

In the Crown Court at Leeds

Between

THE KING

-v-

STEPHEN HIRST

MICHAEL HIRST

CASE SUMMARY

Introduction

1. This Case Summary has been prepared to assist the parties and the Court. It is not an exhaustive summary of *all* the evidence upon which the Crown relies. It is intended to set out the essential narrative of the case and explain how the case is put.
2. The Crown have already served a Case Summary. That document was uploaded on the 25th January 2022 and can be found at F1 on the digital case system. Additionally, the defence have had access to the served evidence since the 8th August 2022. Given the service of that earlier document and the underlying evidence nothing in this document should be unexpected.

Overview

3. This is a case about greed. On the 26th August 1999, a company called Heritage Holdings (UK) Limited ('Heritage') bought some land on Park Drive in Wakefield for £740,000 plus VAT from the Leeds City Development Company. The defendants, Stephen Hirst ('SH') and Michael Hirst ('MH'), were the directors of Heritage when the land was purchased.

4. On the 10th July 2003, a company called TIMS Investments (GIB) Limited (“TIMS Ltd”) was incorporated in Gibraltar. TIMS Ltd was run by the defendants from the United Kingdom.
5. On the 1st September 2004, Heritage split the title of the land and sold a section of it to TIMS Ltd. Heritage sold the land to TIMS Ltd for £60,000 plus VAT. That sale figure was, for reasons that will become clear, a gross undervalue.
6. On the 17th March 2005, an application to build houses on the land was recommended for approval by Wakefield County Council. The granting of planning permission transformed the value of the land that TIMS Ltd had bought the previous year. On the 5th July 2007, TIMS Ltd sold the land to Ben Bailey Homes Limited for £10,980,725.
7. That sale meant those behind TIMS Ltd had made a vast profit. Having acquired the land for £60,000 plus VAT in September 2004, they sold it for nearly £11 million in July 2007. The sale of that land should have generated a tax liability of over £3.2 million. However, the sale of the land and the resulting tax liability was never declared to Her Majesties Revenue and Customs (‘HMRC’). The defendants could have declared the sale and paid the tax owing. Had they done so, they would still have made a profit of over £6 million.
8. Subsequently, when HMRC began make enquiries into the tax affairs of the defendants, both were given a chance to engage with HMRC, declare any liability and pay it. Neither did so. Instead, they sought to further complicate the investigation in an attempt to conceal the sale of the land at Park Drive and the corporate structures they had created to receive the taxable profits from it. In the face of their intransigence, criminal proceedings were brought against both defendants.

The original land purchase

9. Heritage was a company created to 'buy and sell real estate'. MH was the Director. SH was the Company Secretary.
10. On the 26th August 1999, Heritage bought the freehold title to land situated on the north side of Park Drive near Wakefield ('the land at Park Drive'). Heritage bought the land from the Leeds City Development Company Limited for £740,000 plus VAT. The transfer document was signed by both defendants on behalf of Heritage¹.

Early planning application

11. On the 24th January 2003, MH received a letter from someone called Michael Townsend. Mr Townsend worked as a town planner based in Wakefield. The letter, recovered from the office premises of Heritage, confirmed instructions given by SH during a previous meeting. From those discussions, Mr Townsend understood that SH was:

*'...keen to enter into some form of agreement with Ben Bailey prior to proceeding with the (planning) application. Ken, however, considers that we should proceed immediately with the application as it has been drafted and is ready for submission.'*²

12. On the 13th March 2003, a planning application was made to Wakefield Country Council. The application sought permission to demolish existing buildings and use the land at Park Drive for residential development³.
13. The Crown submit those two documents are important. They demonstrate that, from an early stage, both defendants understood that the land they had purchased through Heritage might be valuable and therefore generate a significant taxable profit. The realisation that they would have to meet a significant tax liability if the land was sold *with* planning permission led to the creation of an overseas company

¹ See document at **Renton 016** uploaded at **J83** on the digital case system.

² See letter at **Eaton 0005** uploaded at **J92** on the digital case system.

³ See document at **Renton 015** uploaded at **J82** on the digital case system.

which, the defendants believed, would allow them to handsomely profit from the sale of the land without paying any tax.

Incorporation of TIMS Ltd

14. TIMS Ltd was incorporated in Gibraltar on the 10th July 2003. It is noteworthy that the company was incorporated only a couple of months after the planning application to develop the land in Wakefield had been submitted. The Crown's case is that MH and SH were the directing minds behind that company and that it was run from the United Kingdom. Documents, recovered during the investigation, support that contention.

15. The company formation checklist, completed when TIMS Ltd was formed, named Trevor Hirst and MH as the beneficial owners of the company. The form was signed off by SH. The addresses provided for the company were all in the Wakefield area. The purpose of the company was described as the *'purchase and sale of industrial properties commissions on sales and rents'*⁴. On the 30th June 2003, both MH and SH signed documents confirming that they were the beneficial owners of TIMS Ltd⁵. Another document, dated the 17th July 2003, approved the transfer of one share in the company to a lady called Sian Wood⁶. However, appended to that approval, was a written declaration of trust which confirmed that she was a bare trustee for Trevor Hirst and MH and that she held no beneficial interest in the shares issued⁷.

16. On the 1st March 2004, documents show that Sian Wood resigned as the director of TIMS Ltd and was replaced by someone called Matthew Stokes. The documents also show that, on the same date, Sian Wood transferred three shares in the company to the same person. That transfer was accompanied by a deed of trust which confirmed that Matthew Stokes would only transfer, deal or dispose of the shares in accordance with the direction of the three *'owners'*. Those owners were named as MH, SH and Trevor Hirst. The same declaration confirmed that

⁴ See document at **Pumfrett 0002** uploaded at **J12** on the digital case system.

⁵ See documents at **Pumfrett 0001** uploaded at **J11** on the digital case system.

⁶ Sian Wood described her occupation as that of a consultant based in Cyprus.

⁷ See document at **Pumfrett 0003** uploaded at **J13** on the digital case system.

Matthew Stokes would *'account to the owner for all dividends, profits which be paid to me from time to time...and for all other monies or profit which may be payable...'*⁸

17. The incorporation of TIMS Ltd was intended create an offshore corporate vehicle that could receive the proceeds from the sale of the Park Drive land to Ben Bailey Homes Limited. Both defendants understood, at the point the company was incorporated, that their planning application might be successful and that a large housebuilder was already keen to purchase the land from them. From that point onwards, they decided to evade any taxable liability they would make from the sale. The formation of TIMS Ltd in Gibraltar formed an important part of that strategy.

Transferring the Park Drive land to TIMS Ltd

18. For TIMS Ltd to serve that purpose, the defendants needed to transfer the land to the company from Heritage. They did so on the 1st September 2004 by dividing the land at Park Drive and transferring one of the resulting titles to TIMS Ltd for £60,000 plus VAT. The document authorising that transfer was signed by both defendants on behalf of Heritage *and* TIMS Ltd. The fact that the defendants could authorise such a transaction on behalf of *both* companies demonstrates that both were under their control when the transfer was made⁹.
19. The transfer price of £60,000 plus VAT was a deliberate undervalue. Heritage had purchased the land for £740,000 plus VAT only four years earlier. Since then, the potential value of the land had arisen exponentially due to the planning application and the expression of interest by Ben Bailey Homes Limited. Neither defendant has explained why they sold such valuable land for a fraction of its proper value.
20. The transfer of the land was a sham. The sole purpose was to remove the land from Heritage, a company linked to the defendants and based in the United Kingdom to one based in Gibraltar which would be subjected to much less scrutiny than Heritage.

⁸ See document at **Pumfreet 0005** uploaded at **J15** on the digital case system.

⁹ See document at **Renton 017** uploaded at **J84** on the digital case system.

Creation of TIMS BVI

21. On the 17th February 2005, the defendants created another company. Confusingly, that company was also called TIMS. This latest company was incorporated in the British Virgin Islands. The Crown have recovered notes of a meeting held between the defendants and a company called York Place Company Services Limited ('York Place Limited'). The note recorded how the defendants were existing clients in respect of TIMS in Gibraltar and would *'now like a company in the BVI under the same name.'* The purpose of the new company was also recorded, the note read *'When they form the company, they intend to transfer shares from Gibraltar company nominees to it and end the nominee service.'*¹⁰ The defendants would be directors of the new company¹¹.
22. The creation of that company was attractive to the defendants for two reasons. Firstly, it offered them a further offshore structure which could absorb any profit from the sale of the land at Park Drive. Secondly, it offered protection from any tax investigation launched in the United Kingdom.

Planning granted

23. On the 17th March 2005, planning permission to use the land at Park Drive for a residential housing development was conditionally granted. The land, which the defendants had purchased for £740,000 five years earlier, was now much more valuable. Moreover, the defendants had a buyer ready and waiting to purchase the land from them.
24. At this point, matters were proceeding as planned. The defendants had purchased the land and transferred ownership of it to a company they controlled in Gibraltar. They had set up another offshore company in the British Virgin Islands which would help them evade scrutiny and manage the profits from any sale. They had secured planning permission of the land at Park Drive which they could now sell to the highest bidder.

¹⁰ See document at **Pumfrett 0006** uploaded at **J16** on the digital case system.

¹¹ See document at **Pumfrett 0007** uploaded at **J89** on the digital case system.

Transfer of shares to TIMS BVI

25. On the 8th July 2005, York Place Limited wrote to SH and told him that the Financial Services Commission in Gibraltar required additional information about TIMS Ltd. The information they sought included:

- (i) Identification documents;
- (ii) Occupation details of those behind the company;
- (iii) Proof of initial source of funds¹².

26. That letter triggered a meeting on the 2nd August 2005 between representatives of York Place Limited and the defendants. Handwritten notes, recovered during the investigation, record what was discussed. They record that the defendants '*questioned why they have been asked for further diligence information*' and that they were '*very sensitive to their identities being disclosed to anyone other than York Place Ltd.*' The notes record how the defendants assumed the request had been triggered by their decision to set up TIMS BVI but were told the information requests were the result of changes in the regulatory regime in Gibraltar. The notes record the instructions offered by the defendants:

*'they would like to transfer shares in Gib to BVI. They did not want their names on stock transfer form. Do not want to disclose interests in (unreadable) UK tax obligations. Do not want to elaborate on source of funds (the sale of the land at Park Drive).'*¹³

27. Those notes are instructive. They demonstrate that the defendants controlled the activities of TIMS Ltd and TIMS BVI. They demonstrate that the defendants were fearful of basic scrutiny. They demonstrate that the purpose behind these offshore entities was to shield the defendants from tax obligations in the United Kingdom and they demonstrate a desire to retain secrecy about the source of funds transferred to the offshore entities under their control.

¹² See document at **Pumfrett 0009** uploaded at **J19** on the digital case system.

¹³ See document at **Pumfrett 0010** uploaded at **J20** on the digital case system.

28. Days later, on the 4th August 2005, York Place Limited sent a letter to SH. The letter made the following clear:

With regard to your concerns expressed in relation to UK tax requirements please that an offshore company should not be used with a view to evading any tax obligation and all income and capital gains and all such other details as are required by any relevant legislation should be declared.’¹⁴

29. It follows, that both defendants were put on notice that using offshore companies to evade their tax obligations in the United Kingdom were wrong and that any liabilities should be declared. Neither defendant heeded this warning even though, as will become clear, they were both given multiple opportunities to make such a declaration.

30. On the 13th November 2006, the shares in TIMS Ltd were transferred from the resident in Cyprus (who to that point had been holding them on trust for the defendants) to TIMS BVI. That decision, foreshadowed in the notes of the meeting between the defendants and York Place Limited, was done in anticipation of the land at Park Drive being sold and the subsequent existence of a significant taxable profit and as a result of the increased due diligence required by the authorities in Gibraltar.

31. Documents, recovered from Stanley Davis Group Limited who administered the company after they bought York Place, show that they updated SH regarding the company. Those updates were sent to SH’s address in the United Kingdom¹⁵.

32. On the 13th November 2006, TIMS Ltd appointed MH under a Power of Attorney¹⁶. The Crown submit that document further evidences the control exercised by MH over TIMS Ltd. A further Power of Attorney was granted to SH on the 5th August 2008¹⁷.

¹⁴ See document at **Pumfrett 0011** uploaded at **J21** on the digital case system.

¹⁵ See document at **Choudhury 0005** uploaded at **J7** on the digital case system.

¹⁶ See document at **Pumfrett 0015** uploaded at **J25** on the digital case system.

¹⁷ See document at **Pumfrett 0021** uploaded at **J31** on the digital case system.

Sale of the land

33. At that point the defendants could have declared the sale, paid the resulting taxable liability and retained a profit of over £6 million. Instead, they sought to shield the transaction from HMRC and evade that liability altogether.
34. The land was sold to Bailey Homes Limited on the 5th July 2007. The transfer was signed on behalf of TIMS Ltd by MH. The purchase price was £10,980.75¹⁸. That sale has been considered by an officer of HMRC called Nicholas Faulkner. Having considered the sale and associated material, his assessment was the following:
- (i) That TIMS Ltd was managed and controlled in the United Kingdom by MH and SH and the company was therefore a tax resident.
 - (ii) That TIMS Ltd should have been subject to UK Corporation Tax on the sale of the Park Drive land because it was resident in the United Kingdom at the time of the sale.
 - (iii) That TIMS Ltd failed to declare a chargeable gain of £10,896,745 to HMRC.
 - (iv) That TIMS Ltd caused an estimate loss to HMRC of £3,269,023.50¹⁹.
35. Within a file of documents, seized during the investigation, officers recovered a completion statement for the purchase. That statement confirmed that TIMS Ltd received a balance of £9,881,619.28 once legal fees were deducted. The same file included details of a Coutts bank account held in Switzerland. The account was held in the name of the company and received deposits totalling £4,968,751 shortly after the land at Park Drive was sold to Ben Bailey Homes Limited. Other documents within the same file, confirmed that both SH and MH were shareholders of TIMS Ltd and that both were made registered directors of the company on the 17th

¹⁸ See document at **Renton 018** uploaded at **J85** on the digital case system.

¹⁹ See witness statement uploaded at **I10** on the digital case system.

February 2005²⁰. The addresses provided on those documents were both in the United Kingdom.

Shares transferred to TIMS UK

36. On the 1st February 2008, the defendants switched the shares in TIMS Ltd for a second time. They were transferred from TIMS BVI to another company called TIMS incorporated in the United Kingdom.

Initial involvement with HMRC and the defendant's response

37. In due course, HMRC began to examine the tax affairs of both defendants. At that stage, HMRC knew nothing about the offshore structure used by the defendants to obscure the profit they had made from the sale of the land at Park Drive.

38. On the 2nd July 2014, there was a meeting between HMRC and the defendants. The purpose of the meeting was to try and resolve any outstanding tax liability by agreement. During that meeting, neither defendant made any reference to the offshore structure they had created nor the sale of the land at Park Drive²¹. The Crown's case is that both still believed it remained hidden from the authorities and that they could continue to avoid paying tax on the profits generated during the sale. Further meetings followed during which the defendants had ample opportunity to disclose the liability arising from the sale of the land at Park Drive but still they refused to do so. Instead, they submitted statements of assets and liabilities that they knew were untrue and misleading. Those false declarations are the subject of Counts two and three.

39. However, after the meeting, they realised there was a problem. By transferring the shareholding of TIMS Ltd to TIMS UK they had left a paper trail back which could identify the existence of that offshore structure. Following the meeting, there were frantic attempts to change the position. Six letters of substitution were sent requesting that the register of shareholders in TIMS Ltd be amended from TIMS

²⁰ See document at **Choudhury 0003** uploaded at **J6** on the digital case system.

²¹ See notes of the meeting at **Woods 007** uploaded at **J360** on the digital case system.

UK to TIMS BVI. Such was the urgency of the defendants, that they threatened legal action to bring the change about retrospectively²².

40. On the 12th February 2015, in another attempt to distance themselves from the taxable profits from the sale of the land at Park Drive, both defendants resigned as directors of TIMS BVI and transferred their shares to a company called Iris Investments Limited based in Belize. Although the defendants remained the beneficiaries of TIMS BVI their resignation and replacement by a company based in Belize made that interest harder to identify²³.

41. The Crown's case is that the reaction of the defendant's to the involvement of HMRC in their affairs is instructive. Rather than come clean, admit the taxable liability and settle their affairs both sought to further distance themselves from the offshore structures they had created to manage the profits made from the sale of the land at Park Drive.

Arrest and initial interviews

42. By November 2016, the defendants had been given every opportunity to declare their genuine financial positions but had refused to do so. Indeed, as detailed above, they had chosen the path of further obfuscation. In the face of that obfuscation, HMRC arrested both defendants. During many subsequent interviews, both defendants said little and relied on the false information presented during the COP 9 process²⁴.

Iranian connection

43. On the 17th January 2018, the defendants changed tack. They sent a joint statement to HMRC together with several supporting documents. The joint statement, signed by both the defendants, claimed that:

²² By way of example, see document at **Pumfrett 0033** uploaded at **J43** on the digital case system.

²³ See **Pumfrett 0045** uploaded at **J55** on the digital case system.

²⁴ The defendants have previously suggested that bringing criminal proceedings after the COP 9 process was wrong or in some way unfair. The Crown do not accept that. Neither defendant cooperated fully in the COP 9 process. They not only failed to respond within the time stipulated but fundamentally misrepresented their tax position. There is nothing unfair, in those circumstances, in the bringing of criminal proceedings.

- (i) The Hirst family had been introduced to an Iranian national in 1989 whilst on a visit to Zimbabwe. The Iranian was called Ghasem Mirzabikifini. In due course, the defendants and Mr Mirzabikifini became business partners. The defendants claimed that Mr Mirzabikifini was wary about keeping his money in Zimbabwe or Iran and asked the defendants to assist. They agreed to help and set up TIMS Ltd. Thereafter, the defendants claimed they acted as nominee directors for the company on behalf of Mr Mirzabikifini and held no beneficial interest in it.
- (ii) The defendants went on to claim that they sold the land at Park Drive for £10 million *on behalf* of Mr Mirzabikifini rather than for themselves. The monies, generated from the sale were subsequently lost in various investments that the defendants failed to specify.
- (iii) Thereafter, for reasons unknown, contact between the defendants and Mr Mirzabikifini ceased. In May 2017, they were informed that Mr Mirzabikifini had died in July 2014. The defendants claimed to have received documents from the surviving family that supported the information provided in the statement²⁵.

44. The Crown do not accept that Mr Mirzabikifini, if he ever existed, had anything to do with TIMS Ltd or the sale of the land at Park Drive. The Crown's case is that the involvement of Mr Mirzabikifini has been invented by the defendants in a desperate bid to escape their liabilities.

45. The documents provided with the statement are false. By way of example, the defendants provided two trust documents²⁶. One document was in Farsi whilst the other purported to be an exact translation. Even on cursory examination problems with the documents are immediately evident. The header on the translated document has been shifted and the text is littered with errors. For example, the

²⁵ See document at **HIRSTSSW** uploaded at **J120** on the digital case system.

²⁶ The documents are **SMH08** and **SMH09** and are uploaded at **J214** and **J215** on the digital case system.

document records the company concerned as *'TIMS Investments Limited Company (BVL)'* when it should read TIMS Investments Limited Company (BVI).

46. The most glaring error concerns the unique number provided for the company. The document lists the company number as 642829. The document purports to have been created on the 16th July 2003. TIMS Investments Limited (BVI) did not exist on the 16th July 2003. It was incorporated on the 17th February 2005. No explanation has been offered as to how the author of the document managed to guess a random six-digit company number two years before that number had even been created.

47. There is one obvious explanation. The documents are false. It was created by the defendants after HMRC became involved to try and evidence the existence of Mr Mirzabikifini. In their haste to falsify documents and mislead HMRC, the defendants added a detail which could not have been known when the document was supposedly signed and dated.

48. Moreover, HMRC have translated the bottom of the “trust document” in Farsi. That part of the document does not appear in the translated version. The omitted section refers to the document being a ‘writ’ rather than a ‘trust’. The bottom section of the document reads as follows:

'The registration offices are obliged to inform the part of the issuance of the writs by special post to their latest address, and the writ should be attached to the special mail receipt and sent to the local registration authority for serving the writ and other operations.'

49. The conclusion is inescapable. The defendants have not taken into consideration the entire document when arranging for it to be translated. Consequently, they have left part of the original document which refers to its genuine purpose which was a ‘writ’ rather than a ‘trust’.

50. Other documents provided by the defendants in *support* of their case are also false. They provided two further trust documents which purported to claim that the sole

beneficiary of TIMS Ltd was Mr Mirzabikifini. The paragraph detailing his interest has clearly been added to an otherwise legitimate document. The content, when the false paragraph is added, makes no sense whatsoever and the paragraph itself is wrongly formatted.

51. If the account given by the defendants is right, why have they falsified documents in support of it? Why did they not mention the involvement of Mr Mirzabikifini in the COP9 process and/or when they were interviewed? They did not do so because Mr Mirzabikifini was an invention.

Conclusion

52. This case is about greed because the defendants could have walked away with a profit of nearly £6 million and still paid met their liabilities. Instead, when they recognised the potential profitability of the land at Park Drive, they devised offshore structures to hide the fact of the sale and the associated profits from HMRC.

53. When their tax affairs were interrogated, they were given the chance to come clean during the COP 9 procedure. The defendants refused to take that second chance and omitted any mention of their offshore companies, the sale of the land and/or the vast profits they had made from the sale of it.

54. Finally, after their arrest, the defendants invented Mr Mirzabikifini to assume responsibility for the liability they had themselves incurred. In support of that assertion, they jointly deployed documents which are palpably false.

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