

Asil Nadir -v- Times Newspapers Limited

Statement of Tim Wood

My name is Tim Wood, and my curriculum vitae is attached hereto as a means of assessing my credentials. This statement is written free of duress but because of the force of conscience.

I joined Polly Peck International Plc in January 1987 to establish a treasury function. Soon after joining it became obvious that all senior managers were cash managers. Creditors were pressing for cash but there was no bank facility with which to pay them. Certain members of staff were foregoing monthly salaries, loans were obtained from directors, and Chairman ????(...indec...) was disposing of personal assets accordingly. The company was in dire straits.

In December 1986 it had completed negotiations and publicly announced its intention to purchase Russell Hobbs Tower from the TI group without the wherewithal to finance the acquisition. I was inspired by Nadir who was a charismatic individual with undoubted entrepreneurial talent. I believed his story about building up a fruit business from first principles in Northern Cyprus and Turkey. In fact I was the first new recruit to be taken to those countries to review operations before joining the company. To overcome

cash shortage problems I set about arranging facilities from various banks telling the story of a misunderstood company. I was successful. Within two years I had raised over £600m, negotiated lower margins, eliminated secured borrowings, and added comfort to the debt profile and capital structure by issuing and extending debt maturities for hedged public bonds in Switzerland. Despite my success, the company never had enough cash. No sooner were new facilities arranged than they were drawn down and the proceeds remitted to Turkey. I constantly preached caution both to Nadir and his chief executive Tony Reading about potential gearing problems. Reading responded by trying to forbid any foreign transfers without his approval. Nadir continued to authorize remittances to Turkey with orders that Reading should not be told. This action created problems after the fact as soon as the ???(...indec...) report revealed the unexplained increase in borrowing. Nadir thrived and survived on the system of divide and rule. He encouraged the senior managers to fight with each other during these two years to end of December 1988.

Doubts began to emerge in my mind about two issues. The first was how Polly Peck achieved its phenomenal food division profits and the second involved Nadir's personal integrity. As for Polly Peck's phenomenal food profits they were a mystery wrapped up in an enigma. There were no management accounts; preliminary and interim profits were concocted by Anil Doshi and John Turner. Anil Doshi

resigned as PPI's finance director in August 1986 but remained as an adviser (in my judgment he was the company's chief financial officer.) John Turner was, and still is, the company's chief accountant. I could never find any evidence which supported the huge margins achieved by the food division: 1983-44%, 84-42%, 85-37%, 86-34%, 87-32%, 88-26%. I also became increasingly concerned about asset revaluations, particularly by directors, foreign exchange losses, how they were accounted for, and what impact they had on profits and cash flow.

Cash balances held in Turkey: As treasurer I had no knowledge of them, what they were or where they were, despite being able to reconcile £600m worth of debt to the nearest pound.

Interest receivable from mysterious cash balances: changes in accounting policies to avoid erosion of distributable profits, gearing calculated by deducting mysterious cash balances from gross profits, interest capitalised to avoid breaching financial covenants. As for Nadir I became increasingly concerned about the number and purpose of remittances to Turkey and Northern Cyprus. Most legitimate transfer requests were made properly and above board. However, many were arranged in a surreptitious way using my Northern Cypriot assistant Ersin Tatar. It was Mr. Tatar's comments which aroused my suspicions as to the purpose of these remittances; the nature of them together with the comments alluded to earlier made me wonder whether they were

for companies or for Nadir's personal purpose.

In fact my suspicions were aroused further on Saturday 2nd July 1988 when Nadir phoned me at home with an urgent request to pay £10m to a bank in Turkey by noon Monday 4th July without telling Reading. I signed the instruction to National Westminster Bank authorising the remittance to Turkey. Although Nadir told me this urgent transfer was part payment for a further agricultural plant called Toodash near in Turkey, the urgency of such a transaction was unnecessary so I suspected the payment was part payment for Gunash, a Turkish daily newspaper group bought personally by Nadir at that time. This action brought me into serious conflict with Reading and after discussions with Nadir I agreed to resign from Polly Peck and take up the latter's offer to work for him personally at South Audley Management Limited, 24 Berkley Square, London, W1, with effect from 1st January 1989.

Relations between Nadir and Reading deteriorated in the first few months of 1989 and Nadir schemed to force his resignation by publicly embarrassing him through summarily dismissing five members of staff without consulting me. One was group controller and one was the finance director's secretary. The incident was perpetrated while Reading was entertaining guests at the Polly Peck Windsor three day event on Friday 26th May 1989. Reading requested a board meeting to discuss the dismissals but in the end no action

was taken. Pressure on Reading continued until finally he resigned in July 1989. The dismissals alluded to above were the subject of much media attention. This quickly filtered through to the stock market and created a crisis of confidence in Polly Peck and in Chairman Nadir. The share price fell.

South Audley Management's offices at 24, Berkeley Square were small and I shared them with Elizabeth Forsyth and Jason Davies. It was difficult not to know what was going on and no secret was made of the fact that Davies, under instructions from Nadir and under supervision of Forsyth, was dealing in Polly Peck shares. Davies' indiscreet and boastful remarks suggested that his actions were not always above board and that they were often on behalf of offshore companies which would be difficult to link with Nadir, but Davies never acted without Nadir's approval.

Nadir was borrowing privately on a secured basis by using Polly Peck shares as collateral. Banks providing this facility included Kansallis-Osake-Pankki Bank, London; SG Warburg Soditique/Zurich, Geneva, Citibank, Zurich and First National Bank of Chicago, Geneva. These banks made their loans conditional on a minimum margin between the amount of debt and the amount of shares used as collateral. When Polly Peck share price fell, the minimum margin could not be maintained and the banks demanded cash cover to make up the difference, often referred to as margin calls. On more than

one occasion bankers called me to ask me whether I could influence such payments. I could not, but for relationships sake I always tried to encourage Forsyth to pay. Although she never revealed the fact to me I suspect that she rarely had the funds to make such payments.

On one occasion in June 1989 after a particularly heavy buying spree by Davies on behalf of Nadir, a settlement of some £7m was required by a particular day for the purchase of Polly Peck shares. Nadir delayed his decision about where to source the money until the last minute. I found out about the incident and my advice was sought about how to effect same day transfers between accounts at various banks held by various companies. In this case money, about £7m, was transferred from Polly Peck's account at Nat. West. 15 Bishopsgate London, to the account of Unipac packaging Industries Limited a subsidiary of Polly Peck, at Nat. West. Bank, Jersey. Instructions were simultaneously issued requiring Nat West Jersey to remit a similar sum to the Industrial Bank of Cyprus ... at the Midland Bank International in London. Nadir was a major shareholder in the industrial bank of Cyprus. This bank was then to instruct Midland to remit funds to another party probably in Switzerland who would then make the necessary settlement payments.

In August 1989, Nadir asked me to return to Polly Peck as director of investor relations. He announced the board

appointment to the stock exchange and media on 31st August 1989. Subsequently I became heavily involved in the Del Monte acquisition announced on the 7th September 1989 followed by the acquisition of the Sansui Electric Company of Japan. By year end, Nadir had failed to ratify my board appointment and I resigned and left the company on 2nd March 1990.