

Tricor plc (“the Company” or “Tricor”)

Update on VAT Claim

Tricor today provides the following update and background on its outstanding VAT claim that arose in 2006. Since this time, Tricor has been actively and vigorously pursuing this claim, and next month, in September 2013, the final hearing (which was adjourned part-heard from a hearing in January 2012) is due to be completed.

Background to the Claim

In 2006, Tricor was denied a VAT reclaim of approximately £1.8 million arising from the export of mobile phones. At this time, the mobile phone industry was buoyant and a large number of companies were actively importing and exporting mobile phones in the grey market. Tricor had been trading mobile phones and other electronic products for a number of years. Joe Case, director of Tricor at the time, and Richard Andrews, contractor to Tricor at the time, were principally involved in the trading, and both of them were well experienced and respected in the industry.

Due to the high level of Missing Trader Intra-Community (“MTIC”) fraud that was occurring around this time, and especially in the mobile phone industry, in 2006 HM Revenue and Customs (“HMRC”) adopted a programme of ‘extended verification’ within trader supply chains to trace and identify tax losses. This culminated in the withholding of substantially all VAT reclaims from exporting mobile phone traders where HMRC identified or alleged a loss had occurred within their supply chain. As a consequence of the denial of trader input tax reclaims, the mobile phone industry was effectively shut down overnight. This unilateral action, whilst curbing fraudulent reclaims, also resulted in innocent traders suffering huge losses from genuine VAT reclaims being withheld.

Many traders disappeared or were denied their VAT reclaims after appealing HMRC’s decision to disallow their input tax reclaims. However, a number of traders continue to fight for their VAT reclaims, and some have achieved success with their appeals. Tricor has now reached the final stage of its appeal, which is due to be heard at the Tribunal starting 9 September 2013. In line with all such appeals, a final decision is expected some months later, by first quarter of 2014.

Update on Progress

Both Joe Case and Richard Andrews will be providing their ongoing assistance and support for Tricor during the Tribunal. Joe and Richard have over 45 years experience in the mobile phone industry between them, and have demonstrated that they conducted their trading in a professional and transparent manner. Their experience and expertise allowed Tricor to resume trading in mobile phones in 2010 whilst the industry was still suffering from the effects of HMRC’s actions in 2006.

Tricor has appointed Morgan Rose, a City law firm that specialises in company commercial litigation matters, to represent it at the Tribunal. Alongside Morgan Rose, Ian Bridge will act as counsel to Tricor. Ian has specific expertise in the field and has been successful in such appeals brought on behalf of traders in front of the First Tier Tax Tribunal previously. He has also defended in a number of high profile MTIC fraud cases from the earliest prosecutions through to date and, as such, he is familiar with the full historical development of the MTIC fraud problem over the last 10 years.

With a strong legal team in place and evidence of success in similar recent claim cases, Tricor remain optimistic that the claim will be resolved in its favour.

More About MTIC Fraud

MTIC fraud is the theft of VAT from a government by an organisation which exploits the way VAT is treated within multi-jurisdictional trading where the movement of goods between jurisdictions is VAT –free. This allows the person who commits fraud to charge VAT on the sale of goods, and then instead of paying this over to the government’s collection authority, abscond with the VAT.

A common feature of MTIC fraud is the existence of a complex series of transactions involving a number of international companies. It is alleged that this series of transactions is contrived to defraud governments of VAT. Companies involved in these series of transactions may or may not be involved in the fraud, but VAT was withheld from all companies in the chain. A number of claims have been presented at the First Tier Tribunal, with some traders achieving a success and ultimate refund of their withheld VAT.



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