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Kate from here.

Alistair: Well ... we were never at the final? point where there was a discussion how we were going ?/our annual report. We were never at a meeting where it was decided that they were going to rig ... or they were quite definitely going to run the shares or we were going to channel money from one point to another point. It was a clear misuse of money.. While you were not at meetings where things were actively discussed then you can't be party to a conspiracy. You may suspect that this was hapening. You may even see money being transferred from point A to point B, but you wonder what the hells going on..

Tim: There was one instance, must have been in the wake of the share price collapse following the revelation of the management problems in late may early june of 1989 there was an instance there when I was aware he wasnt meeting his margin calls? I was aware though I wasnt involved that he had to settle certain liabilities by certain settlement dates. And as a result of being asked by people who were doing the job under his signatory, I was able to speed things up so that contractions actually achieved their purpose. And in simple terms what happened was that a sum of money - I believe it was around £7m - this was one isolated instance, there were lots - had to be there on a specific day. And money was transferred from a Polly Peck bank at NatWest 15 Bishopsgate to the account of one of Polly Peck's subsidiaries that was non-resident.... It held its account at Nat West in Jersey.... The instructions to pay had been sent by courier to Nat West at Bishopsgate... By the same token a request to pay away from Jersey had been made, but Jersey wouldn't pay away until they had cleared funds and at the same time Unipec was asking money to be transferred from Jersey to the Midland International in London to the account of the Industrial Bank of Cyprus and this was all had to happen simultaneously. Now my part in this transaction was to help in this regard and I said you get Nat West to send a tested telex to say that money is definitely on its way so Jersey knows that. Then get Jersey to pay away on the strength of instructions from its London office.. from their..

How did they do that?

and provided Nat West bank has said "Yes we have sent the money and there is no reason why we shouldnt", and then get the Midland to phone Jersey to confirm that Jersey is sending the money to Midland then the Midland can send instruction that it receives the national bank of Cyprus. And thats where in my judgment the trail went cold because you wont see the Industrial Bank of Cyprus drawing cheques in the name of A J Bekhor? or anybody else. It would go somewhere else...

Alistair: *What worries you about that particular transaction?*

Thats as much proof I have that this was going on

Alistair: *sorry that what was going on I'm not quite with you at the moment, I mean all I*

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Well basically Nadir was taking money out of the company to buy its own shares.

Alistair: *Oh I see, It was feeding back into this country to ...and that stage one has to actually pin it down when it got back into this country. It went from here to Jersey and from Jersey back to London and from London....*
.....There was no sophistication..
What did you think at the time?

I suspected all along that he was doing this, had to be doing this. Im not a bozo?? when it comes to .. I know that in the beginning of 1987, sorry I'm repeating this, there was no money at all. He was actually selling assets in order to scrape enough money to pay creditors and for his wages. And all of a sudden, two years later, after investing in Turkish newspapers that everyone in the world likes to read in the West Country that are losing money, and a farm up in Leicestershire that has a negative net worth and therefore he's losing money. Where does this money come from..?

just going back to where it ended up in the Midland bank, you have the deepest suspicions that youdid you get to the point when you knew full well?

Vera from here.

I had a guy who worked for me called Ersin Tatar. He was very intelligent, in this country since 1974, went to the Forest .. school then Cambridge and Price Waterhouse.. and .. left him sitting on his hands. ... And he came to me and said is there anything I can do for you? and from that day I taught him everything he knew about treasury - and very soon found out that he was useful Tatar would go down there and get hold of these instructions. But the best sort of payments he said where the payments from you to me, Whats wrong with that? And then suddenly he'd say Sorry I have to go to Jersey this afternoon. I said Why. He said I've got to give instructions to Jersey to pay someone, that's all I need. And he would take another letter signed by accountant ... NatWest, Jersey, to ship money to Turkey. All the money I raised either went out of .. dividends or went to Turkey ...

So who could sign cheques on the Midland Bank overseas account, used by the Industrial Bank of Cyprus?

I think it had to be Industrial Bank of Cyprus signatories. The Midland Bank wouldnt pay away on that account unless there were cleared funds in it which was a problem, it didn't have an overdraft. It didn't have any arrangements.

So any cheques paid to brokers would have been signed Industrial B of Cyprus managers?

I don't think that bank was too obvious. He actually discloses in the report of accounts the relationship that exists between Nadir and the I B of C.

He's a shareholder and a director of the IBC.

(MDRE)

But this route was so simplistic.

They're the ones that usually work.

Yes. I'm fairly certain

There would have been another stage like Confidas say

Somebody like that. Maybe it was KOP (Kansallis-Osake-Pankki), maybe you're right, but I don't know that, but it certainly wasn't Alistair.

Do you know for a fact that it was Polly Peck's money as opposed to Nadir's private money that went to Unipac...?

On this particular occasion yes. NatWest, 15 Bishopgate was Polly Peck's account.....

Where was Madir's account? Somewhere different?

Dunno.

When you said margin calls was that for his personal loans that Azil Nadir had taken out? So he had borrowed on the margin - in other words using these Polly Peck shares as collateral, and because the share price plummeted, the banks who were.. Warburg ...

Or whatever ...

... got very nervous...

If he wanted to borrow a hundred units he had to put up - I think there were slightly better deals than that. Basically the deal was that he had to put up 200 units of collateral. And if the margin fell below 50% (?15%) then he was expected to cover it with cash.

Nick: Yes.

Alistair: *Really? Cover it with cash?*

And in the situation we are facing today Alistair, the situation is I believe he is borrowing at least 150. He is borrowing proceeds, he is borrowing the cash he needed to subscribe to the rights issue in the autumn of 89 Del Monte, which is 75m(?) and about 35m for the rights issue in the autumn of 88, plus all sorts of other personal requirements. But his own dividends in this financial year - the year to the end Dec 89 - would have yielded him about 14m after basic rate tax, and I don't think that would have been enough to service the debt. ... and apparently ... ?Gunnar had crossed... Gunnar negotiated the other payments....

Alistair: *To what extent have the Revenue - how far down the road are they? You know ...*

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I know nothing about the revenue..

Alistair: Nick wants me to talk to the revenue.

Nick: The revenue are a long way down the road. I mean they are down the road as far as they have interviewed Nadir, they have interviewed Malcolm Fallen, who was one of the previous directors.

No he wasn't a director, he was corporate finance manager.

Nick: corp finance mgr, beg your pardon, now with Lowndes Queensway

Or was.

Nick: With Lowndes Queensway. So they have interviewed and our information from the revenue that they are getting down, or will get down to the next tier of senior employees or ex-employees at Polly Peck which we believe will include Tim...and I think -

.....they approached you

and I think that what you mentioned to me earlier may have a bearing therefore that if they are carrying out a full and wideranging investigation, which we know they are, then anybody who approaches them -

You wanted me to actually suggest to the Revenue that I should go and talk to them.

Nick: Yes.

Alistair: What would your reaction to that be?

Well my initial reaction was that "What does that involve"? Little bit of anxiety, bit of sneaking ..., bit of the revenue has a reputation of being ... cruel ... even if you do sneak on somebody else for their benefit they'll still get you if you are responsible for doing anything.

Alistair: Well, I'm not sure that's right.

That's what I was actually trundle down to City Fraud Office and (or with?) my brother in law who is a broker to talk about Piccadilly

Nick: City of London?

Yes, City of London. This goes back about 3 or 4 years that they were set up. They want to know all about Piccadilly and a whole stack of other things and (...stuff about the revenue..terribly noisy..virtually incomprehensible.....odd bits about Guinness and Piccadilly.....)

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I think we are talking about, you said the Guinness affair was big money, I think we are talking about hundreds of millions of pounds

Alastair: (I think this is Alistair) Well at the end of the day what we - I mean again I think if you went to see a City solicitor who deals with this kind of you went to see a Freshfields or a Stephen St Powell or a Bernard Smith (names probably not quite right) or whoever else, they would say probably, look the guy they are going to be after is going to be Nadir and any other director of the company who was quite clearly a co-conspirator who was making very substantial sums of money - the guy who was getting a backhander or whatever. And I think that's probably what you'd be told by the City ???? And they would say to you, look, one, you are not a director, so you are unlikely, very unlikely to get mixed up with the same category of director as Nadir. Secondly if the revenue or the SFO are already hot on the trail then it's probably better to come forward voluntarily and tell them what you know and the only golden rule in all these things is to be unutterably honest with them. So if they catch you lying or anything else, they could turn nasty on you. I mean I think that's the advice you'd get. I think it's the standard advice that mates of mine give. The reason they never give these cast iron..... is simply because they don't want to find that Olivier Roux has stashed away two million pounds away in Jersey or something. That he was just doing another ???? operation..They found that out and he hadn't told them or whatever. At the end of the day I think the Inland Revenue are like everybody else, they have to watch their own tales. They like getting good solid convictions every now and then just to make But most of the time the Revenue is like Customs and Excise, as long as you pay them ... they'll forget it. As long as they get their money..... But every now and then they get something which has a high enough profile which they'll make an example of such as Guinness. But there they are.... I don't think.... as long as the people who were giving them the ammunition ... weren't telling any porky pies. I mean they'd never get anywhere. Once the Inland Revenue starts prosecuting the very people who come and tell them what's going on then they have shot themselves in the foot.

Like journalists revealing their sources of information?

Now I have a solicitor, and I don't think you're going to suggest he is the right guy, is a bloke called Stephen ?Totter from ?Cribbs and ?Schoerning in Marlow. He's fairly authoritative when it comes to commercial law but I don't think he's the sort of guy that you would put on your list as

Alistair: Well let's put it this way. I very much doubt that he has done enough. Even if he has done some straightforward company commercial stuff, it's probably on relatively small companies and it's probably straightforward stuff. He probably knows what Section 151 and Section 153 say and he'll tell you that you can't use your own money to buy shares and what have you. But apart from that and maybe the odd I doubt very much if he has had direct experience of the revenue, so the revenue will know him when he walks through the door, and they know they are dealing with a cookie who knows his oats, or whatever. I mean my recommendation would be do go to one of the City - probably one of the big boys in the City - either the really big boys or one of the middle rankers and make sure that they do have someone who is either in charge of - I mean I

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am pretty sure that some City solicitors now have fraud officers who are used to dealing with complex, what is known as white collar, crime and they are used to dealing with very very complex insider dealing problems, they are used to dealing with Stock Exchange regulations, insider dealing, the SFO, all those sorts of things which are beginning to become more

I appreciate that

Alistair: I mean I personally don't actually think you've got a serious problems. Because one..... secondly, from what you've said you clearly had the gravest suspicions, you eventually resigned, It doesn't sound to me as though you have ever been involved in any meetings where ..

I don't think there were any. The only worrying thing...

It sounds to me as though it all goes back to Nadir. You said it was basically Nadir dividing and ruling, ducking and weaving and giving instructions to one person to do something and then giving an identical and similar instruction to somebody else. . You think you are doing something that was perfectly kosher and OK, fine. Somebody else is sending a similar tranche of money to the same sort of place and then you find that one of the tranches is actually filed back in again very quickly and being used for something quite different.... You're thinking this is very odd. But as you said to me earlier on, you can't probably actually prove it.

As I said - there's this girl called Vi Jensen who got sacked, my so-called senior manager, she was really the controller. She had been accused of photocopying documents that revealed the signatures with non-payment instructions. And he was told this and he wanted her out. Then a meeting that took place

Nick: Payment for what? Polly Peck shares?

No, payment of money out of out of the, the first part of the route that eventually found its way...

Do keep asking questions until you understand clearly..... a letter addressed to the NW bank saying please pay xyz at United Misraki bank or whatever value at such and such a date. And this will be addressed to the NW bank at 15 bishopsgate. so there was A lot of evidence at NatWest, 15 Bishopsgate of all these transactions if the SFO and the revenue can ever persuade them to reveal those documents and a lot of that money - some of that would go to Jersey...

Nick: Vi Jensen, presumably, there's nothing....

We don't know that she did

Nick: ...implicitly sinister in that, unless she suspected that the money would eventually find its way back to buy Polly Peck shares.

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The feeling is that Vi Jensen was as suspicious as I was and was attempting to prove it for the benefit of someone like Tony Reading. And that sounds subjective not objective....she worked very much for Tony Reading, and when Nadir found this out, out she went, so my suspicions rose. Following that there was a meeting at Nadir's apartment in street on the monday of the spring bank holiday in 89 . This was after .. furious....dismissals, arbitrary dismissals without his .. This included Nadir had called his chums in. I was one of his chums. That evening He was flying back from the .. Cyprus, and James Arunsen,.. At that meeting was him, Reshad, .. Mark Ellis and me, and there were.. tos and fros about what we were going to do how we were going to handle this, and a lot of rhetoric about trying to get rid of the bugger and he's no good..... During these conversations I said: Look gentlemen this is not going to be popular but I have to say it: we have these budgets, and Vi Jensen has been accused of copying documents for some ulterior purpose. They say this was at Reading's instigation. They say he has found something out. But it doesnt look too good. How are you going to handle that. I think I was as plain as I could but perhaps Reading had discovered things that werent quite right, and would reveal them at this board meeting to put pressure on Nadir either to step down or whatever, that's the way I thought it was going to go.....

At the time, I was an extremely close confidante of Nadir

By the same token he has denied any knowledge of South Audley management.

Nick: Yes, incredible isn't it? Incredible.

South Audley management was just another extension of his tentacles.

.....There was no question about that. Every bloody banker I have spoken.. to working for Nadir on the private side.

Nick: You said before that when you were consulted about the 7m pound transaction that it was made clear to you at the time that it was for share support, even though you didn't know where the money would be dispersed to? It was for a share support operation?

I think that was absolutely clear. Whether it was share support or whether it was an operation to pay for shares he had bought. Now I dont care whether he - at that time he was virtually - he had every right to buy shares, what he didn't have was the right to buy them with company money. I have a little problem as to whether is it the SFD that should be looking at this or is it the revenue?

Nick: Well, the Revenue started out looking at it because they thought to themselves, well whoever was the beneficial owner is of these shares should be paying CGT. But of course Nadir couldnt declare himself the official owner because he'd be shooting himself in the foot by doing so.....

.....
Now what I don't know - I know the inland revenue are heavily underway but I
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don't know the extent to which they passed their knowledge and documentation onto either the City Fraud Office or the Serious Fraud Office and bearing in mind what Alistair said, which I think is absolutely true, that they're primarily interested in getting their money. I tend to think they've probably held back a little bit to make sure that they get their cash before the whole thing goes belly up, Nadir jets off to Switzerland or something and - you know - does a runner.

Where are you going from here then? I mean -

If I were you, Nick, I'd be - interviewing me - and asking me for advice. I'd be very concerned that I couldn't actually come up with a document that said there's your proof, that's what you need. And that's what I'd very much like to give you but I haven't got it.

Nick: Yes.

No reasons: one, if I ever got close to that I would have had to resign on the spot.

Nick: Yes.

I don't know how I would have personally handled it.

Nick: But at the same time if I am confident that it is true, and Alistair is confident that it is true, then we can publish in the certain knowledge that Nadir wouldn't dare sue us because he knows there are too many people who can come up with proof.

Alistair: Well, I would have to ask, as a libel lawyer, if I were presented with an article saying that Nadir had financed the purchase of his own company shares

and the purchase of his own assets

Alistair: Yes.

Because you could sit here and pump me until I am turn blue in the face but I could not bring the proof that you would need to

Alistair: How would I be able to:

1) particularise and prove the share support operation, last year or whenever it was that everything was going wrong, in June was it? When 7 million was pumped into Polly Peck, if I said to you what I need is, I need somebody who could say "I know that money went from NatWest Bishopsgate or whatever it is, to - oh it's Jersey - NatWest, Jersey, and I know it went from Jersey to wherever to wherever. Are you in a position to say that you do know that those transactions were done? I mean could you go into a witness box and say I know these transactions were done because I was involved in the money actually going or directions being given or alternatively I saw from bank statements

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The only way I could go into a witness box and say that happened, and I wouldn't particularly enjoy doing it because it implicates all sorts of other people who I believe are intrinsically innocent

Alistair: *Why should it implicate other people if they are essentially innocent?*

Becausehe was doing a bit, and he was doing a bit, and how much does he know

Alistair: *Yes, but the point about that is that nobody has..... Nadir that's why the revenue are going to go after Nadir because he's the guy who has got the*

The only way you could do it is to say .. is to say exactly what I've said to you. That on this occasion these sorts of transactions took place. I gave advice as to how that money could be got to where it had to go in time to meet certain deadlines.

lick: *But you were confident that did happen?*

am confident that it happened.

listair: *If it was put to you in a*

certainly it was at I actually wrote - while I was.... - a letter to the manager of the I B of C in Kyrenia (Famagusta) asking him to make a payment.

ayment to?

can't recall.

Confidas (et Placement in Switzerland)?

Something like that. It would have been something like that. Somebody else would make a final incriminating dispersal.

But it was to somebody to make a dispersal? To brokers for the purchase of Polly Peck shares?

In this instance I think it had something to do with the Noble Raredon rights issue.

So he was taking company money? Do you know of anybody else who we could approach who would be somebody who would be brave enough - let's put in bluntly - in a situation like this it's always useful to have at least two or three people who can put.... piece... you can say "O I remember this"

I'll give you a list of names

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And somebody else would say, "Well I happened to be at the other end and I remember this coming in." In a way that's what he's got to do satisfy me

Well if I list the names he's going to be horrified
you've got to be joking - Jason Davis, they were involved in the transaction -
you've got to be joking - Ersten Tatar, he's the Turk and Nadir will skin him
to death. He just won't say a thing. I don't know if you tried to ring him up
and find anything out from him.

I haven't.

Get nothing at all.

But then we come to Vi Jensen and Tony Reading.

Well Vi Jensen might know something

...reluctance to talk because she says it would drag out unhappy memories. I
didn't push her, I didn't push her very hard.

It would, it would.

But she said "I'd like to help you, and maybe sometime I will, but it raises
unhappy memories about a period of my life that I'd so...But it's one
thing to say these people aren't going voluntarily to help us, it's quite
another to say they are going to perjure themselves in court if they were
subpoenaed. And my guess is that, as always happens, once when goes they'll all
go. Because they don't want to take the rap for Azal Nadir.

They won't get subpoenaed. What happens is that they'll be

Well we would subpoena them as defence witnesses if we were

Yes we would if it really came to - but I mean - let's put it this way, the
Special Office would make an approach to them, say we want to talk to
them..... or you can bring a lawyer down, and then if there's going to be a
prosecution against Nadir once they've got the statement they'd say to the
person are you prepared to be a prosecution witness, and once you've got enough
prosecution witnesses together its plain sailing as far as the revenue is
concerned. But it's unlikely they're going to dump a witness summons on
somebody who they don't know what they will only do it when

There'd be a terrible mess in the ... Court and I said what I've just said to
you quite innocently said something which was totally different. The
defence would just tear it apart and make us all look stupid.

It obviously makes abundant sense to try and get somebody else to confirm
operation

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is anybody else there. Do we know who the bloke who was actually at the bank, who's fallen out with the bank or fallen out with Nadir or something?

You can certainly get somebody from NatWest who would show you the letters with the transfer to Unipac. But the simple transfer Unipac doesn't mean anything. You've got to get simultaneous transfer and hopefully its got to be the same amount and it wasn't always exactly the same amount.

Have we looked at Unipac's account

nil Doshi

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