

# BLOWING THE WHISTLE

TIME'S UP FOR FINANCIAL SECRECY

POVERTY

A Christian Aid report  
May 2010





---

# CONTENTS

---

<b>Introduction</b>	<b>2</b>
Open letter from Supporters Direct and The Football Supporters' Federation	6
<b>Financing the beautiful game</b>	<b>7</b>
The Fit and Proper Person Test	10
Case histories	13
<b>Who really owns our clubs?</b>	<b>16</b>
Christian Aid Football Secrecy League	18
<b>Financial secrecy and development</b>	<b>19</b>
Tax dodging in the developing world	21
How tax-haven secrecy affects developing countries	22
<b>Financial secrecy, South Africa and the World Cup</b>	<b>24</b>
The Financial Secrecy World Cup	29
<b>Recommendations</b>	<b>32</b>
<b>Appendices</b>	<b>35</b>
Appendix A: Who really owns our clubs?	35
Appendix B: Details of ranking for Christian Aid Football Secrecy League	36
Appendix C: Who's who in the Secrecy League	36
Endnotes to Appendix C	41
<b>Endnotes</b>	<b>43</b>
<b>Acknowledgements</b>	<b>46</b>

---

# INTRODUCTION

---

There seems little to link millions of impassioned football fans in the United Kingdom and Republic of Ireland with the poor and powerless in the developing world – on the face of it at least.

But there is a connection – and it's one that is growing ever stronger, disadvantaging football fans and further blighting the lives of those enduring extreme poverty.

The difference between their lives is vast, but football fans and those in need in poor countries are victims of the same phenomenon: the use of financial secrecy by business entities in a way that minimises their tax liabilities and accountability.

This secrecy – core to which is the anonymity offered by tax havens – has hidden the financial meltdown of a number of football clubs from view until too late. Stakeholders, club supporters in particular, have been betrayed and the football authorities caught napping.

In the developing world, the same web of secrecy is used by unscrupulous companies to dodge tax. There, its impact is deadly.

Companies operating in the developing world that cook the books cost poor countries about US\$160bn every year in unpaid taxes, Christian Aid has estimated.<sup>1</sup>

That sum, around one-and-a-half times the size of the international aid budget, could, if used according to existing spending

patterns, save the lives of some 350,000 children under the age of five a year.<sup>2</sup>

To establish the scale of secrecy in football, Christian Aid tried to find the true owners of every club in the English, Welsh and Scottish leagues, as well as the Irish League in Northern Ireland and League of Ireland in the Republic of Ireland.

We discovered that a total of 14 English Premier League members and a further five in the Championship, together with one in League One and two in the Scottish League, are now based offshore. Until recently, that was also the case for one of the clubs in the League of Ireland.

The locations of ownership of a further English Premier League club, a Championship club and a League One club were impossible to verify.

The research resulted in a new ranking: the Christian Aid Football Secrecy League. Positions in the ranking reflect the extent of secrecy surrounding the controlling ownership of each club, multiplied by a measure to reflect the number of fans being denied information.

The clubs with the worst scores are therefore those whose use of offshore secrecy obscures both the clubs' ultimate ownership and financial position. As a result the financial secrecy involved has the potential to facilitate the greatest social harm in football.

The changes needed to tackle financial secrecy in football are the same that are needed to lift the secrecy that affects the developing world.

To establish the secrecy component, we used the 'Opacity Score' of the tax haven or other jurisdiction to which we were able to trace the ownership of each club.

These Opacity Scores are taken from the Financial Secrecy Index that was drawn up recently by campaign group the Tax Justice Network and Christian Aid, after analysing the secrecy each haven (or secrecy jurisdiction) offers, and the extent of their reluctance to share information about those using their services.<sup>3</sup>

As a measure of the size of clubs' fan bases, we used the average home attendance. This rough figure, although including visiting fans, provides the most consistent proxy for a club's supporter numbers – the stakeholders who are routinely denied information about their club's financial fortunes.

Manchester United is used to winning most trophies that are available; it also heads this new ranking. Although the identities of its apparent owners are seemingly known – the Glazer family from the US – full details of their business empire remain a tax-haven mystery. This makes the club, thanks to the size of the gate at Old Trafford, the single biggest contributor to football's financial secrecy in the UK and Ireland (see the Christian Aid Football Secrecy League, page 18).

It isn't just the curse of financial secrecy, however, that links football fans in the UK

and the Republic of Ireland and people living in grinding poverty in poor countries.

The changes needed to tackle financial secrecy in football are the same that are needed to lift the secrecy that affects the developing world. Those who care about football, and those who care about eradicating poverty, should together demand three major reforms.

Tax dodging in poor countries could be greatly reduced if companies trading internationally were required to declare the profits made and the tax paid in every country where they operate. That way, tax anomalies could be quickly spotted and investigated (see 'Tax dodging in the developing world', page 21).

A similar rule, if applied to the owners of football clubs and their companies, would enable supporters and football's ruling bodies alike to see where club owners' assets and liabilities are held, and to know the size of both.

Armed with that information, fans would be far better placed to judge whether those with the resources of the club at their disposal amount to fit and proper owners (see 'The Fit and Proper Person Test', page 10).

Measures are also needed that would trigger far greater transparency in the business world. The ownership or control of each company, corporation, trust, partnership,

limited liability partnership, charity and other entity created under law should be a matter of public record.

Such information would help key stakeholders – whether football fans in the UK and the Republic of Ireland, or civil-society organisations in the developing world – hold companies to account. People have a right to know who they are dealing with.

In addition, there should be automatic exchange of information between tax jurisdictions. This would give revenue authorities in poor countries a better chance of discovering the true extent of the taxable profits a company is making, and of spotting the transfer abroad of any monies corruptly acquired.

Such information exchanges could also help the UK tax authorities recover some of the millions in tax that English league clubs alone owe.

In recent years the Football Association (FA) in England has placed much emphasis on its work in the developing world, as can be seen in the *International relations* section on its website.<sup>4</sup>

An international assistance and development programme is said to be active in all six continents and it's not just concerned with teaching football skills. Raising awareness of health and social issues in poorer countries is also part of its mission.

Our research suggests that the Football Association could make a much larger contribution in this area, however, by supporting our demands for greater financial transparency.

The FA's international relations programme was set up in 2000 when England's £11m bid to host the 2006 World Cup ended in failure. An extensive report from the Football Association following their post-mortem into what went wrong said that during the bidding, 'English football... had adopted an insular attitude.'

It was seen by some members of UEFA (Union of European Football Associations) and the organisation within whose gift the World Cup lies, FIFA (Fédération Internationale de Football Association), 'as stand-offish and even arrogant'.<sup>5</sup>

Today England is again bidding to host a World Cup, that of 2018. What better way for the FA to prove to UEFA and FIFA that it has learnt the error of its ways than for it to take a stand against financial secrecy, not just on behalf of football fans here, but of the millions in developing countries living in appalling poverty?

A clear, public statement that financial transparency must be supported and that clubs should not utilise opaque structures, would be a first step. Making details of ownership a matter of public record as a



---

prerequisite for membership of the leagues the FA sanctions would be a further step in the right direction.

Campaign groups that champion football supporters such as the Football Supporters' Federation and Supporters Direct, an umbrella body set up by the UK government to make football clubs and the game's governing bodies more democratic and accountable, would welcome such a move, as would Christian Aid. Such a stand would be an important move in the battle against global financial secrecy.

This report looks at the finances of league football in the UK and the Republic of Ireland – throwing into sharp relief the boardroom shenanigans that have brought a number of clubs to their knees – and it analyses the impact of financial secrecy on football and the developing world.

We are not suggesting that anything illicit or untoward is taking place in the clubs that we identify. We also recognise that some people will use tax havens to reduce tax, rather than conceal information, and that tax reduction will sometimes reflect a genuine shift of economic activity, rather than hidden tax abuse. Our concern, however, is that the opaque nature of tax havens masks the truth, whether or not there is anything to hide.

With the World Cup in mind, we also present the host country South Africa as a case history, looking at what financial secrecy means to the most powerful economy on the African continent.

In a recent theological study, *The Gospel and the Rich*, Christian Aid said paying tax was part of showing love for one's neighbour. The document argued that tax avoidance, just as much as the illegal evasion of tax, is symptomatic of unjust or broken relationships.

The framework of relational theology derived from St John's Gospel, and informed by the work of modern theologians, emphasises the importance of good relationships between human beings – our response to Jesus's command to love our neighbour.

Christian Aid works with partners in countries across the world to help them hold their governments accountable for their spending, at the local and national level, while at the same time working at the national and international levels to bring about an end to financial secrecy.

Put simply, financial secrecy comes at a price. For football fans, it can jeopardise the very existence of their much-loved clubs.

In developing countries, that impact is much more marked. There, financial secrecy costs lives.



**Supporters Direct**  
the supporters' trusts initiative

## OPEN LETTER FROM SUPPORTERS DIRECT AND THE FOOTBALL SUPPORTERS' FEDERATION

Supporters of football clubs in the world's richest football nation in a relatively affluent corner of the globe might not seem to have much in common with some of the poorest people on our planet. As this report demonstrates, however, both are ill-served by the use of financial bolt-holes – the tax havens that are dotted around the world. We also share the damage caused by corruption and lack of transparency.

The argument in football has been that clubs are businesses, and businesses are allowed to register wherever they see fit; after all, there is nothing illegal about doing that. This argument, however, fails to acknowledge that clubs are not businesses as they are commonly understood to be. They have a responsibility to act in a way that serves the communities they represent.

Many clubs would have expired though mismanagement years ago were they normal businesses. Many clubs – fittingly for a report authored by Christian Aid – began life as teams organised by churches. Nearly all are only in existence because they represent a community's desire to play and watch sport. They are sporting enterprises that must be businesslike for sure, but what is good for the corporate goose is not necessarily good for the football gander.

Nowhere is this clearer than in the issue of transparency of ownership. Most people don't care who ultimately owns the companies that make the cars they drive, the food they eat or the TVs on which they watch football (although they care passionately about safety and probity). Football clubs, however, are public institutions that matter like little else culturally and socially to the towns and cities in which they play. That is because the story of these clubs is the story of those communities, and the stories of the generations of families who have supported them through thick and thin: as someone once said, 'No one ever had their ashes scattered at Tesco's.'

The privilege of owning one of these institutions carries with it responsibilities to the community that has sustained it. The first of these is the responsibility to reveal your identity. In short, you can remain an anonymous private citizen, or you can own a football club, but you should not be allowed to do both.

That is why it is not good enough to say that no laws are being broken by the anonymity of club owners

or the use of opaque ownership structures. What is being broken is something far more fundamental for football: the bond of trust between those communities and the people who own the clubs.

It makes one wonder what someone might have to hide and prompts the realisation that thanks to secrecy, we can't find out. As sports that have been lax about defending their reputation for integrity have shown, public trust is perhaps the most important asset any sport has, and secrecy corrodes it.

But there is another reason why clubs should care about these issues: because they say they do.

Football's power to change lives and minds is well understood, and the work of the Football Foundation, set up to provide investment in grass-roots football, is acknowledged, as are the community programmes at clubs across the UK.

Clubs know they have the power to make a difference, and as the Premier League becomes one of our most successful cultural exports, that responsibility is now global too. The FA's international relations work over the past decade has shown the way in this.

But once you declare that you have an interest in improving the lives of communities in the developing world, that commitment cannot be half-hearted. By tolerating the use of secrecy havens, football is lined alongside those who cause problems for the developing world, instead of being an important part of the solution.

If English football clubs stopped being customers of tax havens, and legal secrecy hide-outs, the loss of trade would not be noticed. But the power of such a statement of solidarity with their devoted fans in Africa would be incredible. Their fans back home would be very happy too: two wins England could achieve before a single ball is kicked this summer.

Dave Boyle  
Chief Executive  
Supporters Direct  
[www.supporters-direct.org](http://www.supporters-direct.org)

Malcolm Clarke  
Chair  
The Football Supporters' Federation  
[www.fsf.org.uk](http://www.fsf.org.uk)



# FINANCING THE BEAUTIFUL GAME



Nevada – the tax haven where ultimate ownership of Manchester United lies

Football is Britain's national game, with the Premier League in England one of the nation's most successful exports. You would therefore be forgiven for thinking the company owning your favourite English Premier League (EPL) team is also officially registered in England. But for most of the top-flight teams, you would be wrong.

When elite English football comes home, it travels a great deal further than Wembley, Old Trafford, the Emirates Stadium or Hackney Marshes.

This report reveals that of the 20 clubs playing in the Premier League in the 2009/10 season, 14 are based in 'secrecy jurisdictions'. Although more commonly known as tax havens because they tend to offer a low or zero rate of tax, the key attraction is in fact the secrecy they provide to those using their services.

This is what an offshore league looks like:

- Birmingham City fans may be surprised that their club's ultimate owner is found in the Cayman Islands.
- the shares of the ultimate owner of Blackburn Rovers, a founding member of the Football League in 1888, are held in Jersey by a trust.
- Bolton Wanderers' ultimate owner is Fildraw Private Trust Company, reported to be based in the Isle of Man.

And that's just EPL clubs beginning with the letter 'B'.

A further three top clubs are located in the United States which, due to the extreme opacity of some states, was awarded the top ranking in the Financial Secrecy Index.<sup>6</sup> One of those clubs is Manchester United. The Premiership giants are registered in Nevada.

The 'Silver State' offers business owners watertight protection from disclosure rules, with companies registered there exempt from taxes on income, assets, franchises and stock transfer.

Like some other US states such as Delaware and Wyoming, Nevada offers secrecy to corporations intent on reducing or avoiding tax and keeping the details of who profits most from their activities (their beneficial owners) under wraps.

Manchester United's opaque corporate structure, combined with the number of stakeholders who have an interest in establishing its ownership – for which the average number of fans who attend each home game is used as a proxy – makes the Premiership's most famous club top of the Christian Aid Football Secrecy League.

Those other giants of the Premier League, Arsenal, fare little better. Most of the shares in the club are owned by companies registered in Delaware and the Channel Islands (Jersey) while its third largest shareholder has his legal residence in Switzerland.

Offshore English football is not just a Premiership story. It extends to the next tier down from the Premiership and beyond. In the Championship, five clubs are based in tax havens. And there is material uncertainty over the precise location of ownership of one other Championship club.

The corporate structure which owned Crystal Palace before it disastrously fell into administration in March 2010 was based in Jersey. Some 87.5 per cent of the shares in Ipswich Town Football Club Limited – apparently owned by publicity-shy businessman Marcus Evans, who it has been reported is a tax exile<sup>7</sup> – are reportedly held in Bermuda.

In League One, one club is based in the British Virgin Islands and there is material uncertainty about the location of ownership of one other club.

In the Scottish Premier League, Glasgow giants Rangers have as their ultimate parent Murray International Holdings Limited. According to its annual returns, some 67 per cent of Murray International's shares are owned by IFG Nominees C I Ltd. This company is registered in Jersey, which makes it almost impossible for fans to be certain who the real owner is.

So British football clubs 'play away' in tax havens or secrecy jurisdictions, where the financial disclosure rules required by British and European Union law (themselves far from perfect) do not necessarily apply, and where it can be virtually impossible to trace the human identity of the real beneficial owner.

But how exactly is that a problem, you might ask, especially when there is a worldwide love of the Premier League? It's now a powerful global brand: 4.77bn people over a season in more than 200 countries watch matches featuring its teams.<sup>8</sup>

Why should we care if football adopts the same ownership structures as blue-chip banks, private equity houses and international hedge funds, especially as English Premier League football's global reach generates huge wealth?

The cut-and-thrust passion of the league saw its television rights fetch a record-breaking £2.7bn in the three years to 2010.<sup>9</sup>

This huge windfall underpins the stratospheric wages that attract the world's top players. The likes of Didier Drogba, Fernando Torres and Cesc Fabregas now ply their trade in the Premier League at the peak of their careers. In April the league even won a Queen's Award for Enterprise.

Is this not a virtuous circle harnessing the power of business and sport, creating a global phenomenon and bringing prestige to the nation's elite clubs?

Some may see it that way. But they are increasingly isolated voices, like the many powerful advocates of light-touch financial regulation who in boom years talked up the City of London's magic, thereby boosting the reputation of UK plc. It was, we were told, self-evidently a positive phenomenon and anyone who doubted this was dubbed hopelessly naive.

We now know very differently. Football is not dissimilar to the unfettered banking world which in recent years has unleashed upon us the largest global financial crisis for nearly a century.

Today the cash-rich world of football is in danger of falling into a financial crisis that threatens to destroy clubs that have for generations been at the heart of communities throughout the UK.

The truth is that there are clear parallels between the banking crisis and a financial malaise that until recently has been quietly stalking football. For fans of the beautiful game, some ugly and uncomfortable truths are dawning.

As times have changed, most supporters now know that the game was – and to a large extent still is – living in a fool's paradise. Fans are wising up to the fact that they have no idea who really owns their club.

The banking crisis revealed how toxic debt was stashed away from companies' balance sheets in tax havens such as the Cayman Islands and British Virgin Islands – hidden time-bombs that have now exploded.

As the money-go-round comes to a juddering halt across all sections of society, serious fault-lines in the people's game are now being exposed on a weekly basis.

Supporters of Manchester United, Liverpool, West Ham United and Portsmouth, to name but a few, are only too well aware how the football ownership model favoured by the British football elite in many respects mirrors the same misguided structures used by the major players of global finance.

And just like the various fallen finance giants who relied on an array of complex accountancy instruments in multiple

secrecy jurisdictions to avoid scrutiny, an increasing number of clubs based in tax havens are failing, at all professional levels of the English leagues in particular.

Since the English Premier League was formed in 1992, as a breakaway from the Football League so top clubs would not have to share satellite TV money with the other three professional divisions, Football League clubs have collapsed insolvent, usually into administration, on more than 50 occasions. This represents close to 60 per cent of league clubs.<sup>10</sup>

Although relegation and the collapse of ITV Digital, which screened non-Premier League matches, were contributory factors, in at least 10 cases financial irregularities by directors or owners were also identified as playing a role.

'It was a feature of Britain's suicidal recklessness in banking, the housing market and Premier League football that problem gambling was recast as entrepreneurship,' wrote *The Observer's* chief sports writer, Paul Hayward, following the collapse of Portsmouth this year.

'Clubs lived the dream all over again, passing ownership along a shrouded line as if it were a Tom and Jerry time-bomb, spending next year's money and conning fans with messiah smiles.'<sup>11</sup>

It also sounds very similar to the strategy deployed by private equity barons who in 15 years bought up huge swathes of British business on a tide of cheap bank debt that is now turning sour, using opaque offshore structures to minimise tax and disclosure.

Lord Triesman, the former Labour foreign minister who is now chairman of the Football Association, is similarly concerned at the secrecy surrounding the ownership of some clubs. 'Transparency lies in an unmarked grave,' he told football power brokers at a football industry conference in October 2008 just as Lehman Brothers and HBOS collapsed.

'Nobody has real confidence in what they cannot see. The Fit and Proper Person Test does not do the job sufficiently robustly. A review is now inevitable because football clubs are not mere commodities. They are the abiding passion of their supporters. We forget that at our peril.'<sup>12</sup>

Triesman could just as easily have been talking about failed banks and the British public, not just football clubs and their fans. And like the collapse of banks, failing clubs leave behind a trail of devastation. This may not be in the hundreds of billions of pounds, but they leave behind tens of millions of pounds in unpaid taxes and thousands of

businesses and individuals out of pocket, not to mention the broken dreams of their supporters.

UEFA's 2010 report *The European Club Footballing Landscape*<sup>13</sup>, which analysed the 2007-08 accounts of more than 700 European clubs, found that 18 English Premier League clubs had debts of £3.5bn between them. The complex financial dealings of which that debt is part can now be seen to be rooted systematically in tax havens.

Although the figure was almost four times higher than the next most indebted top division, Spain's La Liga, it did not tell the full story. The debts of two of the most troubled clubs during that season, Portsmouth and West Ham, were not included as they were not granted UEFA licences that year due to their financial problems. This year alone, Cardiff City, Crystal Palace, Southend United, Notts County and Portsmouth have been petitioned by HM Revenue & Customs (HMRC) for unpaid tax. The total unpaid tax bill for all English league clubs is estimated at £25m.<sup>14</sup> And because football creditors are relatively protected when clubs go bust, HMRC is often the biggest loser.<sup>15</sup>

A great deal of lip service is paid by the footballing authorities to the role the sport can play in combating social problems. Depriving the tax authorities, and therefore society, of such a sum is, of course, rather at variance with such sentiments.

The £25m owed compares to the Premiership's annual contribution to the Football Foundation – the UK's largest sports charity, set up to provide investment in grass-roots football – which stands at around £15m.<sup>17</sup>

For the year 2008-09 the English Premier League also gave £8.4m to a domestic and international programme called Creating Chances, which encourages young people to take up sport. A further £6.8m went to the Football League Trust, which oversees community and youth development activities at home and abroad.<sup>18</sup>

It is not just the fact that tax havens can hide the truth about a club owner's finances. High-level international investigation agencies argue that clubs whose ownership is based in tax havens run a higher risk of being a conduit for money laundering and the illicit spoils of corruption.

## The Fit and Proper Person Test

The only sanction the UK football authorities have against unreliable individuals taking over football clubs is the Fit and Proper Person Test. This was introduced in 2004 to allay concerns that even convicted fraudsters could move into club management.

Under rules established by the Premier League and the Football League, anyone who takes over as director of a football club, or owner of more than 30 per cent of a club's shares, must pass the test.

The Premier League now asks its clubs to make public the name of anyone who owns 10 per cent or more of a club. The Football League asks the same question, but does not make the information public.

Thus Ken Bates, chairman of Leeds, was able in March to refuse to divulge the names of the new owners of the club saying: "They are fit and proper people as established by the Football League, and that is the end of the matter."<sup>16</sup>

The Premier League also wants to know where money for a club purchase is coming from, and must pass it as legitimate. They will investigate before a takeover. The Football League only gets involved after the deal has gone through.

There are a number of conditions which can lead to an owner or potential owner being disqualified. These include convictions for a variety of fraud offences, becoming bankrupt, being

prohibited by law from being a director, or being director of a club that twice goes into administration.

The list of those who have fallen foul of the rules in the past six years consists of precisely two people, Dennis Coleman and Stephen Vaughan, although millionaire former Thai Prime Minister Thaksin Shinawatra, ex-owner of Manchester City, would presumably have failed the test had he not already sold his stake in the club when Thailand's supreme court convicted him of corruption.<sup>19</sup>

Dennis Coleman became the first club director ever to be disqualified under the test. He was chairman of Rotherham United when they went into administration twice.<sup>20</sup>

Last year Chester City's Stephen Vaughan became the first football club owner in England to fail the test when he was banned from being a company director for 11 years after admitting in court to involvement in a £500,000 VAT fraud.<sup>21</sup>

The case involved non-payment of VAT on clothes bought in the name of a separate sporting business linked to Vaughan, a former Merseyside boxer.

On 8 March 2010, Chester City was dissolved in the High Court following a winding-up order by HMRC, which said it was owed £26,000 in unpaid tax – a tragic end for a much-loved club with 125 years of history.<sup>22</sup>





In 2009 the world's most powerful anti-money laundering and counter-terror finance agency, the intergovernmental Financial Action Task Force (FATF), set up by G7 countries, published a 42-page report: *Money Laundering Through the Football Sector*.<sup>23</sup>

The task force found a game hugely vulnerable to the influx of dirty cash, saying it had detected more than 20 cases of football-related money-laundering activities in 25 countries. Tax havens were highlighted as the vital washing station through which illicit flows were routed.

'Difficulties in international exchange of information and the use of tax havens are a major stumbling block in the detection and prosecution of money laundering through the football sector,' it said.

The report crucially drew parallels between 'the over-evaluation of a player' and 'money-laundering techniques similar to the over-invoicing of goods and services seen in trade-based money laundering' (see 'Tax Dodging in the Developing World', page 21).

Despite the publicity surrounding transfer fees, the report added that many such deals lacked transparency. As a result, 'the transfer market is vulnerable to various forms of

misuse, such as tax evasion, insider fraud and also money laundering.' Furthermore, the FATF noted the recent trend of footballers (or rights in players) being bought by individuals or entities that are not football clubs and are based offshore.

'The basis of the acquisition of these rights and the trading, funding and ownership position of the entities through which such transactions are managed is opaque and often impossible for the football organisations to establish,' it said.

With many clubs facing huge borrowings exacerbated by a serious economic downturn, FATF warned: 'There is a risk that clubs that are in debt will not ask many questions when a new investor appears.'

'Moreover, a very high proportion of the sector's cost base is composed of tax, meaning in some cases a culture of seeking to circumvent tax and closer proximity to underground activities.'

The FATF also noted a cover-up culture within clubs and the game's authorities. 'People are reluctant to shatter sports' illusion of innocence. Therefore illegal activity may not often be reported especially as the mere hint of financial corruption could jeopardise lucrative sponsorship deals,' it said.



‘As with Parliament and many other areas of public life, transparency is going to be an increasing requirement and expectation.’

Shadow Minister for Sport Hugh Robertson

Transparency International, the Berlin-based anti-corruption campaign group, in a report on sport that highlighted football as an area of concern, suggested: ‘Vulnerabilities in the sector’s financing and due diligence practices, culture and structure are seen... as creating an environment conducive to money laundering by organised crime.’<sup>24</sup>

Tax havens are today pivotal in the global money machine. Given the extensive use of them by those involved in the beautiful game, it is ironic that some football executives who are keen to promote the benefits to the community of football make every effort to hide their identities from tax authorities and fans.

It is doubly ironic that at some clubs football fans have to prove their identity when applying for season tickets, yet many of those running clubs feel no such compulsion in their business dealings.

When Wimbledon’s Norwegian owners decided to tear the club away from its south-west London roots and start afresh in Milton Keynes, supporters vociferously objected and fought the proposal.

Tracking down the true owners of the club, however, proved difficult, until the brother of a fan who was visiting the British Virgin Islands discovered the club was registered there.

At Leeds, even when the company owning the club can be identified – the controlling interest is the Forward Sports Fund (FSF), administered from Switzerland – it is impossible to establish where that company is registered, or who is behind it.

In March club chairman Ken Bates refused to identify who owned FSF. Minister for Sport at the time Gerry Sutcliffe, commenting on the mysteries surrounding the ownership of Leeds United, said in March: ‘Fans of any football club have a right to know who the owners are. We want to see greater supporter representation in the running of football clubs and far greater accountability.’<sup>25</sup>

‘While I welcome the Football League’s moves in securing detailed financial information from clubs and their work with HMRC to help keep clubs on a secure financial footing, more can still be done. We have offered to help the League, where we can, on the issue of transparency but it should insist on clubs making public to their supporters who owns them.’

Shadow Minister for Sport at the time Hugh Robertson appeared to agree with Sutcliffe: ‘As with Parliament and many other areas of public life, transparency is going to be an increasing requirement and expectation. That includes publicly identifying the owners of football clubs. Football should reform its governance to include greater supporter representation on the board of clubs.’<sup>26</sup>

Liberal Democrat MP Phil Willis, who has long criticised the anonymity of Leeds’ ownership, said: ‘At the very least, supporters of a club have a right to know who owns it.’<sup>27</sup>

These are powerful voices calling for openness and transparency in football.

As fans increasingly organise themselves to take over debt-stricken clubs, the pressure is now on politicians to follow through on their demands for increased transparency.

## Manchester United



The most successful English club on and off the pitch, Manchester United is also the Premier League's most secretive club. Managed by Sir Alex Ferguson, the club's ultimate owners are two entities, Red Football Limited Partnership and Red Football General Partner Inc.

The Glazer family have said they own the shares but there is no way of verifying this. The companies are based in Nevada, which boasts of 'a compelling array of benefits available to Nevada business owners such as privacy, tax savings, convenience and flexibility', according to one of the state's company formation agents.

For the Glazers this flexibility means shareholder information does not need to be disclosed and virtually no taxes are required to be paid. Details about the identities of those associated with the parent companies are not available for public scrutiny.

This fuels suspicion and distrust between supporters of the club and its owners, made worse because the Glazers bought the club in a classic private-equity-style leveraged deal. In other words, only a small amount of cash was involved. Instead, the new owners borrowed large sums to finance the deals, and that money will have to be repaid, in all likelihood with cash flow from the club.

It means that what was once the richest club in the world with no debt is now struggling under £716m of borrowings, some of which have punitive interest charges attached. Furthermore the club has sold one of its best players, not reinvested money back into its playing squad, and may well be forced to sell its training ground to finance the borrowings.

The situation parallels that faced by its bitter rivals Liverpool – also the subject of a leveraged buy-out by American financiers.

At Manchester United, the Glazers recently launched a £500m bond to help reduce the debt. According to the bond prospectus, under the terms of the refinancing, the new bonds include terms that allow the Glazers to transfer £70m to the holding company, Red Football Joint Venture Ltd.<sup>28</sup>

The release of the information in the prospectus has sparked a wave of protest against the Glazers. Serious discussions are now underway with wealthy supporters looking to organise a buy-out.

Fans are further angered by information in the prospectus about financial dealings over the past five years which was not otherwise available because of the club's opaque offshore ownership arrangements.

## Leeds United



As Leeds languishes in the third tier of English football, the fact that its ultimate parent company is based through a series of tax havens could be held to be the only way that the fallen giant can get a taste of Europe.

The Yorkshire team takes the prize as the most secretive club in League One. Indeed the club takes secrecy to a new level.

The club's chairman is Ken Bates; the ownership of his previous club, Chelsea, was similarly opaque and offshore.

Companies House documents name three offshore entities and a lawyer based in Monaco as holding shares in Leeds. But crucially, the individuals who ultimately own the shares are not identified.

When Leeds United was acquired following its ruinous football and financial slide, it was bought by Forward Sports Fund (FSF), once registered in the Cayman Islands and administered from Switzerland.

FSF, which owns more than 70 per cent of Leeds, is based in Geneva at the office of Chateau Fiduciare, which administers the fund. But the location of its registration is unclear. Other Leeds shareholders are based in Switzerland and the British Virgin Islands.

Leeds has paid back a significant amount of its debt burden since Bates became involved with the club and has enjoyed some success this season, knocking Manchester United out of the FA Cup.

But it still does not publish its owners and under Football League rules – different from the Premiership – it does not have to.

To be fair, even Ken Bates himself seems a bit uncertain about ownership. While the English football authorities may be content to leave Leeds fans in the dark, a court in Jersey can be commended for having attempted to bring matters out into the open.

In January 2009, Bates' solicitors told Jersey's Royal Court that he owned one of the 'management shares' in the FSF, and a lawyer for Bates subsequently confirmed that there were only two such shares in existence, making him joint owner.

Then in May 2009, Bates changed his mind and told the court in a sworn statement that there had been 'an error', that there were in fact 10,000 shares in FSF not two, and that in any case none of them at all belonged to him.<sup>29</sup>

Leeds fans have expressed grave concern that they have no idea where money is going.

## Notts County



Notts County fans were over the moon last year when a consortium called Qadbak Investments, said to represent Middle Eastern interests, showed an interest in taking over the club, which was then struggling in the lowest reaches of the English professional league.

Qadbak initially suggested it was a Swiss-based organisation, though it later emerged the entity is a British Virgin Islands-registered company that conducted its business through a subsidiary called Munto Finance Ltd.

The supporters' trust at the club voted by a substantial majority to gift the consortium their 60 per cent interest in the club's affairs, and with other shareholders doing likewise, Munto Finance quickly had 90 per cent of the club for no direct outlay, just an array of undertakings that were quickly broken.

Club chairman John Armstrong-Holmes waxed lyrical: 'We are all excited about where Munto could take us,' he said. 'This deal has made us the envy of clubs up and down the country.'<sup>30</sup>

He and his fellow directors were not the only people taken in. Two former Jersey-based financiers representing the consortium also made contact with former England international manager Sven-Goran Eriksson, who had just been sacked as manager of the Mexican national team.

Last June, at the Dorchester Hotel in London's Park Lane, the representatives gave him a 'very clever, very convincing' pitch about why he should move to Notts County.

'They had already bought the club and they wanted to take it to the Premier League,' he said in a recent interview. 'There were a lot of promises about players, about the training ground, the academy; they said they would fix the stadium, that they would buy feeder clubs.'<sup>31</sup>

Eriksson described the vision as 'like a dream to me'. It didn't take long for that dream to become a nightmare. Promised investment failed to materialise, bills went unpaid and in November the tax authorities issued a winding-up order.

The businessmen who had enticed Eriksson to the club, and insisted that the logo of an entity called Swiss Commodity Holding be incorporated into the club crest<sup>32</sup>, disappeared from view once the promised finance failed to materialise.

'What's disappointing about these people is that they just disappeared – without saying anything,' said Eriksson. 'Without any message to the players, to the fans, to the staff. Just gone.'

Initially, Munto said the Qadbak investors were 'noted wealthy families', but financial secrecy meant no one had any way of checking. Later the families named by the club denied their involvement.

The Football League asked who the people behind Qadbak were, as the rules required them to pass the Fit and Proper Person Test (see page 10). After resisting for weeks, the club relented and the League announced that they now knew who was behind the club – but could not divulge that information to anyone else.

With a policy of not sharing information revealed by the Fit and Proper Person Test with the wider public, the League was trapped between its own rules on the one hand, and the secrecy that comes from registering companies in tax havens on the other.

Notts County is the world's oldest professional club but came perilously close to being wiped out by people representing unidentified interests.

When questioned about the lack of transparency of his new bosses after joining the club, Eriksson said: 'Where exactly [the money] is coming from, who could care less as long as it's legal?'<sup>33</sup> But as Sven found out to his cost, without transparency, you can't be sure that the money is legal or indeed ever existed at all.

Eventually the day was saved by new backers, but the story of how Notts County teetered on the verge of bankruptcy goes to the heart of how it is possible for secret entities to inveigle themselves into well-known institutions. It also shows the damage offshore football ownership can do.

Just two months later the club was sold. Ownership has changed hands one more time since then. County is now on a more solid footing but no thanks to the rules that govern international finance which place football and the developing world in such vulnerable positions.

## Portsmouth



## Cork City



The first Premier League club ever to fall into administration, Portsmouth exemplifies the lax regulation and casual, footloose rules that thrive in British football.

The club's financial situation threatens the existence of an institution, the jobs of ordinary club employees, and the financial well-being of creditors owed debts of an estimated £85m.<sup>34</sup>

In the 2009-10 season alone, Pompey, as the club is known in the football world, has had four owners and might have another by the season's close.

The last-known jurisdiction of incorporation of the club – though not its ultimate owner – was the British Virgin Islands (BVI).

That information from the company accounts has been superseded by the administrator's report to creditors, which states that the club is 90 per cent owned by a company press reports say is registered in the BVI.

Portsmouth's financial demise began in 2006 when a businessman, Alexandre 'Sacha' Gaydamak, bought a 50 per cent stake in the club; this was later converted into full ownership.

Gaydamak's involvement raised questions over whether he was acting as a front for his father<sup>35</sup>, former owner of Israeli team Beitar Jerusalem, who had been convicted in absentia in France of illegal arms trading during the Angolan civil war.<sup>36</sup>

The Premier League was convinced otherwise, however, accepting that Gaydamak junior was the ultimate beneficial owner.

The club went on a player-acquisition binge, recruiting major names including England internationals David James, Peter Crouch and Jermaine Defoe. The inflated wage bill then became unsustainable and by last summer, indebted to the banks to the tune of £50m, Gaydamak needed to find new investment.

This was the catalyst that produced a parade of a further three foreign businessmen who became owners of Portsmouth in an unseemly version of Pass the Toxic Parcel. None of them managed to ward off financial meltdown and in February the club went into administration.

The result is that £11.6m is owed to HMRC and the club's administrator has made more than a quarter of its staff redundant.<sup>37</sup>

Of the 85 losing their jobs, most are lowly paid office staff, employees in the ticket office, assistants in the club shop, coaches and press officers.

Cork City was brought to its knees in February this year. In the club's 26 years, it won two League of Ireland titles and numerous other honours, but having missed a number of court deadlines to pay a €160,000 tax liability<sup>38</sup>, the club was put into liquidation.

Cork City's finances had sunk so low its team's bus-driver refused to transport players to a game until his company was repaid all its outstanding debts. Players and staff were unable to pay their bills.

The club's ultimate parent entity, Buchanan Holding, gave no details of ownership although it appears to have been incorporated in Jersey.

A consortium that was interested in rescuing Cork City backed away when the club was wound up with debts said to be around €1.2m and the Football Association of Ireland denied it a Premier Division licence to play.<sup>39</sup>

The club has now been resurrected by its fans as a cooperative – a case of supporters picking up the pieces from the purveyors of offshore football.

# WHO REALLY OWNS OUR CLUBS?



Angry Portsmouth fans demanding to know whether the club is in the hands of 'Fit and Proper' owners



Finding out who owns a football club should be straightforward. The pre-eminence of the game in the national consciousness, combined with the many millions of supporters who care passionately about its fortunes, should be enough to throw light into the darkest corners.

In the Republic of Ireland, determining club ownership is easy. They have a law called the Registration of Business Names Act 1963.

This stipulates that if you're going to trade as the Blue Football Club for example, then you must register that fact and say who is the legal owner of the business of that name – whether it be a limited company, partnership or individual.

In the UK, however, football ownership is far from transparent. A law requiring exactly the same kind of information as pertains in the Republic of Ireland was dispensed with in 1985.

Despite the best efforts of two Fellows of the Institute of Chartered Accountants in England and Wales, who researched this report, we were unsuccessful on a number of occasions in determining the precise ownership of some of the UK's major football clubs.

Although there is a legal requirement that a company place its company number and the location of its registered office on everything it publishes, including its website, this information was missing from many club websites – the first place we checked.

Full marks, though, to those that did include the details, and to the English Football League, which seems to have encouraged publication of this information (not always successfully) in its web-design template for members.

A full explanation of the measures we took to try to elicit legally verifiable information about ownership can be found in Appendix A (see page 35). The starting point in many cases was to match a company name at Companies House with the name of a club. Other methods used to try to establish ownership, albeit with information that could not be legally verified, included:

1. emailing and telephoning clubs
2. using information supplied by Supporters Direct, and the Football Supporters' Federation
3. consulting academic research on the subject, notably by Stephen Hope, School of Business and Social Sciences, Roehampton University<sup>40</sup>, and Dr Geoff Walters, School of Management, Birkbeck, University of London<sup>41</sup>
4. media reports and other secondary sources such as PLUS, the international stockmarket.

Overleaf can be found a league table of the 25 most secretive clubs in English and Scottish football. Details of ownership reflect information obtained from all available sources. In a number of cases, that information can only at best be taken as hearsay as ownership details were not legally documented. (Ranking and ownership are detailed in Appendices B and C, page 36.)

To obtain the ranking for the league table, we assessed all 92 English league clubs, together with a further 34 clubs in the top leagues of Scotland, Wales, Northern Ireland and the Republic of Ireland, in order to establish the country or jurisdiction where the club is owned according to registered company accounts.

We then took the Opacity Score for each of those jurisdictions, which in the case of the top 25, as far as we could establish, are all outside the UK or Republic of Ireland. The Opacity Score reflects the financial secrecy of each jurisdiction, and is based on the Financial Secrecy Index drawn up recently by Christian Aid and campaign group the Tax Justice Network.<sup>42</sup>

Where shares are held in more than one jurisdiction a combined score was achieved by weighting the Opacity Score of each jurisdiction according to the size of the shareholding held there. The average home attendances for each club were then used as a proxy measure of the size of their fan base, and therefore of the size of the community with a stake in the club being well-managed.

After squaring the Opacity Score and taking the square root of the attendance figure (in order to make the scale of numbers comparable, with the Opacity Score dominating), we then multiplied the two together to reach a final secrecy score. The higher the score, the greater the potential for each club's secrecy to facilitate social harm.

We are not implying that anything illicit or untoward is taking place in connection with any of the clubs identified. Nor do we wish to imply that the only people who use tax havens are those who wish to avoid transparency, rather than, for example, to limit their exposure to tax or regulation, although clearly some people do both.

What we are highlighting is the way that financial opacity obscures the truth, whatever its nature. An unknown or unknowable owner can still have the best interests of the club at heart – but anonymity can also be used to hide unpalatable financial truths.

Our survey highlights the fact that in a number of cases fans may think they know who owns their clubs, but they can have absolutely no way of being sure – a state of affairs that exploits their loyalty and besmirches the beautiful game.

## CHRISTIAN AID FOOTBALL SECRECY LEAGUE

Ranking		Company Number	Company Name	Country of Control	Opacity Score	Average Attendance	Secrecy Score
1	Manchester United	95489	Manchester United Football Club Ltd	USA	92	74,728	231.4
2	Tottenham Hotspur	57186	Tottenham Hotspur Football & Athletic Co Ltd	Bahamas	100	35,788	189.2
3	Manchester City	40946	Manchester City Football Club Ltd	Abu Dhabi	92	45,292	180.1
4	Liverpool	35668	The Liverpool Football Club & Athletics Grounds Ltd	USA	92	43,326	176.2
5	Aston Villa	3375789	Aston Villa Football Club Ltd	USA	92	38,181	165.4
6	Rangers	SC004276	The Rangers Football Club plc	Channel Islands	87	47,372	164.7
7	Leeds United	6233875	Leeds United Football Club Ltd	Not known	100	24,134	155.4
8	Sunderland	49116	Sunderland Association Football Club Ltd	Jersey	87	39,933	151.3
9	Derby County	49139	Derby County Football Club Ltd	USA	92	29,170	144.6
10	Birmingham City	27318/ 3304408	Birmingham City Football Club plc	Cayman Islands	92	24,921	133.6
11	Leicester City	4593477	Leicester City Football Club Ltd	USA	92	23,979	131.1
12	Fulham	2114486	Fulham Football Club (1987) Ltd	Bermuda	92	23,968	131.0
13	Arsenal	109244/ 4250459	Arsenal Football Club plc	Multiple offshore	71.9	59,878	126.5
14	Ipswich Town	315421	Ipswich Town Football Club Company Ltd	Bermuda	92	20,983	122.6
15	Blackburn Rovers	53482	Blackburn Rovers Football and Athletic plc	Jersey	87	25,046	119.8
16	Hull City	4032392	The Hull City Association Football Club (Tigers) Ltd	Jersey	87	24,289	118.0
17	Portsmouth	3747237	Portsmouth City Football Club Ltd	British Virgin Islands (BVI)	92	18,543	115.3
18	Queens Park Rangers	60094/ 3197756	Queens Park Rangers Football and Athletic Club Ltd	Not known	100	13,075	114.3
19	West Ham United	66516	West Ham United Football Club plc	New club owners	76	33,452	105.6
20	Wolverhampton Wanderers	1989823	Wolverhampton Wanderers Football Club (1986) Ltd	Guernsey	79	28,191	104.8
21	Bolton Wanderers	43026	Bolton Wanderers Football & Athletic Company Ltd	Isle of Man	83	21,843	101.8
22	Crystal Palace	3951645	Crystal Palace FC (2000) Ltd	Jersey	87	14,523	91.2
23	Hearts	SC5863	Heart of Midlothian plc	Lithuania	72.1	14,389	62.4
24	Hartlepool United	98191	Hartlepool United Football Club Ltd	BVI	92	3,466	49.8
25	Watford	104194	The Watford Association Football Club Ltd	Multiple offshore	61.5	14,167	45.0

# FINANCIAL SECRECY AND DEVELOPMENT



Christian Aid/Sarah Filbey

Financial secrecy helps consign families and communities in the developing world to a lifetime of poverty

The impact of financial secrecy on the world of football can be gauged by clubs going broke, staff being made redundant, creditors left out of pocket and fans feeling betrayed.

The impact of financial secrecy globally, however, causes suffering so immense that the system which facilitates clandestine money movements has been called 'the ugliest chapter in economic affairs since slavery'.

That stark description was coined by Raymond Baker, a senior fellow at the US Center for International Policy, and a global authority on illicit finance, to describe the manner in which rich nations receive billions of dollars every year that have been systematically and illicitly removed from poorer countries.

He estimates that between US\$1trn and US\$1.6trn of illicit cash flows annually from countries where 80 per cent of the world's population live into countries where 20 per cent of the global population lives.<sup>43</sup>

Bribery and theft by government officials, he estimates, account for three per cent of that total, while other purely criminal activities account for a further 30-35 per cent.

The bulk, however, 60-65 per cent, consists of profits that businesses, particularly multinational corporations, shift between tax jurisdictions to reduce, or even completely dodge, their tax bills. The victims are the poorer countries where they operate, which lack the resources and expertise to counter tax dodging on such a massive scale.<sup>44</sup>

This movement of illicit funds is facilitated in large part by the existence of tax havens, or secrecy jurisdictions. The damage caused by the secrecy they offer goes far beyond the loss of revenue and the impact of that on a country's ability to provide public services for its citizens.

A Norwegian Government Commission on Capital Flight and Poor Countries, which reported last year<sup>45</sup>, accused tax havens of:

- increasing the risk premium in international financial markets
- undermining the working of the tax system and public finances
- increasing the inequitable distribution of tax revenues
- reducing the efficiency of resource allocation in developing countries
- making economic crime more profitable

- encouraging rent-seeking (see below) and reducing private incomes in developing countries
- damaging institutional quality and growth in developing countries.

One of the commission's members, Professor Ragnar Torvik, in a paper submitted with the commission's report<sup>46</sup>, argued that havens distort developing countries, above all, by changing incentives.

Instead of politicians, for instance, promoting productive activity, they will instead turn to 'rent-seeking activity' from which the returns are higher such as selling mineral rights off at below market value in exchange for a secret payment into an offshore account.

The availability of haven 'services' can also help politicians who want to close down or otherwise undermine agencies tasked with tackling corruption.

The secrecy that havens offer, Torvik argued, also helps undermine democracy by favouring narrow self-interest over broader-based progress. As a consequence, they may increase the chances of conflict.

Meanwhile, the establishment of fair and equitable systems of taxation in poor countries has to be a development priority. Put simply, the political landscape changes in countries where government revenues are largely derived from the taxing of citizens in such a manner.

Rulers dependent on taxes have a direct stake in the prosperity of some or most of their citizens, and 'therefore have incentives to promote that prosperity', says Mick Moore, professorial fellow at UK-based independent research charity the Institute of Development Studies.<sup>47</sup>

He adds: 'Broad taxation, to a far greater extent than either aid or natural-resource revenues, obliges the state to invest in the creation of a relatively reliable, uncorrupt, professional career public service to assess and collect dues and then hand them over to the state treasury.'

Citizens being taxed, meanwhile, will engage politically, either by organising to resist taxation or to ensure their tax money is well-used. Unless the sole response of the state is to crush resistance, 'these reactions tend to increase the accountability of governments,' says Moore.

Recent research pooling data from 113 countries between 1971 and 1997 found evidence that it was the need for greater tax revenue that forced governments (even authoritarian ones) to democratise.<sup>48</sup>



# TAX DODGING IN THE DEVELOPING WORLD

The most pervasive form of tax dodging in developing countries is a practice known to the accountancy world as 'abusive transfer pricing'.

By itself, the name reveals little. It is a key component however, in the movement of illicit funds from the developing world.

It refers to the way subsidiaries of the same multinational trade with each other, or with the parent company. Today, some 60 per cent of world trade takes place within multinationals rather than between them, or between trading entities which are independent of each other.<sup>49</sup>

With so much in-house business on the go between parts of the same multinational, regulators stipulate that a fair market price – an 'arm's length price' – must be charged for what is bought and sold.

If above board, such deals are called 'transfer pricing'. A full 50 per cent<sup>50</sup> of world trade, however, is now reported to take place through secrecy jurisdictions, otherwise known as tax havens, where the costs that a multinational charges itself are impossible to verify.

Difficulties in policing the trade in material goods, or commodities, combined with fees charged for such intangibles as 'management services' or intellectual property rights, where no open market rate exists, make it impossible to determine whether an 'arm's length' price has been charged.

A company in one country can charge a vastly reduced rate for goods and services to another based elsewhere purely to minimise its tax liability.

When such deals are between parts of the same multinational, they are called 'abusive transfer pricing'. When conducted between independent entities in collusion with each other, it has a rather more prosaic name – 'false invoicing'. Together, the phenomenon is known as 'trade mispricing'.<sup>51</sup>

Much, but by no means all, of the illicit capital made from trade mispricing flows into the European Union and the United States.

In 2009 Christian Aid commissioned international trade pricing expert Simon Pak, president of the Trade Research Institute and associate professor at Penn State University in the US, to analyse EU and US trade data and estimate the amount of capital shifted from non-EU countries into the EU, the US, the UK and the Republic of Ireland.<sup>52</sup>

Professor Pak, who has advised US Congress on this issue, analysed bilateral trade in commodities between 2005 and 2007, calculated the parameters of the normal price range for products traded between countries, and estimated the amount of capital shifted by trades that were outside that normal price range.

The totals he arrived at included prices that had either been artificially depressed or artificially inflated for tax purposes. Some of the prices, he warned, would primarily have been doctored for money laundering or other illicit purposes, but even in those cases, there would have been a tax consequence.

In spite of the enormous sums Professor Pak's research exposed, they are just the tip of the iceberg. For he could only analyse publicly available trade data. Information on trade involving the most secretive havens would, if known, reveal a far more serious picture.

According to his findings, between 2005 and 2007, the total amount of illicit capital flow from trade mispricing into the EU and the US alone from non-EU countries was estimated conservatively at more than £581.4bn (€850.1bn, US\$1.1trn at the time the report was written).

It broke down specifically to £229.7bn (€335.8bn, US\$441.2bn) into the EU countries and £351.7bn (€514.3bn, US\$673.6bn) into the US.

Powerful economies in the developing world – Argentina, Brazil, China, India, Indonesia, Mexico and South Africa – lost a total of £119.5bn in illicit capital flows to the EU and US between 2005 and 2007. Meanwhile, the world's poorest countries lost £5.78bn in the same period.

Christian Aid estimated that if tax was raised on this capital, China would have had an additional £20.2bn, Mexico would have had an additional £10.5bn and India would have had an additional £3.6bn in their public coffers. Meanwhile, the world's 49 poorest countries could have raised an additional £1.8bn in tax.

The implied tax loss extrapolated to all developing country trades is consistent with Christian Aid's estimate in *Death and Taxes: the True Toll of Tax Dodging*, published in May 2008, that US\$160bn (£80bn at the exchange rate then) of revenue is lost by developing countries globally every year.

This is more than the annual global development aid budget and much greater than the £28bn to £42bn the World Bank estimated would be required annually to meet the millennium development goals (MDGs) aimed at halving extreme poverty by 2015.



# HOW TAX-HAVEN SECRECY AFFECTS DEVELOPING COUNTRIES

***'Many citizens of developing (and developed) countries now have easy access to tax havens and the result is that these countries are losing to tax havens almost three times what they get from developed countries in aid. If taxes on this income were collected, billions of dollars would become available to finance development.'***

Jeffrey Owens, Director, OECD Centre for Tax Policy Administration, January 2009

***'We will set down new measures to crack down on those tax havens that siphon money from developing countries, money that could otherwise be spent on bed nets, vaccinations, economic development and jobs.'***

Gordon Brown, UK Prime Minister, March 2009

***'We stand ready to take agreed action against those jurisdictions which do not meet international standards in relation to tax transparency... We are committed to developing proposals, by end 2009, to make it easier for developing countries to secure the benefits of a new cooperative tax environment.'***

G20 Declaration, April 2009

There is a growing consensus that international action is needed to fight the damage caused by tax-haven secrecy – and that developing countries' interests, in particular, must be better protected.

Christian Aid has analysed international data on trade and finance to identify just how much developing countries are affected by tax havens, with a particular focus on Africa.

We did this research to help policymakers in developing countries demand appropriate corrective action from the G20 group of countries, the UN Tax Committee and the Organisation for Economic Co-operation and Development (OECD).

Christian Aid is disappointed that policy researchers at such multilateral institutions as the World Bank and International Monetary Fund have almost completely neglected these issues until now. The research that has been done is largely the work of academics and civil-society researchers.

Christian Aid's research<sup>53</sup> shows clearly that existing information on bilateral trade and financial flows, while frustratingly limited in some areas, does allow us to draw quite clear conclusions about just how much developing countries are exposed to tax havens or secrecy jurisdictions.

In general, they are no less affected by secrecy jurisdictions than high-income OECD countries – and some of them are much more exposed. So the G20 and others are right to



Collecting water in rural South Africa

demand that developing countries be included in any new international plan to prise more information from tax havens.

Some regions and countries are clearly more affected by tax havens than others and this warrants further research. These differences are likely to require different policy priorities.

The following table shows, for different groups of countries, the share of their exports, imports, inward portfolio investment and foreign bank deposits by their citizens which go via secrecy jurisdictions. Those jurisdictions are ranked in the Financial Secrecy Index developed by the Tax Justice Network with Christian Aid.

The International Monetary Fund's Coordinated Portfolio Investment Survey provides information on the holdings of equity securities and debt securities (mainly shares and bonds) of each country's residents in foreign jurisdictions.

The information related to foreign bank deposits must be treated with caution because the Bank for International Settlements does not provide a full locational breakdown of data – only consolidated statistics. For example, an Ethiopian making a deposit into a branch of a Swiss bank in Addis Ababa will be recorded as an Ethiopian claim on a Swiss bank, even if the money does not leave Ethiopia. At present, however, this is the best data available.

## PERCENTAGE OF TRADE AND FINANCE IN DEVELOPING COUNTRIES GOING THROUGH TAX HAVENS

	Exports (goods)	Imports (goods)	Portfolio investment	Foreign bank deposits
East Asia and Pacific	49.4%	26.7%	87.4%	55.6%
Europe and Central Asia	25.5%	18.3%	76.2%	41.2%
Latin America and Caribbean	61.5%	49.6%	83.3%	38.1%
Middle East and North Africa	21.8%	21.2%	69.5%	23.7%
South Asia	49.2%	32.4%	87.0%	68.9%
Sub-Saharan Africa	39.3%	27.4%	84.5%	65.9%
Low-income countries	39.9%	28.4%	85.3%	50.5%
Lower-middle-income countries	45.0%	25.8%	86.0%	51.2%
Upper-middle-income countries	46.9%	35.9%	81.5%	42.9%
High-income OECD countries	33.8%	29.2%	53.8%	42.9%
High-income non-OECD countries	40.9%	30.8%	72.3%	49.2%

The table above shows that, compared to high-income OECD countries, sub-Saharan Africa's exports are more caught up with tax havens, with almost 40 per cent going to secrecy jurisdictions. Its imports are slightly less exposed, with more than a quarter going to secrecy jurisdictions.

But sub-Saharan Africa's greatest involvement with tax havens is via portfolio investment flows and deposits in foreign banks.

Almost 85 per cent of sub-Saharan Africa's portfolio investment arrives on the continent after passing through – on paper at least – one or more secrecy jurisdictions. In Kenya, for example, the two main sources of portfolio investment are Mauritius and Luxembourg, accounting for almost two-thirds of the total. Out of an Opacity Score of 100 (where 100 indicates complete secrecy) in the Financial Secrecy Index, Mauritius scores 96 and Luxembourg 87.

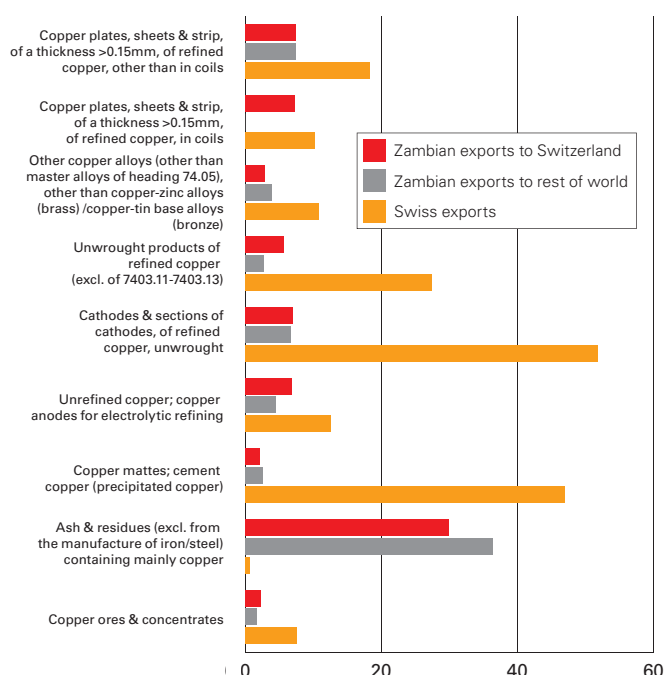
So it is almost impossible for Kenya's tax authority, civil society or local businesses to know where this huge flow of money is really coming from – and this in turn opens the potential for all sorts of abuse, from tax dodging and money laundering to bribery, other forms of corruption and market abuses.

Some mineral-exporting countries are especially exposed in their trade. Zambia is a major copper exporter, and copper dominates the economy. In 2008, half of Zambia's copper exports were consigned to Switzerland as they left the country's customs, but according to Swiss import data most of this never arrived at the other end. This 'black hole of Geneva' is an alarming phenomenon – where does Zambia's copper actually go? And how can the country's citizens know that they are being fairly treated in that transaction?

Another aspect is the pricing. Switzerland's copper exports have much higher declared prices than those of Zambia. Given that trade data allow us to compare quite detailed categories (eg copper plates, sheets and strip, of a thickness >0.15mm, of refined copper, in coils), it is hard to believe that quality variances are really behind this price difference.

As the figure below shows, while Zambia's prices are close to world averages (which is now a Zambian legal requirement, as they attempt to combat abuse), the Swiss prices are much higher. Were Zambia to receive Swiss export prices for its exports to Switzerland, the total value received would in 2008 have been almost six times higher than it was, adding some US\$11.4bn to Zambia's GDP, which in 2008 was just US\$14.3bn in total.

## EXPORT PRICES (US\$/KG), 2008



# FINANCIAL SECRECY, SOUTH AFRICA AND THE WORLD CUP



Getty Images

A shack-dweller against the backdrop of a multi-million-Rand World Cup stadium

'It is a contradiction to support increased development assistance, yet turn a blind eye to actions by multinationals and others that undermine the tax base of a developing country.'

Trevor Manuel, South Africa's then Minister of Finance, January 2008

One of the many damaging impacts that financial secrecy has on poorer countries is the way it holds back development. Healthcare is one obvious casualty. Money hidden offshore is money that cannot be spent on clinics, doctors, medicines and disease prevention.

Today, one major burden on the health services in many developing countries is the prevention and treatment of HIV/AIDS. World Cup host South Africa has one of the highest HIV rates on the planet, with 5.7m people with the virus.<sup>54</sup>

There are some 1,400 new HIV infections and nearly 1,000 AIDS deaths daily, while some 2.5m children have been orphaned, according to UNICEF and UNAIDS.<sup>55</sup>

One of the richer developing countries, and Africa's largest economy, South Africa estimates that it needs to spend some US\$1.5bn<sup>56</sup> each year combating the disease. Actual spending on HIV/AIDS is lower, however, and not nearly enough. Only 40 per cent of adults who (based on government eligibility criteria) needed antiretroviral drugs in 2008 actually got them.<sup>57</sup>

Hosting the World Cup has come at a considerable price. Some Rand28bn (US\$3.8bn)<sup>58</sup> is being spent upgrading infrastructure and building new stadia. With 400,000 visiting fans expected, South Africa says 415,000 jobs will be created and US\$5.5bn will flood into the economy.<sup>59</sup> The actual return however remains to be seen.

The initial investment cost (it is already running over budget) is certain however, and is four times greater than the amount the government plans to spend on HIV/AIDS and sexually transmitted diseases in the financial year 2010-2011.<sup>60</sup>

One major challenge to South Africa's ability to spend on healthcare and other services is the battle it is fighting with the malfeasance that goes hand in hand with financial secrecy.

Research commissioned by Christian Aid in 2009 reveals that trade mispricing (see 'Tax Dodging in the Developing World', page 21) alone in transactions with just the US and EU costs more than one-third of the sum the government says it should spend on countering HIV/AIDS.

In addition, corruption, which helped to sustain the apartheid state, remains a serious problem in South Africa.

This is not to deny the country's important achievements and strengths. Government minister Trevor Manuel has led calls from the developing world for reforms such as more effective intergovernmental exchange of tax information to counter the damage that tax havens cause.

And the South African government has also devoted significant resources to battling corruption, with the country's flourishing media and civil-society organisations helping to expose abuses and keep them in the spotlight.

Even with the checks and balances, however, it is instructive to look at just how difficult financial secrecy makes it for a developing country to realise the full potential of its economy and hence its healthcare and educational systems.

## Tax

Like every other country, South Africa needs tax revenues – not least to fund public services for millions of poor people who depend on them. Half its population – roughly 25 million people – survives on just eight per cent of the country's national income and the country has one of the highest levels of income inequality in the world.<sup>61</sup>

Wealth, too, is unevenly distributed along racial lines, reflecting the legacy of apartheid. Life expectancy has actually fallen by nine years since 1990, largely due to the very high rate of HIV infection, which is running at around 18 per cent among people aged 15 to 49.<sup>62</sup>

While grappling with extreme poverty and the HIV epidemic, South Africa has constantly to fight against unscrupulous companies and individuals who dodge tax. The country's revenue authorities have described themselves as being 'on the front line with the most advanced tax administrations in the world in combating these [tax avoidance] schemes'.<sup>63</sup>

The country's 'tax gap' – the difference between actual revenue and the amount that should be received if all taxpayers complied with the law – has been estimated to be as high as Rand30bn (US\$4.2bn) per year.<sup>64</sup>

The tax revenue that Christian Aid calculates is lost as a result of abusive transfer pricing in trades with the US and EU alone comes to US\$573m a year<sup>65</sup>, almost three-quarters of the amount the country receives in aid.<sup>66</sup>

Countering the tax-dodging efforts of companies and individuals has forced the country's tax authority, the South African Revenue Service (SARS), to innovate almost constantly.

South Africa's 2010 budget proposals include a slew of measures designed to counter 'sophisticated tax avoidance schemes' which SARS blames for a 'substantial loss' of revenue. These will include intensifying the focus on the tax affairs of wealthy individuals and large companies.<sup>67</sup>



‘It should be a concern to us that in post-independence Africa, certainly in South Africa, the accumulation of riches (in most cases, very sudden) is venerated even in the absence of visible means of accumulating the riches...’

South Africa’s Public Protector Thuli N Madonsela, January 2010

In addition, South Africa is to become the headquarters of a new African Tax Administration Forum following agreement between 25 African tax administrations in Kampala, Uganda, late last year.<sup>68</sup>

Better tax administration, it was agreed, would help countries reach sustainable development and poverty-reduction goals, and enhance good governance.

The challenges that were identified included businesses failing to report profits, and the use of tax havens by wealthy individuals to hide assets, as well as their use by companies engaged in trade mispricing.

The forum will set up an African Tax Centre, which will gather intelligence and ‘develop best practices through experience sharing activities’.

## Corruption

***‘It should be a concern to us that in post-independence Africa, certainly in South Africa, the accumulation of riches (in most cases, very sudden) is venerated even in the absence of visible means of accumulating the riches...’***

South Africa’s Public Protector Thuli N Madonsela, January 2010<sup>69</sup>

In addressing the economic challenges facing South Africa, it is impossible to avoid the subject of corruption, which is of course facilitated by financial secrecy.

The country’s media carry a steady stream of allegations about bribe-taking and similar abuses of power by senior politicians and officials. At the time of writing (March 2010) the national commissioner of police (and a former president of Interpol) Jackie Selebi is on trial for corruption charges which he denies.<sup>70</sup> And a parliamentary committee has called for the criminal prosecution of the former Director General of the public works department in relation to a Rand200m contract alleged to have been improperly awarded.

The former Director General, Manye Moroka, resigned last year after an investigation by the Auditor-General found that he had flouted procurement procedures and had a conflict of interest.<sup>71</sup> Moroka disputes the findings of the investigation.

There is also an ongoing row about the awarding of lucrative government contracts to companies controlled by ANC Youth Leader Julius Malema, who denies any wrongdoing.<sup>72</sup>

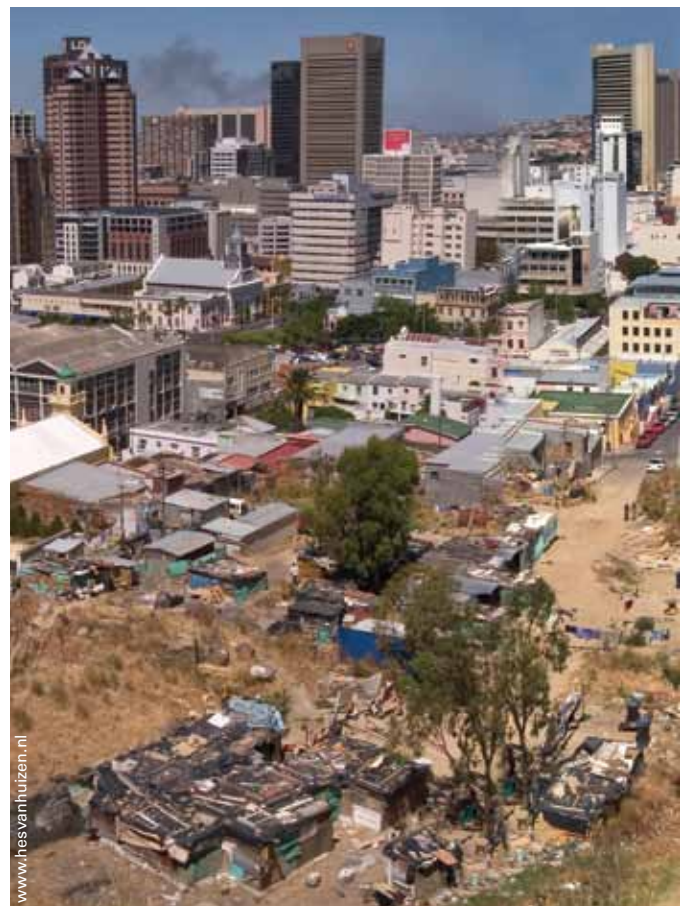
The phenomenon of people enriching themselves from the preferential procurement policies of the government, in some cases facilitated by corrupt payments, has become

commonplace enough for a new word to enter the language to describe them – ‘tenderpreneur’.

It is the country’s poorest who suffer most, because corruption means there is less available for the public services on which they depend such as housing, sanitation, health, education and social security.

In addition, corruption does indirect damage – reducing economic growth and government effectiveness while adding to the poor’s sense of powerlessness – causing them to see governments as oppressive and predatory rather than enabling.

It is a subject Nelson Mandela addressed when President. In a speech to Parliament in 1999 he spoke of corruption having been ‘spawned by apartheid’ but continuing unabated after the introduction of majority rule.



CapeTown: skyscrapers and shacks side by side



The reality was, he said, 'that among the new cadres in various levels of government, you find individuals who are as corrupt as – if not more than – those they found in government'.<sup>73</sup>

Almost a decade later it was clear that the tide had not turned. In just one year (2007-8), investigations by the country's Special Investigating Unit (their logo features a cobra poised to strike) into various government departments produced evidence for use in more than 10,000 civil or criminal court cases and 6,664 disciplinary proceedings.<sup>74</sup>

Recent analysis of data by the World Bank has suggested that South Africa is falling behind other countries in its efforts to control corruption.

Whereas in 1996 South Africa was seen as being better at controlling corruption than 75 per cent of other countries in the world, by 2008 it was seen as better than only 65 per cent.<sup>75</sup>

According to a 2009 survey, nearly half (45 per cent) of South Africans believe that 'most or all' police are involved in corruption, while 42 per cent thought government officials were on the take.<sup>76</sup>

Elected local councillors come next (35 per cent), followed by tax officials (28 per cent), judges and magistrates (26 per cent), members of Parliament (25 per cent), traditional leaders (20 per cent) and the President and his office (17 per cent).

In recent years in South Africa allegations of corruption around weapons procurement have become rife. Some US\$5bn of contracts signed by the government with a number of weapons manufacturers at the end of the 1990s are referred to collectively in the South African press as 'The Arms Deal'.

Allegations about kickbacks are still emerging. ANC MP Tony Yengeni, former Chairman of the Parliamentary Defence Committee, was jailed for four years after being convicted of fraud, perjury and corruption in relation to a luxury car he received at a discount in one of the deals.<sup>77</sup>

And Schabir Shaik, financial adviser to South African President Jacob Zuma when Zuma was Deputy President, was sentenced to 15 years in prison after being convicted of soliciting bribes in connection with an arms deal.<sup>78</sup>

An agency called the Directorate of Special Operations, better known as the Scorpions, that was tasked with countering organised crime and corruption, led investigations into Zuma before he became President in relation to one of the arms deals.

## Dave King, Rangers football club, and the South African Revenue Service



Photo courtesy of SNS Group

One super-rich individual who has been high on the South African Revenue Service's (SARS') hit-list for years is multi-millionaire David Cunningham King (usually known as Dave King), a policeman's son from Glasgow who moved to South Africa in the mid-1970s after becoming an accountant.

He retains his Scottish connections, not least through a non-executive directorship of Rangers Football Club plc and the £20m he invested in the Club in 2000.<sup>79</sup>

According to the Club's 2009 annual report<sup>80</sup>, he also held more than three million shares in the related company Murray Sports Limited, 'as an authorised representative of Metlika Trading Ltd', a company in the British Virgin Islands.

In one of the many twists in King's battle with SARS, it would appear that his mother Agnes now owns the shares in Murray Sports Ltd, thought to be worth some £1.5m. UK newspapers

reported late last year that the shares had been transferred in what SARS saw as a bid to avoid tax.<sup>81</sup>

King and SARS have made no secret of their mutual contempt. At a media briefing in 2008, King said SARS had made serious mistakes and wasted huge sums while investigating his affairs, and had failed to honour agreements that had been reached.

SARS immediately hit back, revealing it had been pursuing him through the South African courts for eight years and that he faced charges which, if convicted, could see him jailed for 15 years.

'This is the reason for his constant filibustering,' it stated in a press release. 'The 322 charges include fraud, money laundering, racketeering and tax evasion for the period 1990 to 2001 (and for non-rendering of tax returns for 2002-2005),' SARS alleged.<sup>82</sup>

Attached to the press release was a document which SARS alleged was a fraud signed by King, purporting to be a Rand300m (£26.7m) settlement agreement he had reached with them.

The SARS case against King is ongoing. He continues to maintain his innocence.

‘The lack of transparency of ownership and control of private companies as well as trusts poses a problem for tax investigators trying to gauge a taxpayer’s assets. It also facilitates corruption.’

Professor Louis de Koker, former director of the Centre for the Study of Economic Crime at the University of Johannesburg



Nelson Mandela with ANC leader Jacob Zuma, who is now South Africa's President

Zuma strenuously denied being involved in corruption and the case was eventually abandoned in April 2009 when it was revealed that the timing of the charges against him had been politically inspired.<sup>83</sup>

A decision some months earlier to merge the Scorpions with the police was condemned by South Africa’s Democratic Alliance opposition party, which said the government wanted to protect corrupt ANC officials.<sup>84</sup>

A UK company, BAE, in 1999 signed a £1.6bn aircraft contract with South Africa. After being investigated for bribery in a number of countries by UK and US agencies, the company this year paid a £286m fine as a global settlement. Although BAE has been mentioned in numerous reports about the ‘Arms Deal’, no charges were brought against the company in relation to South Africa.<sup>85</sup>

Theoretically, South Africa has a strong line of defence against corruption in the form of a legal requirement that politicians and senior officials within all three levels of government (national, provincial and local) disclose their financial interests such as shareholdings, directorships and land and property interests.

South Africa’s arrangements are ‘more open than many disclosure regimes globally’, according to the Institute for Security Studies (ISS), a pan-African policy research institute headquartered in Pretoria.<sup>86</sup>

However, when the ISS tried to inspect the disclosures actually made between 2004 and 2008, it encountered ‘numerous obstacles to public access’.

It reported: ‘In many instances, applications for access involved much time, resources and patience... When access is granted to politicians’ disclosure records, they often only reflect the previous financial years and not the latest years.

‘The result is that it is difficult for ordinary citizens to hold their elected officials accountable and to detect conflict of interest situations using disclosure records. We conclude that, without ease of public access to information, accountability is severely diminished and the practice of disclosure becomes a hollow exercise.’<sup>87</sup>

Among the factors exacerbating the potential for corruption is the lack of any requirement for political parties to reveal their private sources of income, including their control of companies that are awarded government contracts. Individuals are also allowed to conceal their ownership of private companies.

With party funding, there are fears that companies and wealthy individuals will give money in return for government contracts and other political favours, without fear of discovery.

One analyst, Steven Friedman, director of the Centre of Democracy<sup>88</sup> at the University of Johannesburg, has gone so far as to suggest that the close relationship between money and politics may be the country’s biggest threat to democracy. An ANC spokesman has acknowledged that a debate is needed about funding protocols.<sup>89</sup>

A new law which the government claims will improve transparency – the Companies Act 2008 – has yet to come into force.

Professor Louis de Koker, former director of the Centre for the Study of Economic Crime at the University of Johannesburg, told Christian Aid: ‘The lack of transparency of ownership and control of private companies as well as trusts poses a problem for tax investigators trying to gauge a taxpayer’s assets. It also facilitates corruption by making it impossible to tell whether an entity has won a particular deal because it is owned by people who have the right connections.

‘Trusts and private companies – the vast majority of companies – are the black holes in the system. It is difficult to identify their beneficial owners. It’s hard to see how the new Companies Act will improve matters as it’s largely based on existing legislation that has proven ineffective.’<sup>90</sup>

# THE FINANCIAL SECRECY WORLD CUP

Christian Aid has devised its own Financial Secrecy World Cup of countries that will be vying against each other this year. The rules were as follows.

Using the existing World Cup groupings, points were awarded to teams from countries that contribute most to global financial secrecy, and deducted from those that suffer through lost tax revenue as a result of financial secrecy.

Countries then faced a knock-out based on the points they were able to muster.

The financial secrecy points were awarded according to the 'Opacity Scores' that feature in the Financial Secrecy Index, drawn up by Christian Aid and the Tax Justice Network. This scores the country on a number of objective criteria according to the secrecy offered to non-residents using its financial markets.

For EU teams that are not represented in the Index, the average score of 10 EU countries in the Index is awarded. If any other team is not represented in the Index (eg most non-tax havens), a score of zero is given.

For lost tax revenues, points were given according to the percentage of GDP which is estimated to be lost due to illicit trade flows, by Global Financial Integrity, a US research body which monitors and suggests ways of countering illicit money flows.

If no estimate exists for tax losses for a team (only developing countries are included), a score of zero was given.

In the event of a tie between two or more teams, the tie was broken in the following way: first, if each team featured in the full Financial Secrecy Index, they were ranked according to their respective positions there; if this was not the case, or it did not break the tie, then teams were ranked according to their scores in the World Bank 'Control of Corruption' indicator, with the more corrupt ranking higher. The following notes detail each tie that occurred during the Financial Secrecy World Cup 2010.

## Notes to the table overleaf

[1] Serbia and Australia tied for second in Group D, but Serbia went through by virtue of a worse World Bank corruption score.

[2] North Korea, Brazil and Ivory Coast tied for second in Group G, but North Korea went through by virtue of a worse World Bank corruption score.

[3] France and Greece tied in their second-round match, but Greece goes through by virtue of a worse World Bank corruption score.

[4] Germany and Greece tied in quarter-final 2, but Greece went through by virtue of a worse World Bank corruption score.

[5] Portugal and the USA tied in their semi-final, but the USA went through by virtue of its higher rank in the Financial Secrecy Index (which reflects its much greater contribution to total global financial secrecy).

And the winner was ... Switzerland, after a nerve-jangling tight finish against the USA.

# FINANCIAL WORLD C

GROUP D			
Germany	72.1	0.0	72.1
Serbia	0.0	0.0	0.0
Australia	0.0	0.0	0.0
Ghana	0.0	0.7	-0.7

QF 1	USA
QF 2	Portugal

# WIN

Switz



# CRECY WORLD CUP

## ROUND OF 16

1st E	<i>Denmark</i>
2nd F	<i>Slovakia</i>
1st F	<i>Italy</i>
2nd E	<i>Netherlands</i>

## QUARTER FINAL 3

1st A	<i>Denmark</i>
2nd B	<i>Portugal</i>

## QUARTER FINAL 4

1st A	<i>Italy</i>
2nd B	<i>Switzerland</i>

## ROUND OF 16

1st G	<i>Portugal</i>
2nd H	<i>Spain</i>
1st H	<i>Switzerland</i>
2nd G	<i>North Korea</i>

## SEMI FINAL 2

QF 3	<i>Greece</i>
QF 4	<i>Switzerland</i>

## FINANCIAL SECRECY WORLD CUP FINAL

*Switzerland*

NER

erland

## GROUP E

	O*	T*	Pts*
Denmark	72.1	0.0	72.1
Netherlands	58.0	0.0	58.0
Japan	0.0	0.0	0.0
Cameroon	0.0	17.1	-17.1

## GROUP F

Italy	72.1	0.0	72.1
Slovakia	72.1	0.7	71.4
New Zealand	0.0	0.0	0.0
Paraguay	0.0	3.4	-3.4

## GROUP G

Portugal	92.0	0.0	92.0
North Korea	0.0	0.0	0.0
Ivory Coast	0.0	0.0	0.0
Brazil	0.0	0.0	0.0

## GROUP H

Switzerland	100.0	0.0	100.0
Spain	72.1	0.0	72.1
Chile	0.0	0.9	-0.9
Honduras	0.0	21.6	-21.6

\* O = Opacity Score according to Financial Secrecy Index, T = estimated tax-revenue losses, and Pts = world points awarded

# RECOMMENDATIONS



Christian Aid / Tom Pilston

Football in the developing world, one way out of poverty  
for a fortunate few

To tackle secrecy in the football world, the Football Supporters' Federation and Supporters Direct call for the following:

- every club to disclose publicly the ultimate controlling individuals, regardless of domicile
- the accountable voice of the local community to be heard by ensuring that a percentage of the club's shares is held by a not-for-profit supporters' trust, entitling it to representation on the board of the club
- the linking of payments to transparency. Every parent controlling entity that a club has should reduce the amount of money it gets from its relevant league. This will have the effect of a tax on opaque ownership structures. As clubs in the EPL can receive up to £30m a year, the amounts would be significant.

In terms of broader global financial secrecy, Christian Aid calls for:

### **1) Public register of ownership**

A public record of each company, corporation, trust, partnership, limited liability partnership, charity and other entity created under law would enable the public to be sure who they are trading with. This would include the following:

- the names of the people who are the ultimate beneficial owners of more than five per cent of the entity about which the declaration is being made<sup>91</sup>
- the full names and addresses of all directors, partners, settlors, trustees, enforcers and other statutory officials who manage these entities
- the full accounts of all entities that enjoy limited liability
- the address where each of these persons is resident.

A competent legal authority would need to be in place to ensure this happened in each location around the world.<sup>92</sup>

### **2) Country-by-country reporting in the accounts of multinational corporations**

Country-by-country reporting would require disclosure of key financial information including turnover, profits and tax payments by each multinational corporation in its annual financial statements for each country in which it operates.

If country-by-country reporting was available then, even if developing countries could not set up their own company registries at this time, much of the information stakeholders would

require of the most important entities operating within their jurisdictions would be available.<sup>93</sup>

### **3) Enhanced automatic information exchange between states**

Countries should regularly and automatically share information with other countries where a person or company from that country has an interest in a financial structure registered in its territory. This information would include the name of the financial structure (trust, company, or foundation), its manager, its bank, who benefits from it, and the income accrued.

Tax havens should be required to share this information with rich and poor countries alike, to enable them to identify and pursue companies and individuals who are hiding money and dodging tax.

We can't promise that financial transparency will solve all the world's problems. Of course there are some it would have no impact upon. What Christian Aid is quite sure about is that enhanced financial transparency, domestically, internationally, in multinational corporation accounts and between nation states, could massively improve the well-being of ordinary people around the world, and most especially in developing countries.

There are many people who would like to know who owns their football club. The rights of ordinary people need to be recognised as being as important as those of finance. That is a balance that needs redressing in the wake of the current financial crisis, a challenge that the accounting profession must embrace.

These demands may seem onerous, but accountants and tax officials are familiar with complexity, and they get paid for dealing with it. The time for far-reaching change has come.



# APPENDICES

## Appendix A: Who really owns our clubs?

Where companies were identified from a name on the Companies House register, the directors' report was always checked to confirm we had the correct company.

Where abbreviated accounts were filed, we always checked that:

1. the registered office address matched the trading address
2. the director signing the balance sheet matched a director on the club website
3. any notes to the accounts give assurance the accounts were for a football club.

In some cases there was no way of knowing this from the accounts themselves.

Clubs have different year-ends and file at different times their accounts and annual returns with the Registrar of Companies, who is responsible for regulating UK companies. It is notable that the Irish League insists that one year-end is used. The accounts and annual returns used for our work were always the most recent on file but some clubs' information was for the 2007/08 season and some for the 2008/09 season.

For each club the directors' report was reviewed to check that the company identified is the trading company for the club, ie the directors' report gives details of the club's performance in the year etc.

For some, the company details on the club website were for the club's holding company. In these instances, the trading company was identified from the subsidiary note in the holding company accounts so that the company really running the football club could be identified – an absurd complication to determining just who owns companies trading in the UK.

The trading company of some clubs had subsidiaries. Where this occurred we have had to use the consolidated accounts of the trading company when looking at data.

The country of ownership for clubs has been identified primarily from the accounts. If there is no parent company, the place of incorporation of the trading company has been used. If there is a parent company, the place of incorporation of the ultimate parent company as noted in the accounts has been used. Therefore, where the company accounts identify the highest UK parent company and/or the ultimate parent company, we have accepted that the company accounts are

correct and have not tracked through the annual returns of each subsequent parent company.

Some company accounts identify an ultimate parent company but do not disclose where it is located. Where this happened we have looked for the company name on the Companies House register. Where there was a company of the same name we also looked for any details that would confirm it was the parent company, such as same year end, a director or company secretary in common.

Where details agree, we have assumed the ultimate parent is registered in the UK. Where there was no company of the same name on the register we have assumed the ultimate parent is outside the UK but the location cannot be identified from this source.

In this case we have reviewed annual-return information to support ownership details as follows:

1. Where there is no mention in the accounts of a parent company we have obtained the annual return of the trading company.
2. Where the ultimate parent company as per the accounts is in the UK we have obtained the annual return of the ultimate parent company.
3. Where the ultimate parent company as per the accounts is outside the UK we have obtained the annual return of either the trading company (if no UK parent is noted) or the highest UK parent company noted in the accounts.
4. Where the annual return gives a bulk list of shareholders we have obtained these for English Premier League clubs. For the other leagues we have looked at the holding-company accounts instead for any additional disclosure on shareholdings and control. Several of the parent companies which file bulk lists of shareholders are plcs and these tend to give more disclosure of significant shareholdings.

In all cases we have noted controlling party names which are shown in the accounts or which are apparent from the annual return.

In cases where there was doubt or ambiguity on some issues, secondary sources have been used. Wherever possible this information was corroborated.

In some cases, such as QPR and Leeds, the offshore place of control is not known.

## Appendix B: Details of ranking for Christian Aid Football Secrecy League

Having established data on where clubs are owned (or not) a weighting has been applied on the basis of the opacity of the location where control is maintained. This ranking comes from the Financial Secrecy Index, drawn up by Christian Aid and the Tax Justice Network.

A key component of the index is the Opacity Score which ranked 60 secrecy jurisdictions around the world on the basis of 12 carefully selected criteria to indicate their opacity ie how lacking in transparency they were. A score of 100 meant they were completely opaque; a score of zero they were completely transparent. London scored best with 42. Some locations, such as Switzerland, scored 100.

A few changes to the index were required to complete this work.

First, where there were multiple offshore holdings of significant size (Arsenal and Watford) a weighted index was calculated.

Second, Lithuania did not have an index value so an average for the 10 EU locations ranked was calculated and used instead. The score was very similar to that for Latvia, which was ranked, and so thought plausible.

Third, in the case of West Ham, which has new owners, it was allocated an average weighting for its league.

The scores were then multiplied by average attendance as this is a good indication of the importance of the club in the community and as such an indication of stakeholder interest in it. Finally, this score was divided by 100,000 to make the resulting number manageable.

Premier League clubs that are not shown in the following list – Burnley, Chelsea, Everton, Stoke City and Wigan Athletic – are all owned by UK residents or companies, as far as we can tell.

## Appendix C: Who's who in the Secrecy League?

### 1) Manchester United

According to the latest accounts of Manchester United Football Club Ltd, the club's ultimate owners are the Nevada-registered entities Red Football Limited Partnership and Red Football General Partner Inc, presumably owned by the Glazer family (see page 13). Family head Malcolm Glazer, aged 81, started out in the jewellery business with US\$300 to his name.<sup>1</sup> After diversifying into property, then a number of other interests including food processing, energy exploration and sports-club ownership, the family is now said to be worth some US\$2.4bn and this year were number 400 on *Forbes* magazine's list of the world's wealthiest people.<sup>2</sup>

### 2) Tottenham Hotspur

The annual return of Tottenham Hotspur plc confirms 76 per cent ordinary shares and 96.4 per cent preference shares are owned by ENIC International Limited. No further details are available. Secondary sources say the company is incorporated in the Bahamas. According to a 2007 shareholder's circular on the club website<sup>3</sup>, ENIC at that time was ultimately owned by the family interests of Joseph Lewis, who had the controlling interest, and the family interests of Daniel Levy. Lewis, born in London's East End but now living in the Bahamas, has had interests in a number of concerns including catering, luxury goods, currency trading and textiles.<sup>4</sup> He is listed by *Forbes* as the 316th richest person in the world, with an estimated wealth of US\$3bn. Levy has been chairman of Spurs since 2001.

### 3) Manchester City

According to the latest accounts of Manchester City Football Club Ltd, the ultimate parent company is Abu Dhabi United Group Investment and Development, wholly owned by Sheikh Mansour. His Highness Sheikh Mansour bin Zayed Al Nahyan is brother of the ruler of Abu Dhabi. Thanks to oil revenues, he has an estimated family fortune of about US\$1trn to call on<sup>5</sup>, while his personal wealth is said to run into many billions. He is also chairman of Abu Dhabi's International Petroleum Investment Company, which has an investment portfolio of some US\$14bn.<sup>6</sup>

---

## 4) Liverpool

The company accounts of Liverpool Football Club & Athletics Grounds Ltd show the ultimate parent company as Kop Investment LLC in the USA. The club's website<sup>7</sup> says that Kop is owned by two US businessmen, George Gillett Junior and Tom Hicks. Gillett, who made his money through meat production and sports franchises, was said in 2007 to be worth some US\$1.5bn. Investment specialist Hicks was reputed in 2009 to be worth US\$1bn. There is a UK parent company, Kop Football (Holdings) Ltd. Its annual return on 18.12.2009 shows ordinary shares owned by Kop Football (Cayman) Limited. Place of ownership has been left as in accounts' disclosure ie the USA, assuming that the Cayman company is not the ultimate owner. In April Gillett and Hicks announced the club was up for sale. It was said to be £237m in debt.<sup>8</sup>

---

## 5) Aston Villa

Accounts for Aston Villa Football Club Ltd list Reform Acquisitions LLC, registered in the US, as the 'ultimate controlling party'. That company is owned by Randolph (Randy) Lerner and Lerner family trusts. Lerner, an American entrepreneur whose father made a fortune with a credit-card business, owns a number of sports teams in the US, and is also a major patron of the National Portrait Gallery in London.<sup>9</sup> He is said by *Forbes* magazine to be worth about US\$1.bn, and is joint 937th richest person in the world.

---

## 6) Rangers

In a note to the latest accounts of Rangers Football Club plc, the ultimate parent company is Murray International Holdings Ltd. According to that company's annual return, some 67 per cent of its shares are owned by IFG Nominees C I Ltd. This company is registered in Jersey. On stepping down as club chairman last year, Scottish businessman Sir David Murray, who made his money through steel, mining and property development, said: 'I remain the majority shareholder and will always have the best interests of Rangers at heart...' <sup>10</sup> He was 88th on last year's *Sunday Times Rich List*<sup>11</sup> with an estimated fortune of £500m. David Cunningham King (see page 27) is listed in the club's 2009 annual report as having 3,064,627 ordinary shares in a company called Murray Sports Limited (MSL) 'as an authorised representative of Metlika Trading Ltd, a BVI company'. BVI stands for British Virgin Islands.

---

## 7) Leeds United

Just who owns Leeds is a considerable mystery (see page 13). Documents in Companies House name three offshore entities and a lawyer based in Monaco but the individuals who ultimately own the shares are not named. The UK parent company of Leeds United Football Club Ltd is Leeds City Holdings Ltd, 73 per cent of which is owned by an entity called Forward Sports Fund. This is based in Geneva at the offices of Chateau Fiduciaire. It was once registered in the Cayman Islands, but where it is registered at present is unclear. In January last year, lawyers acting for club chairman Ken Bates told the Royal Court in Jersey that he owned a management share in Forward Sports Fund and a lawyer for Bates subsequently confirmed that there were only two such shares in existence, making him joint owner.<sup>12</sup> However, in a later sworn statement to the court Bates said there had been an error. There were in fact 10,000 shares in existence, none of which belonged to him.<sup>13</sup>

---

## 8) Sunderland

The latest accounts of Sunderland Limited show it to be the owner of Sunderland Association Football Club Limited (the club itself). The parent company of Sunderland Limited is shown as Drumaville Limited, a company incorporated in Jersey. According to Sunderland Limited accounts, 'the directors consider the ultimate controlling party to be Mr E Short'. The club website<sup>14</sup> indicates that this refers to Mr Ellis Short. Mr Short, of Irish American descent, made his fortune in private equity and hedge-fund management and reportedly became an Irish citizen some months ago.<sup>15</sup>

---

## 9) Derby County

The UK parent company is General Sports Derby (UK) Ltd. Its annual return shows that shares are 100 per cent owned by General Sports Derby Partners LLC, registered in the US. In January 2008 the US company General Sports and Entertainment LLC (GSE) announced it had completed the acquisition of Derby County.<sup>16</sup> GSE said it led an international investment group on whose behalf it would manage the club. Former club chairman Peter Gadsby, who is leading a bid to buy the club, said in March<sup>17</sup>: 'The labyrinth of stakeholdings created by the current regime, with far-flung investors in America, Hong Kong and the British Virgin Islands, makes it hugely difficult to identify the beneficial owners or discover who controls what percentage – a situation that flies in the face of claims of transparency.'

---

## 10) Birmingham City

The last annual return of Birmingham City plc shows the largest holdings to be Pershing Nominees Ltd SHCLT A/c with 48.8 per cent, and Grandtop International Holdings Ltd with 29.9 per cent. However, the club website<sup>18</sup> says that Grandtop now holds 94 per cent of the shares. It is based in the Cayman Islands, according to a wide range of reports, which this report treats as the current centre of control. Chairman of Grandtop is Hong Kong businessman Carson Yeung Ka Sing, an investment, entertainment and sportswear entrepreneur who started out in life as a hairdresser before making a fortune in stocks and co-founding a luxury casino in Macau.<sup>19</sup> Sing is President of Birmingham City Football Club plc.

---

## 11) Leicester City

Latest accounts for Leicester City Football Club Limited say it is 99.99 per cent owned by UK Football Investments LLC, which is incorporated in the US tax haven of Delaware. The ultimate controlling party is the Milan Mandaric 1999 Revocable Trust. Reports<sup>20</sup> in early 2007 said the club had been bought by ex-Portsmouth owner Milan Mandaric, a Serbian-American business tycoon. In January this year the Crown Prosecution Service announced that Mandaric is to face 'two counts of cheating the public revenue' through evading taxes.<sup>21</sup> The case is at present adjourned.

---

## 12) Fulham

The ultimate parent of Fulham Football Club (1987) Ltd is Mafco Holdings Limited, which is registered in Bermuda. The club's website<sup>22</sup> says all interests in Fulham 'continue to be controlled and held for the benefit of the Fayed family'. Harrods owner Mohamed Al Fayed became chairman in 1997 when the club's fortunes were languishing. In 2009 Al Fayed was 63rd on the *Sunday Times Rich List* with a fortune of £650m.

---

## 13) Arsenal

Information posted on the PLUS<sup>23</sup> international stock exchange shows that the largest shareholder of Arsenal Holdings, the club's UK parent, is KSE, UK, Inc, a company controlled by Denver-based real-estate mogul Stan Kroenke, listed by *Forbes* as the 342nd richest person in the world with an estimated wealth of US\$2.9bn. He owns 29.9 per cent of the club. A further 26.7 per cent is held by Red

and White Securities Ltd, a wholly owned subsidiary of Red and White Holdings Ltd, which is registered in Jersey. Beneficiaries of that company are Uzbek minerals billionaire Alisher Usmanov, listed by *Forbes* as the 100th richest man in the world with a fortune of US\$7.2bn, and Ardavan Moshiri, who owns numerous steel and energy interests in Britain and Russia. A further 16.1 per cent of the club is owned by diamond dealer Daniel Fiszman, who lives in Switzerland. He is said by the *Sunday Times Rich List* to be worth £214m. According to the club website<sup>24</sup>, Lady Nina Bracewell-Smith, whose father-in-law was an Arsenal director for more than 20 years, also owns 15.9 per cent of the club. At the time of writing this she was reputed to be looking for a buyer for her shares.<sup>25</sup> (In arriving at Arsenal's ranking in the Christian Aid Football Secrecy League, we have assumed that, in addition to her shareholding, the remaining shares are also held in the UK. These are weighted with the UK Opacity Score and the other large shareholders with that of the jurisdictions of where they are based.)

---

## 14) Ipswich Town

The annual return of Ipswich Town Football Club Company Limited shows that 87.5 per cent of ordinary shares and 100 per cent of preferred shares are owned by Marcus Evans Investments Limited. Despite our best efforts, we could not prove by documentation where that company is located. Press reports<sup>26</sup> suggest it is based in Bermuda and that data has been used to produce the Opacity Score. Evans, who runs a company specialising in organising conferences and seminars<sup>27</sup>, with 3,000 staff in more than 40 countries, is reported to have been a tax exile for years.<sup>28</sup>

---

## 15) Blackburn Rovers

The latest accounts say the ultimate owner of Blackburn Rovers is BRFC Investments Ltd, incorporated in the Channel Islands. Ultimate control of the club lies with the Jack Walker 1987 Settlement, a Jersey Trust. Jack Walker, who died in 2000, left school at 14 to work as a sheet-metal worker, before taking over the family steel business with his brother Fred. By the 1970s Walker had moved to Jersey as a tax exile. He bought a controlling interest in the club in 1991, and poured millions into securing its arrival into the top flight of English football.<sup>29</sup>



## 16) Hull City

The parent company of Hull City Association Football Club (Tigers) Ltd is Tiger Holdings Ltd. The annual return of that company shows the ultimate owner as Isis Nominees<sup>30</sup>, incorporated in Jersey. The man said in press reports to be Hull's majority shareholder is property developer Russell Bartlett, the club's vice chairman. In the club's annual report up to 31 July 2009 published earlier this year, auditors Deloitte warned that uncertainty over finances 'may cast significant doubt over the [club's] ability to continue as a going concern'. After scrutinising the accounts of various companies associated with the club and its stadium, the *Guardian* newspaper reported<sup>31</sup>: 'Contrary to the impression given when Hull won promotion to the Premier League in 2008, the club's new owner, Russell Bartlett, had not invested significant money into the club. In fact, £4.4m had gone out of the club and stadium company to Bartlett's holding companies in loans, at least £2.9m of it towards helping him buy the club in the first place. A further £560,000 was paid by the stadium company to Bartlett's holding companies in management fees and at least £1m was owed to him personally as a salary.' However, the paper pointed out that after the warning from Deloitte, Bartlett gave the club a £4m loan, which brought the money he had taken out and put in since taking over to around even.

## 17) Portsmouth

After a series of owners in recent years (see page 15), the club, which went into administration earlier this year, is now said to be 90 per cent owned by Hong Kong businessman Balram Chainrai. Chainrai<sup>32</sup> must be one of the most reluctant owners in football. He recently told the *Guardian* newspaper that he had been asked to make a short-term bridging loan to the club which he saw as a business opportunity. The consortium to which he lent the money then defaulted and he had confiscated the shares that were part of the security. 'I never thought I would end up owning a football club nor did I intend to, but I had to protect my funds,'<sup>33</sup> he said. 'The ideal scenario would be that someone reputable with a passion for football and the financial status necessary would buy this club and take it forward.' In April, the Portsmouth administrator's report to creditors said 900,000 shares are held by an entity called Falcondrone Ltd, which is widely reported to be based in BVI. A further 100,000 shares are held by Al-Fahim Asia Associates Ltd. Sulaiman Al-Fahim was club owner in 2009.

## 18) Queens Park Rangers

The holding company accounts disclose Sarita Capital Investments Inc as majority shareholder. This company is not on the Companies House register, and its whereabouts are not given. The annual accounts for 2007-08, the latest shown on the club's website<sup>34</sup>, include the following information: 'The Club was saved from certain administration by a consortium led by Flavio Briatore and Bernie Ecclestone. Following completion of the takeover in November 2007, the Club then secured an investment from the Mittal family.' Italian tycoon Briatore, of Benetton and Renault Formula 1 racing-team fame, is shown in the 2007 offer for the club as ultimate beneficial owner of Sarita Capital, which is registered in the British Virgin Islands, while Formula 1 boss Bernie Ecclestone (according to *Forbes* the 212nd richest man in the world, worth around £4bn) paid £154,000 for a 15 per cent stake.<sup>35</sup> The two also promised £5m in convertible loan facilities to help buy players, and covered £13m of debt in a total commitment of around £20m. Lakshmi Mittal, the India steel baron who *Forbes* says is the fifth richest man in the world with a fortune of around US\$28.7bn, then bought a 20 per cent shareholding from Briatore.<sup>36</sup> Briatore, who was at the centre of race-fixing allegations surrounding the 2008 Singapore Grand Prix, then stepped down as club chairman. If Sarita Capital were to be the controlling shareholder then QPR would be ranked 21st in the secrecy league. However, there is material uncertainty about the size of Sarita's present shareholding.

## 19) West Ham United

The club's website<sup>37</sup> says that on 5 June 2009 the company's UK holding company WH Holding Limited was acquired by CB Holding ehf, a company incorporated in Iceland. The controlling interest in that company is Straumur Burdaras Investment Bank hf (Straumur). On 9 March the Icelandic Financial Supervisory Authority appointed a Resolution Committee to take control of Straumur. According to the club's website, following the appointment of that committee, the former shareholders in Straumur have no remaining voting rights in the company. Following a subscription for shares in WH Holding Limited on 18 January 2010, the interest of CB Holding ehf in the shares was reduced to 50 per cent and David Sullivan and David Gold each acquired a 25 per cent interest. The website states: 'Accordingly, following this transaction, no one party holds a controlling interest in the shares of the company.'

The website adds, however, that Sullivan and Gold as joint chairmen now have operational and commercial control of the club. Sullivan last year was 114th on the *Sunday Times Rich List*. Much of his wealth, estimated at £450m, came from the adult-magazine market.<sup>38</sup> Gold, who with his business partner daughter, Jacqueline, was 178th on the list with an estimated fortune of £300m, made much of his money through adult magazines, Ann Summers shops, and the Knickerbox lingerie chain.<sup>39</sup>

## 20) Wolverhampton Wanderers

The company name is Wolverhampton Wanderers FC (1986) Ltd. Latest accounts show the ultimate parent is Bridgemere Investments Limited, incorporated in Guernsey. A website<sup>40</sup> for the The Bridgemere Group of Companies claims ownership of Wolves. Bridgemere chairman is Liverpool construction millionaire Steve Morgan, who is also the club chairman. Bridgemere says it has 'wide-ranging interests within the property and leisure sectors throughout the UK and Europe' which include 'significant land and commercial development interests in the UK'. It also 'provides development finance and management support to a number of partners in both the UK and overseas'.

## 21) Bolton Wanderers

The parent company of Bolton Wanderers Football and Athletic Company Ltd is Burnden Leisure plc. The bulk list of shareholders of that company held by Companies House shows that 94.5 per cent of ordinary voting shares are owned by Fildraw Private Trust Company Limited. This company is not registered with Companies House but has been reported as being based on the Isle of Man.<sup>41</sup> The football club's website<sup>42</sup> says that the majority shareholder is Eddie Davies OBE. Davies, who lives on the Isle of Man, is the 863rd richest man in Britain according to the *Sunday Times Rich List*, with a fortune of around £65m. He is the former executive chairman of the Strix Group<sup>43</sup>, based on the Isle of Man, which manufactures kettle controls and thermostats.

## 22) Crystal Palace

On its website<sup>44</sup>, the club history stops at 2008. A paean to the man the site says is club chairman, Simon Jordan, boasts of him putting the Palace on a 'solid financial footing'. He became owner in 2000 after selling his company Pocket Phone Shop for £73m. Alas, virtual reality is not necessarily the real world. In November 2009 Jordan was said to have cash-flow problems.<sup>45</sup> He said he wanted

to sell and was looking for new investors. In January this year, with debts around £30m, the club faced a winding-up order from HMRC. In March it fell into administration.<sup>46</sup> The latest annual return of Crystal Palace FC (2000) Limited says that shares were 100 per cent owned by Aspiration Holdings Limited, incorporated in Jersey, with ultimate control lying with Simon Jordan. London's *Evening Standard* reported Jordan in March saying that the club went into administration because 'hedge-fund company Agilo was owed £4.3million'.<sup>47</sup>

## 23) Hearts

The ultimate owner of Heart of Midlothian plc is UAB Ukio Banko Investicine Grupe, which is incorporated in Lithuania. Lithuania does not feature on the Financial Secrecy Index, so an average for the ten EU locations ranked was calculated and used instead. The score was very similar to that for Latvia, which was ranked. According to the club website<sup>48</sup>, the principal shareholder in Hearts is Vladimir Romanov, whose son Roman Romanov is the club chairman. Vladimir Romanov, an ethnic Russian who took Lithuanian citizenship after that country became independent, is chairman of UBIG Investments. After independence he helped found the first private bank in Lithuania, of which he is still said to own 30 per cent.<sup>49</sup>

## 24) Hartlepool United

In the club history on its website<sup>50</sup>, Hartlepool dates its acquisition by the Aberdeen-based company Increased Oil Recovery Ltd (IOR) to 1997. That company's annual report for the year ended 31 December 2008 reveals that it is a subsidiary undertaking of Network Drilling Limited, which is registered in the British Virgin Islands. Hartlepool United's chairman, Ken Hodcroft, an oil businessman, founded IOR in the early 1990s. The club crest now includes the words 'An IOR Limited Company'.

## 25) Watford

According to the latest accounts, the largest shareholder in parent company Watford Leisure PLC is Fordwat Ltd with 37.16 per cent. According to newspaper reports<sup>51</sup>, the company is registered in Belize and owned by Lord Ashcroft, deputy chairman of the Conservative Party, and 37th on the *Sunday Times Rich List* with a fortune estimated at £1.1bn from business services. An Isle of Man-registered company, Valley Grown Salads,

holds 30 per cent. That company is jointly controlled by former Watford Chairman Jimmy Russo and his brother, former vice-chair Vince Russo. Non-executive director R Williams is also shown in the 2008/2009 accounts as owning 2,500 shares in Watford Leisure.

## Endnotes to Appendix C

- 1 Jewish Virtual Library, [www.jewishvirtuallibrary.org/jsource/biography/MalcolmGlazer.html](http://www.jewishvirtuallibrary.org/jsource/biography/MalcolmGlazer.html)
- 2 'The World's Billionaires', *Forbes*, 10 March 2010, [www.forbes.com/2010/03/10/worlds-richest-people-slim-gates-buffett-billionaires-2010\\_land.html](http://www.forbes.com/2010/03/10/worlds-richest-people-slim-gates-buffett-billionaires-2010_land.html)
- 3 Cash Offers by ENIC International Ltd under Rule 9 of the City Code for Tottenham Hotspur Plc, [www.tottenhamhotspur.com/uploads/assets/docstore/old/shareholderscircular.pdf](http://www.tottenhamhotspur.com/uploads/assets/docstore/old/shareholderscircular.pdf)
- 4 Freebase, [www.freebase.com/view/guid/9202a8c04000641f8000000000ae88d5](http://www.freebase.com/view/guid/9202a8c04000641f8000000000ae88d5)
- 5 'Sheikh Mansour bin Zayed Al Nahyan has a deep love of sport and deeper pockets', *Daily Telegraph*, 2 September 2008, [www.telegraph.co.uk/sport/football/leagues/premierleague/mancity/2664795/Sheikh-Mansour-bin-Zayed-Al-Nahyan-has-a-deep-love-of-sport-and-deeper-pockets-Football.html](http://www.telegraph.co.uk/sport/football/leagues/premierleague/mancity/2664795/Sheikh-Mansour-bin-Zayed-Al-Nahyan-has-a-deep-love-of-sport-and-deeper-pockets-Football.html)
- 6 International Petroleum Investment Company, [www.ipic.ae/En/Menu/index.aspx?MenuID=3&catid=6&mnu=Cat&fst=cm&mi=vs](http://www.ipic.ae/En/Menu/index.aspx?MenuID=3&catid=6&mnu=Cat&fst=cm&mi=vs)
- 7 <http://www.liverpoolfc.tv/corporate/directors>
- 8 'Liverpool put up for sale by American owners', BBC online, 16 April 2010, <http://news.bbc.co.uk/sport1/hi/football/teams/l/liverpool/8624597.stm>
- 9 'Football boss gives gallery £5m', BBC online, 23 January 2008, <http://news.bbc.co.uk/1/hi/entertainment/7203353.stm>
- 10 'Murray relinquishes Rangers role', BBC online, 26 August 2009, <http://news.bbc.co.uk/sport1/hi/football/teams/r/rangers/8223058.stm>
- 11 Rich List 2009, Times Online, [http://business.timesonline.co.uk/tol/business/specials/rich\\_list/rich\\_list\\_search/?l=27&list\\_name=Rich+List+2009&advsearch=1&t=1&n](http://business.timesonline.co.uk/tol/business/specials/rich_list/rich_list_search/?l=27&list_name=Rich+List+2009&advsearch=1&t=1&n)
- 12 'A complex web of Bates and Leeds is uncovered in Jersey', *The Guardian*, 4 March 2009, [www.guardian.co.uk/football/blog/2009/mar/04/leeds-united-ken-bates](http://www.guardian.co.uk/football/blog/2009/mar/04/leeds-united-ken-bates)
- 13 'Riddle of Leeds' ownership remains shrouded in mystery', *The Guardian*, 30 September 2009, [www.guardian.co.uk/sport/david-conn-inside-sport-blog/2009/sep/30/leeds-united-ken-bates-jersey](http://www.guardian.co.uk/sport/david-conn-inside-sport-blog/2009/sep/30/leeds-united-ken-bates-jersey)
- 14 Sunderland AFC, [www.safc.com/page/Welcome](http://www.safc.com/page/Welcome)
- 15 'Sunderland FC's owner now Irish', *The Times*, 14 February 2010, [www.timesonline.co.uk/tol/news/world/ireland/article7026287.ece](http://www.timesonline.co.uk/tol/news/world/ireland/article7026287.ece)
- 16 'General Sports and Entertainment Acquires Derby County Football Club of the English Premier League', 28 January 2008, <http://generalsports.com/media/press/2008/01/28/derby-county-football-acquired>
- 17 'Derby County "reject" Peter Gadsby's £37million takeover bid', *Daily Telegraph*, 12 March 2010, [www.telegraph.co.uk/sport/football/leagues/championship/derby/7427804/Derby-County-reject-Peter-Gadsbys-37-million-takeover-bid.html](http://www.telegraph.co.uk/sport/football/leagues/championship/derby/7427804/Derby-County-reject-Peter-Gadsbys-37-million-takeover-bid.html)
- 18 <http://bcfc.aimcompliance.com/shares/>
- 19 'Macau Winnings Flow To Bid For U.K. Soccer Club', *Forbes*, 2 July 2007, [www.forbes.com/2007/07/02/yeung-birmingham-hk-face-markets-cx\\_jc\\_0701autofacescan01.html](http://www.forbes.com/2007/07/02/yeung-birmingham-hk-face-markets-cx_jc_0701autofacescan01.html)
- 20 'Wragge & Co advises on Leicester City FC acquisition', Wragge and Co, 14 February 2007, [www.wragge.com/wragge\\_news\\_2007\\_1254.asp](http://www.wragge.com/wragge_news_2007_1254.asp)
- 21 'Milan Mandaric charged with cheating the public revenue', Crown Prosecution Service, [www.cps.gov.uk/news/press\\_releases/101\\_10/index.html](http://www.cps.gov.uk/news/press_releases/101_10/index.html)
- 22 'The Chairman', [www.fulhamfc.com/Club/TheBoard/TheChairman.aspx](http://www.fulhamfc.com/Club/TheBoard/TheChairman.aspx)
- 23 PLUS international stock exchange, [www.plusmarketsgroup.com/](http://www.plusmarketsgroup.com/)
- 24 [www.arsenal.com](http://www.arsenal.com)
- 25 'Arsenal investor Lady Bracewell-Smith to sell shares', BBC online, 12 April 2010, <http://news.bbc.co.uk/1/hi/business/8616504.stm>
- 26 'Ipswich's mysterious Marcus Evans financing a big-time ambition', *The Guardian*, 23 April 2009, [www.guardian.co.uk/football/2009/apr/23/marcus-evans-ipswich-town-owner](http://www.guardian.co.uk/football/2009/apr/23/marcus-evans-ipswich-town-owner)
- 27 [www.marcusevans.com/](http://www.marcusevans.com/)
- 28 'Tax exile still stalking Mirror', *Sunday Times*, 3 July 2005, [http://business.timesonline.co.uk/tol/business/industry\\_sectors/media/article539825.ece](http://business.timesonline.co.uk/tol/business/industry_sectors/media/article539825.ece)
- 29 'There's Only One...Jack Walker', Vital Blackburn, [www.blackburn.vitalfootball.co.uk/article.asp?a=33138](http://www.blackburn.vitalfootball.co.uk/article.asp?a=33138)
- 30 'Hull City owner Russell Bartlett trades £4m loan deals with club', *The Guardian*, 31 March 2010, [www.guardian.co.uk/football/david-conn-inside-sport-blog/2010/mar/31/hull-city-russell-bartlett-tigers](http://www.guardian.co.uk/football/david-conn-inside-sport-blog/2010/mar/31/hull-city-russell-bartlett-tigers)
- 31 Ibid.
- 32 'Balram Chainrai becomes Portsmouth's fourth owner in a year', *The Guardian*, 4 February 2010, [www.guardian.co.uk/football/2010/feb/03/balram-chainrai-portsmouth-owner](http://www.guardian.co.uk/football/2010/feb/03/balram-chainrai-portsmouth-owner)
- 33 'Balram Chainrai denies existence of asset-stripping plan at Portsmouth', *The Guardian*, April 2 2010, [www.guardian.co.uk/football/2010/apr/02/portsmouth-balram-chainrai-administration](http://www.guardian.co.uk/football/2010/apr/02/portsmouth-balram-chainrai-administration)
- 34 [www.qpr.co.uk/staticFiles/ba/39/0,,10373~145850,00.pdf](http://www.qpr.co.uk/staticFiles/ba/39/0,,10373~145850,00.pdf)
- 35 Offer by Sarita Capital Inv, [www.investigate.co.uk/article.aspx?id=200709030702151575D](http://www.investigate.co.uk/article.aspx?id=200709030702151575D)
- 36 'Billionaire Owners of Soccer's QPR Aiming for Premier League', Bloomberg.com, 8 August 2008, [www.globaltradebook.com/apps/news?pid=20601077&refer=intsports&sid=aqLnA7\\_aHEcY](http://www.globaltradebook.com/apps/news?pid=20601077&refer=intsports&sid=aqLnA7_aHEcY)
- 37 [www.whufc.com/articles/20100225/ownership\\_2269204\\_1976652](http://www.whufc.com/articles/20100225/ownership_2269204_1976652)
- 38 'West Ham United strike gold with good honest porn barons', *The Times*, 23 January 2010, [www.timesonline.co.uk/tol/sport/columnists/patrick\\_barclay/article6999017.ece](http://www.timesonline.co.uk/tol/sport/columnists/patrick_barclay/article6999017.ece)

39 'David Gold: Profile', [www.davidgold.co.uk/profile.html](http://www.davidgold.co.uk/profile.html)

40 [www.bridgemere-group.co.uk/](http://www.bridgemere-group.co.uk/)

41 'So who really owns England's top clubs? We're waiting to find out', *Daily Telegraph*, 2 September 2009, [www.telegraph.co.uk/sport/football/leagues/premierleague/6123558/So-who-really-owns-Englands-top-clubs-Were-waiting-to-find-out.html](http://www.telegraph.co.uk/sport/football/leagues/premierleague/6123558/So-who-really-owns-Englands-top-clubs-Were-waiting-to-find-out.html)

42 [www.bwfc.co.uk/page/StaffDirectory/0,,1004,00.html](http://www.bwfc.co.uk/page/StaffDirectory/0,,1004,00.html)

43 [www.strix.com/](http://www.strix.com/)

44 [www.cpfc.co.uk/page/Welcome](http://www.cpfc.co.uk/page/Welcome)

45 'Palace fail to pay players' wages', *The Independent*, 30 November 2009, [www.independent.co.uk/sport/football/football-league/palace-fail-to-pay-players-wages-1831775.html](http://www.independent.co.uk/sport/football/football-league/palace-fail-to-pay-players-wages-1831775.html)

46 'Crystal Palace go into administration and face points penalty', *The Guardian*, 27 January 2010, [www.guardian.co.uk/football/2010/jan/27/crystal-palace-administration](http://www.guardian.co.uk/football/2010/jan/27/crystal-palace-administration)  
'Championship side Crystal Palace go into administration,' BBC Online, 27 January 2010, [http://news.bbc.co.uk/sport1/hi/football/teams/c/crystal\\_palace/8481549.stm](http://news.bbc.co.uk/sport1/hi/football/teams/c/crystal_palace/8481549.stm)

47 'Simon Jordan: Crystal Palace plight just soul-destroying,' *Evening Standard*, 29 March 2010, [www.thisislondon.co.uk/standard-sport/football/article-23820072-simon-jordan-crystal-palace-plight-just-soul-destroying.do](http://www.thisislondon.co.uk/standard-sport/football/article-23820072-simon-jordan-crystal-palace-plight-just-soul-destroying.do)

48 [www.heartsfc.co.uk/page/TheBoard/0,,10289,00.html](http://www.heartsfc.co.uk/page/TheBoard/0,,10289,00.html)

49 'Vladimir Romanov's bank posts modest profit', *The Scotsman*, 19 November 2009, <http://thescotsman.scotsman.com/heartofmidlothianfc/Vladimir-Romanov39s-bank--posts.5837943.jp>

50 [www.hartlepoolunited.co.uk/page/FansHome/0,,10326,00.html](http://www.hartlepoolunited.co.uk/page/FansHome/0,,10326,00.html)

51 'Conservative Party's deputy chairman loans Watford FC another £1m', *Watford Observer*, 28 March 2010, [www.watfordobserver.co.uk/sport/5199149.Lord\\_Ashcroft\\_loans\\_Watford\\_another\\_\\_\\_1m/](http://www.watfordobserver.co.uk/sport/5199149.Lord_Ashcroft_loans_Watford_another___1m/)  
'Lord Ashcroft goes from Tory saviour to election liability in marginal seats', *The Guardian*, 7 March 2010, [www.guardian.co.uk/politics/2010/mar/07/lord-ashcroft-donations-marginal-seats](http://www.guardian.co.uk/politics/2010/mar/07/lord-ashcroft-donations-marginal-seats)



# ENDNOTES

**1** *Death and Taxes: The True Toll of Tax Dodging*, Christian Aid, 2008. [www.christianaid.org.uk/images/deathandtaxes.pdf](http://www.christianaid.org.uk/images/deathandtaxes.pdf)

**2** Ibid

**3** Full details of the Financial Secrecy Index and the methodology used to construct it, at [www.financialsecrecyindex.com](http://www.financialsecrecyindex.com)

**4** [www.thefa.com/TheFA/InternationalRelations](http://www.thefa.com/TheFA/InternationalRelations)

**5** 'England's doomed World Cup bid', BBC Online, 8 March 2001, <http://news.bbc.co.uk/sport1/hi/football/1209666.stm>

**6** The Financial Secrecy Index, [www.financialsecrecyindex.com](http://www.financialsecrecyindex.com)

**7** 'Tax exile still stalking Mirror', *Sunday Times*, 3 July 2005, [http://business.timesonline.co.uk/tol/business/industry\\_sectors/media/article539825.ece](http://business.timesonline.co.uk/tol/business/industry_sectors/media/article539825.ece)

**8** Premier League, [www.premierleague.com](http://www.premierleague.com)

**9** 'Premiership in new £625m TV deal', BBC online, 18 January 2007, <http://news.bbc.co.uk/1/hi/business/6273617.stm>

**10** 'Financial Instability in the Football League: Governance Reforms to Survive the Credit Crunch', conference presentation by Stephen Hope, Roehampton University and Dr Geoff Walters, Birkbeck, University of London.

**11** 'Mugged and violated, Portsmouth fans must be granted full investigation', *The Observer*, 28 February 2010, [www.guardian.co.uk/sport/blog/2010/feb/28/portsmouth-investigation-administration](http://www.guardian.co.uk/sport/blog/2010/feb/28/portsmouth-investigation-administration)

**12** 'FA chief Lord Triesman has two options – fight for his life, or run for the hills', *Mirror Football*, 24 November 2009, [www.mirrorfootball.co.uk/opinion/blogs/laptop-martin-lipton/FA-chief-Lord-Triesman-has-two-options-fight-for-his-life-or-run-for-the-hills-article231675.html](http://www.mirrorfootball.co.uk/opinion/blogs/laptop-martin-lipton/FA-chief-Lord-Triesman-has-two-options-fight-for-his-life-or-run-for-the-hills-article231675.html)

**13** Europe's club football landscape surveyed, Union of European Football Associations, 24 February 2010, [www.uefa.com/uefa/footballfirst/protectingthegame/clublicensing/news/newsid=1453119.html](http://www.uefa.com/uefa/footballfirst/protectingthegame/clublicensing/news/newsid=1453119.html)

**14** 'League clubs total outstanding debt amounts to £25m, says HMRC', *The Guardian*, 8 March 2010, [www.guardian.co.uk/football/2010/mar/08/portsmouth-hmrc-pay-tax](http://www.guardian.co.uk/football/2010/mar/08/portsmouth-hmrc-pay-tax)

**15** 'Opinion: The ins and outs of the football creditor rule', *The Lawyer*, 1 March 2010, [www.thelawyer.com/opinion-the-ins-and-outs-of-the-football-creditor-rule/1003625.article](http://www.thelawyer.com/opinion-the-ins-and-outs-of-the-football-creditor-rule/1003625.article)

**16** 'United's Owners Pass Fit and Proper Persons Test', *Bradford Telegraph and Argus*, 16 March 2010, [www.thetelegraphandargus.co.uk/sport/5062449.United\\_s\\_owners\\_pass\\_fit\\_and\\_proper\\_persons\\_test/](http://www.thetelegraphandargus.co.uk/sport/5062449.United_s_owners_pass_fit_and_proper_persons_test/)

**17** Season Review 2008/09 THE NUMBERS, Premier League, p 100-101, <http://cde.cerosmedia.com/1F4aaa54da8d35d012.cde/page/97>

**18** Ibid

**19** 'Thai ex-PM guilty of corruption', BBC online, 21 October 2008, <http://news.bbc.co.uk/1/hi/world/asia-pacific/7681416.stm>

**20** 'Family saga puts Rotherham through the mill', *The Guardian*, 23 April 2008, [www.guardian.co.uk/football/2008/apr/23/rotherham.leaguetwofootball](http://www.guardian.co.uk/football/2008/apr/23/rotherham.leaguetwofootball)

**21** 'Chester City chief becomes first owner to fail fit and proper person test', *The Guardian*, 18 November 2010, [www.guardian.co.uk/football/2009/nov/18/chester-city-fit-proper-person-test](http://www.guardian.co.uk/football/2009/nov/18/chester-city-fit-proper-person-test)

**22** 'Chester City up for sale for £1', BBC online, 26 January 2010, <http://news.bbc.co.uk/sport1/hi/football/teams/c/chester/8479433.stm>

**23** *Money Laundering through the Football Sector*, Financial Action Task Force, July 2009, <http://www.fatf-gafi.org/dataoecd/7/41/43216572.pdf>

**24** *Corruption and Sport: Building Integrity and Preventing Abuses*, Transparency International, March 2009, p 3, [www.transparency.de/fileadmin/pdfs/Themen/Sport/Sports\\_and\\_Corruption\\_Working\\_Paper\\_9\\_September\\_2009.pdf](http://www.transparency.de/fileadmin/pdfs/Themen/Sport/Sports_and_Corruption_Working_Paper_9_September_2009.pdf)

**25** 'Politicians, officials and fans react to the Leeds ownership issue', *The Guardian*, 4 March 2010, [www.guardian.co.uk/football/2010/mar/04/leeds-united-ownership-reaction](http://www.guardian.co.uk/football/2010/mar/04/leeds-united-ownership-reaction)

**26** Ibid

**27** Ibid

**28** 'Manchester United finance shock: Glaziers reserve right to pull 'a Leeds' – sell their Carrington training ground and lease it back', *Daily Mail*, 13 January 2010, [www.dailymail.co.uk/sport/football/article-1242808/Manchester-United-shock-Glaziers-plan-Carrington-training-ground-lease-club.html](http://www.dailymail.co.uk/sport/football/article-1242808/Manchester-United-shock-Glaziers-plan-Carrington-training-ground-lease-club.html)  
Plus: <http://i.dailymail.co.uk/pdf/ManUtdProspectus.pdf>

**29** 'Fans of any football club have a right to know who the owners are', *The Guardian*, 5 March 2010, [www.guardian.co.uk/sport/david-conn-inside-sport-blog/2010/mar/05/leeds-united-ownership-football-league](http://www.guardian.co.uk/sport/david-conn-inside-sport-blog/2010/mar/05/leeds-united-ownership-football-league)

**30** 'Notts County Trust back takeover', BBC online, 30 June 2009, [http://news.bbc.co.uk/sport1/hi/football/teams/n/notts\\_county/8125876.stm](http://news.bbc.co.uk/sport1/hi/football/teams/n/notts_county/8125876.stm)

**31** 'Sven-Goran Eriksson: how I was conned at Notts County', *The Guardian*, 12 February 2010, [www.guardian.co.uk/football/2010/feb/12/sven-goran-eriksson-notts-county-interview](http://www.guardian.co.uk/football/2010/feb/12/sven-goran-eriksson-notts-county-interview)

**32** 'League renews inquiries into Notts County', *The Guardian*, 27 November 2009, [www.guardian.co.uk/football/2009/nov/27/notts-county-ownership](http://www.guardian.co.uk/football/2009/nov/27/notts-county-ownership)

**33** 'How Zen became Sven again on the hard road from idealism to cynicism', *The Observer*, 18 October 2009, [www.guardian.co.uk/football/blog/2009/oct/18/sven-goran-eriksson](http://www.guardian.co.uk/football/blog/2009/oct/18/sven-goran-eriksson)

**34** 'Football facing a financial red card', *Daily Mail*, 5 March 2010, [www.dailymail.co.uk/money/article-1255563/CITY-FOCUS-Football-facing-financial-red-card.html](http://www.dailymail.co.uk/money/article-1255563/CITY-FOCUS-Football-facing-financial-red-card.html)

**35** 'My money is my own, not my father's', Gaydamak reassures Portsmouth fans', *The Independent*, 7 January 2006, [www.independent.co.uk/sport/football/premier-league/my-money-is-my-own-not-my-fathers-gaydamak-reassures-portsmouth-fans-521961.html?cmp=ilc-n](http://www.independent.co.uk/sport/football/premier-league/my-money-is-my-own-not-my-fathers-gaydamak-reassures-portsmouth-fans-521961.html?cmp=ilc-n)

**36** 'French establishment players convicted over arms to Angola scandal', *The Times*, 28 October 2009, [www.timesonline.co.uk/tol/news/world/europe/article6892954.ece](http://www.timesonline.co.uk/tol/news/world/europe/article6892954.ece)

**37** 'Judge criticises conduct of Portsmouth administrator', *The Times*, 21 March 2010, [www.timesonline.co.uk/tol/sport/football/premier\\_league/portsmouth/article7069905.ece](http://www.timesonline.co.uk/tol/sport/football/premier_league/portsmouth/article7069905.ece)

**38** 'Extra-time fails to save Cork City FC', *Insolvency Journal* ie, 24 February 2010, [www.insolvencyjournal.ie/home\\_more\\_details/10-02-24/Extra-time\\_fails\\_to\\_save\\_Cork\\_City\\_FC.aspx#](http://www.insolvencyjournal.ie/home_more_details/10-02-24/Extra-time_fails_to_save_Cork_City_FC.aspx#)

**39** 'Quintas criticise Coughlan as FAI pull plug on Cork's Premier Division status', *Evening Herald*, 23 February 2010, [www.herald.ie/sport/soccer/quintas-criticise-coughlan-as-fai-pull-plug-on-corks-quos-premier-division-status-2075362.html](http://www.herald.ie/sport/soccer/quintas-criticise-coughlan-as-fai-pull-plug-on-corks-quos-premier-division-status-2075362.html)

**40** School of Business and Social Sciences, Roehampton University, [www.roehampton.ac.uk](http://www.roehampton.ac.uk)

roehampton.ac.uk/staff/StephenHope/

**41** Dr Geoff Walters, Birkbeck, University of London, [www.bbk.ac.uk/management/our-staff/academics/walters](http://www.bbk.ac.uk/management/our-staff/academics/walters)

**42** The Financial Secrecy Index, [www.financialsecrecyindex.com](http://www.financialsecrecyindex.com)

**43** Raymond W Baker, *Capitalism's Achilles Heel; Dirty Money and How to Renew the Free-Market System*, John Wiley & Sons Ltd, 2005.

**44** Ibid

**45** Tax Havens and Development, June 2009, [www.financialtaskforce.org/wp-content/uploads/2009/06/norway\\_tax\\_report.pdf](http://www.financialtaskforce.org/wp-content/uploads/2009/06/norway_tax_report.pdf)

**46** Ibid

**47** Mick Moore, *How does taxation affect the quality of governance?*, Centre for the Future State, Institute of Development Studies, April 2007, [www2.ids.ac.uk/gdr/cfs/pdfs/Wp280.pdf](http://www2.ids.ac.uk/gdr/cfs/pdfs/Wp280.pdf)

**48** Michael L Ross, associate professor, University of California, Los Angeles, Political Science Department, *Does Taxation Lead to Representation?*, 3 September 2002, <http://cdn.law.ucla.edu/SiteCollectionDocuments/missing%20files/michael%20L.%20ross--does%20taxation%20lead%20to%20representation.pdf>

**49** J Neighbour, 'Transfer pricing: keeping it at arm's length,' *OECD Observer*, January 2002, [www.oecdobserver.org/news/fullstory.php/aid/670/Transfer\\_pricing\\_keeping\\_it\\_at\\_arm's\\_length.html](http://www.oecdobserver.org/news/fullstory.php/aid/670/Transfer_pricing_keeping_it_at_arm's_length.html)

**50** French Finance Minister Dominique Strauss-Kahn speech to the Paris Group of Experts, March 1999.

**51** *Death and Taxes: The True Toll of Tax Dodging*, Christian Aid, 2008, [www.christianaid.org.uk/images/deathandtaxes.pdf](http://www.christianaid.org.uk/images/deathandtaxes.pdf)

**52** *False Profits: Robbing the Poor To Keep the Rich Tax-Free*, Christian Aid 2009, [www.christianaid.org.uk/images/false-profits.pdf](http://www.christianaid.org.uk/images/false-profits.pdf)

**53** Alex Cobham, 2010, 'Tax havens, illicit flows and developing countries', paper presented at World Bank Conference on Illicit Flows (September 2009, Washington, DC) and Tax Justice Network-Africa Annual Conference (March 2010, Nairobi), forthcoming in World Bank volume of conference proceedings.

**54** The estimate is for 2007 and is taken from Unicef statistics for South Africa: [www.unicef.org/infobycountry/southafrica\\_statistics.html](http://www.unicef.org/infobycountry/southafrica_statistics.html)

**55** Ibid plus UNAIDS information on South Africa: [www.unaids.org/en/CountryResponses/Countries/south\\_africa.asp](http://www.unaids.org/en/CountryResponses/Countries/south_africa.asp)  
South Africa's Human Sciences Research Council estimated in 2007 that the daily number of new infections in South Africa was around 1,500, [www.hsrc.ac.za/Media\\_Release-315.phtml](http://www.hsrc.ac.za/Media_Release-315.phtml)

**56** Summarised total costs for the high-cost scenarios (million Rands, 2005/6 prices), HIV & AIDS & STI Strategic Plan for South Africa, 2007-2011, Department of Health, South Africa  
p 144, [http://data.unaids.org/pub/ExternalDocument/2007/20070604\\_sa\\_nsp\\_final\\_en.pdf](http://data.unaids.org/pub/ExternalDocument/2007/20070604_sa_nsp_final_en.pdf)

**57** 'Estimation of adult antiretroviral treatment coverage in South Africa', *South African Medical Journal*, Volume 99 Number 9, September 2009, p 661, [www.samj.org.za/index.php/samj/article/viewFile/3271/2486](http://www.samj.org.za/index.php/samj/article/viewFile/3271/2486)

**58** 'UK firms eye African contracts at Soccerex', BBC online, 24 November 2008, <http://news.bbc.co.uk/1/hi/business/7745976.stm>

**59** Visa Tourism Outlook, South Africa, September 2009, p5 [www.corporate.visa.com/\\_media/south-africa-tourism-report.pdf](http://www.corporate.visa.com/_media/south-africa-tourism-report.pdf)

**60** Health, Estimates of National Expenditure 2010, National Treasury South Africa, Vote 15, p 286, [www.treasury.gov.za/documents/national%20budget/2010/ene/vote15.pdf](http://www.treasury.gov.za/documents/national%20budget/2010/ene/vote15.pdf)

**61** Budget Speech 2010, Minister of Finance Pravin Gordhan, p3, [www.info.gov.za/speeches/budget/budget\\_2010.pdf](http://www.info.gov.za/speeches/budget/budget_2010.pdf)

**62** The figure is for 2007 and is taken from Unicef statistics for South Africa: [www.unicef.org/infobycountry/southafrica\\_statistics.html](http://www.unicef.org/infobycountry/southafrica_statistics.html)

**63** Discussion Paper on Tax Avoidance and Section 103 of the Income Tax Act 1962, South African Revenue Service, [www.sars.gov.za/home.asp?pid=5981](http://www.sars.gov.za/home.asp?pid=5981)

**64** *Africa's bane: tax havens, capital flight and the corruption interface*, John Christensen, Real Instituto Elcano, January 2009, [www.realinstitutoelcano.org/wps/wcm/connect/a3e13c004f018b94b9e8fd3170baead1/WP1-2009\\_Christensen\\_Africa\\_Bane\\_TaxHavens\\_CapitalFlight\\_Corruption.pdf?MOD=AJPERES&CACHEID=a3e13c004f018b94b9e8fd3170baead1](http://www.realinstitutoelcano.org/wps/wcm/connect/a3e13c004f018b94b9e8fd3170baead1/WP1-2009_Christensen_Africa_Bane_TaxHavens_CapitalFlight_Corruption.pdf?MOD=AJPERES&CACHEID=a3e13c004f018b94b9e8fd3170baead1)

**65** Christian Aid calculated this annual average figure using the tax-loss figures for South Africa in 2005, 2006 and 2007, shown in *False Profits: Robbing the Poor To Keep the Rich Tax-Free*, Christian Aid 2009, p25 and p31. We converted tax losses in Euros to US Dollars at the annual average exchange rate for each of the three years. The report was based on Simon Pak's analysis of bilateral trade data although the tax-loss figures it contains were calculated by Christian Aid. [www.christianaid.org.uk/images/false-profits.pdf](http://www.christianaid.org.uk/images/false-profits.pdf)

**66** 2007 Unicef statistics for South Africa, [www.unicef.org/infobycountry/southafrica\\_statistics.html](http://www.unicef.org/infobycountry/southafrica_statistics.html)

**67** 2010 Budget Review, Finance Ministry of South Africa, p 81, [www.treasury.gov.za/documents/national%20budget/2010/review/Budget%20Review.pdf](http://www.treasury.gov.za/documents/national%20budget/2010/review/Budget%20Review.pdf)

**68** African Tax Administration Forum: Inaugural Conference, Kampala Communiqué: [www.oecd.org/dataoecd/31/48/44109654.pdf](http://www.oecd.org/dataoecd/31/48/44109654.pdf)

**69** 'Corruption and Governance Challenges: The South African Experience', address by the Public Protector of the Republic of South Africa, Advocate Thuli N. Madonsela, at the National Conference on Corruption and Governance Challenges, Nigeria, 21 January 2010, [www.pprotect.org/media\\_gallery/2010/PP%20Speech%20Nigeria%20Corruption%20and%20Governance%20Challenges%20final.pdf](http://www.pprotect.org/media_gallery/2010/PP%20Speech%20Nigeria%20Corruption%20and%20Governance%20Challenges%20final.pdf)

**70** At the time of writing (March 2010) the case had been adjourned. 'Agliotti back in the witness box', *Mail & Guardian*, 2 March 2010, <http://www.mg.co.za/article/2010-03-02-agliotti-back-in-the-witness-box>

**71** ' "Clueless" public works officials lambasted by Scopa', South African Broadcasting Company, 9 March 2010, <http://www.sabcnews.com/portal/site/SABCNews/menuitem.5c4f8fe7ee929f602ea12ea1674daeb9/?vgnextoid=415a2f2712347210VgnVCM10000077d4ea9bRCRD&vgnnextfmt=default'DG quits in row over bonus', Cape Argus, 2 August 2009, http://www.capeargus.co.za/index.php?ArticleId=5108712>

**72** 'Malema stands by forged-signature allegation', *Mail & Guardian*, 2 March 2010, <http://www.mg.co.za/article/2010-03-02-malema-stands-by-forgedsignature-allegation>

**73** See Mandela quoted in 'Corruption and Governance Challenges: The South African Experience', Address by the Public Protector of the Republic of South Africa, Advocate Thuli N. Madonsela, at National Conference on Corruption and Governance Challenges, Nigeria, 21 January 2010, [http://www.pprotect.org/media\\_gallery/2010/PP%20Speech%20Nigeria%20](http://www.pprotect.org/media_gallery/2010/PP%20Speech%20Nigeria%20)

Corruption%20and%20Governance%20Challenges%20final.pdf

**74** Special Investigating Unit Presentation to Parliament, 20 February 2008, [www.siu.org.za/index.asp?include=presentation1.html](http://www.siu.org.za/index.asp?include=presentation1.html)

**75** *Governance Matters 2009, Worldwide Governance Indicators 1996-2008*, country report for South Africa, World Bank.

**76** *The Quality of Democracy and Governance in Africa: New Results from Afrobarometer Round 4*, 2008. Afrobarometer Working Paper 108, [www.afrobarometer.org/papers/AfropaperNo108\\_21may09\\_newfinal.pdf](http://www.afrobarometer.org/papers/AfropaperNo108_21may09_newfinal.pdf)

**77** 'Hours to Freedom for Yengeni,' *Mail and Guardian* online, 23 September 2008, [www.mg.co.za/article/2008-09-23-hours-to-freedom-for-yengeni](http://www.mg.co.za/article/2008-09-23-hours-to-freedom-for-yengeni)

**78** 'Opposition slams release of Schabir Shaik', *Mail and Guardian* online, 3 March 2009, [www.mg.co.za/article/2009-03-03-opposition-slams-release-of-shaik](http://www.mg.co.za/article/2009-03-03-opposition-slams-release-of-shaik)

**79** Glasgow Rangers website, [www.rangers.co.uk](http://www.rangers.co.uk)

**80** The Rangers Football Club plc Annual Report, 2009, [www.rangers.co.uk/statisticFiles/3d/42/0,,5~148029,00.pdf](http://www.rangers.co.uk/statisticFiles/3d/42/0,,5~148029,00.pdf)

**81** 'Revealed: Takeover tycoon's mum is secret owner of Rangers shares worth £1.5m', *Sunday Mail*, 1 November 2009, [www.dailyrecord.co.uk/news/2009/11/01/revealed-takeover-tycoon-s-mum-is-secret-owner-of-rangers-shares-worth-1-5m-78057-21789283/](http://www.dailyrecord.co.uk/news/2009/11/01/revealed-takeover-tycoon-s-mum-is-secret-owner-of-rangers-shares-worth-1-5m-78057-21789283/)

**82** Responding to Dave King, SARS, 4 November 2008, [www.sars.gov.za/home.asp?PID=54470&ToolID=2&ItemID=54506](http://www.sars.gov.za/home.asp?PID=54470&ToolID=2&ItemID=54506)

**83** 'Zuma corruption charges dropped', BBC online, 6 April 2009, <http://news.bbc.co.uk/1/hi/7985273.stm>

**84** 'Scorpions' disbanding is to "protect the ANC" ', *Mail and Guardian*, 21 January 2008, [www.mg.co.za/article/2008-01-21-scorpions-disbanding-is-to-protect-anc](http://www.mg.co.za/article/2008-01-21-scorpions-disbanding-is-to-protect-anc)

**85** BAE Systems handed £286m criminal fines in UK and US', 5 February 2010, <http://news.bbc.co.uk/1/hi/8500535.stm>

**86** *Testing the Right to Access To Information – Financial Disclosure of South African Politicians' Assets and Interests*, Institute for Security Studies, December 2009.

**87** Ibid

**88** 'Poor funding regulation "biggest threat to democracy" ', *Mail and Guardian*, 15 April 2009, [www.mg.co.za/article/2009-04-15-poor-funding-regulation-biggest-threat-to-democracy](http://www.mg.co.za/article/2009-04-15-poor-funding-regulation-biggest-threat-to-democracy)

**89** 'ANC wants debate on funding of political parties', South African Broadcasting Corporation, 5 March 2010, [www.sabcnews.com/portal/site/SABCNews/menuitem.5c4f8fe7ee929f602ea12ea1674daeb9/?vgnnextoid=6819c3bb31f27210VgnVCM10000077d4ea9bRCRD&vgnextfmt=default](http://www.sabcnews.com/portal/site/SABCNews/menuitem.5c4f8fe7ee929f602ea12ea1674daeb9/?vgnnextoid=6819c3bb31f27210VgnVCM10000077d4ea9bRCRD&vgnextfmt=default)

**90** Email to Christian Aid, March 2010

**91** Related parties would be aggregated to come to the figure. If this information is not available, the names of those who established the trusts and those who have benefited from those trusts in the last ten years would be recorded, unless that benefit was charitable.

**92** On 14 April 2010, members of the global United Nations Convention Against Corruption Civil Society Coalition ([www.uncaccoalition.org/](http://www.uncaccoalition.org/)), published a statement asking the G20 to take action on transparency.

The coalition, which includes more than 200 groups as diverse as Christian Aid,

Transparency International, the American Bar Association (Rule of Law Initiative), the Uniting Church in Australia, BRAC University of Bangladesh, the National Human Rights Coordination Body of Peru and Citizens Forum of Zambia, had one central demand.

It wanted G20 countries to 'call on the Financial Action Task Force to amend its recommendations...to provide that the beneficial ownership of all companies, trusts, foundations and charities be made a matter of public record.'

The wide support for this demand reflects the importance of such information to groups which focus not only on tax dodging but also on money laundering, bribery, stolen asset recovery, corruption and good governance.

The coalition wants countries and other jurisdictions to be required to record ownership information officially – something which is often not the case. For example, in many secrecy jurisdictions, private 'company formation agents' are the only bodies which hold the information.

The coalition says the information must be made available systematically and without barrier to domestic enforcement agencies. And it must be exchanged, systematically and without barrier, with other jurisdictions.

Finally, in order for civil society and others to be able to hold companies and individuals to account even where their own governments are not willing to do so, the same information must be made publicly available.

In the UK and Ireland, for example, company accounts are publicly available online from Companies House, for a minimal payment. This relatively straightforward provision of some minimal transparency is seen, rightly, as a part of the responsibilities that go along with the right of a company to trade in markets, especially where the company has a limited liability structure which reduces the personal exposure of the owners. The same is not true, however, for trusts in the UK – to take just one example.

**93** For more information on this proposal, see *Country by Country Reporting: Holding Companies to Account Wherever They Are*, R Murphy, Task Force on Financial Integrity and Economic Development, 2009, [www.financialtaskforce.org/wp-content/uploads/2009/06/Final\\_CbyC\\_Report\\_Published.pdf](http://www.financialtaskforce.org/wp-content/uploads/2009/06/Final_CbyC_Report_Published.pdf)

---

# ACKNOWLEDGEMENTS

---

Written by Andrew Hogg, Rachel Baird, Nick Mathiason, Alex Cobham.

Research by Richard Murphy, Sally Nolan, Alex Cobham, Rachel Baird, Andrew Hogg, David McNair.

Sub-edited by Sophy Kershaw.

Design and production by Marta Rodriguez.

Picture research by Joseph Cabon and Matthew Gonzalez-Noda.

Special thanks also to Dave Boyle, Supporters Direct; Steve Powell, Football Supporters' Federation; Stephen Hope, Roehampton University; Dr Geoff Walters, Birbeck, University of London; Professor Louis de Koker of Deakin University, Australia; David Smith of The Observer; Charles Goredema of the Institute for Security Studies; Sylvia Schenk, Transparency International; Andrew Jennings, investigative journalist and Danny Lurie, Hillside Digital, South Africa.

Thanks also to Rob Cunningham, Kato Lambrechts, Emma Pomfret and Sorley McCaughey from Christian Aid.

Report concept: Christian Aid Chief Policy Adviser Alex Cobham.



Christian Aid is a Christian organisation that insists the world can and must be swiftly changed to one where everyone can live a full life, free from poverty.

We work globally for profound change that eradicates the causes of poverty, striving to achieve equality, dignity and freedom for all, regardless of faith or nationality. We are part of a wider movement for social justice.

We provide urgent, practical and effective assistance where need is great, tackling the effects of poverty as well as its root causes.

As millions of impassioned football fans gear up for the World Cup in South Africa, there seems little to link them with the poor and powerless in the developing world. But football fans and the world's poor are victims of the same phenomenon: the use of financial secrecy by businesses to minimise their tax liabilities and accountability.

Core to this secrecy is the anonymity offered by tax havens.

This hard-hitting report looks at the damaging impact of financial secrecy on the beautiful game, and assesses the consequences of secrecy on developing countries. The tax dodging and corruption it facilitates there underpin poverty, and ultimately cost lives.

The time has come for far-reaching reform of the global financial systems that allow such abuses to flourish.

[www.christianaid.org.uk](http://www.christianaid.org.uk)  
[www.christianaid.ie](http://www.christianaid.ie)

UK registered charity number 1105851 Company number 5171525  
Scotland charity number SC039150  
Northern Ireland charity number XR94639 Company number NI059154  
Republic of Ireland charity number CHY6998 Company number 426928

Printed on 100 per cent recycled paper

The Christian Aid name and logo are trademarks of Christian Aid;  
Poverty Over is a trademark of Christian Aid.  
© Christian Aid May 2010

