir while he was working with him. Wood was questioned for several hours and agreed to co-operate.

Acting on the information published in The Sunday Times and on the tape-recorded statement given by Wood, the SFO then raided the offices of South Audley Management and interviewed Nadir for three hours.

A number of well-informed broking houses immediately began to sell large volumes of Polly Peck shares as news of the SFO raid leaked out. The shares plunged from 240p to 108p at which price they were suspended and an announcement by the SFO was made.

The SFO then conducted further interviews with Wood and past and present directors of Polly Peck. In the course of their research their investigations widened to encompass not only the share dealing but also the movement of funds from Polly Peck to Turkey.

From the time of the suspension until Polly Peck was put into the hands of administrators, Nadir, proclaiming his innocence, jetted in and out of England in a desperate attempt to raise funds to keep afloat the group he created.

The irony of the entire affair is that if it had not been for a sharp-eyed broker back in November 1989 the Polly Peck debacle would never have come to light. Richard Cook's only interest was to recover unpaid tax which Special Office 2 believed was owed. The sadness for Cook is that he is unlikely ever to recover any money.

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