

PRIVATE EQUITY

Supermarket sweep

WHAT might the agreed bid for Morrisons supermarket from a consortium led by US private-equity group Fortress mean for Britain's fourth largest supermarket chain? Despite reassurances from the firm – of the sort that private-equity managers are generally better at making than keeping – its record is not encouraging.

Older *Eye* readers may recall that Fortress, now owned by Japanese billionaire Masayoshi Son's SoftBank, is behind the property company Mapeley, which 20 years ago bought 650 tax and customs offices and transferred their ownership to, er, Bermuda in order to avoid tax.

Tax-efficient financial engineering has always been private equity's *modus operandi*. And it's happening again at Fortress's other recent UK retail investment, the Majestic wine merchant chain that it bought in December 2019. As soon as the purchase was complete, Majestic's properties were sold to a separate company and leased back to the wine outlet operator. The latter's accounts up to March show that its taxable profits were all but wiped out by the new lease charges.

The Fortress fund that bought the Majestic



business, Fortress Credit Opportunities Fund V (G) LP, is also the largest single investor in the Morrisons deal. It is registered in the Cayman Islands, far from the Bradford birthplace of the supermarket. Should the deal go ahead, complete with a "tax structure" disclosed but not detailed in the bid documents, the £80m that Morrisons has been paying in corporation tax every year looks distinctly under threat.

Fortress's co-investor in the deal, along with a Canadian pension fund, is Koch Real Estate Investments. Its name, just like Fortress's

background, gives a clue as to the real motivation of the new buyers of a supermarket that has property worth around £6bn and owns 85 percent of the freeholds on its stores. And it isn't providing good food or helping farm suppliers, with whom Morrisons deals directly more often than its rivals do. Koch Real Estate is affiliated to Koch Industries, long run by brothers Charles and (the late) David, best known for funding libertarian think tanks espousing such delightful causes as climate-change denial and limiting minimum wages.

Morrisons chief executive David Potts has tried to reassure workers and suppliers that he looked "carefully at whether [Fortress's] plans for the business would protect and develop the fundamental character of Morrisons for the benefit of all stakeholders" before agreeing to it. Only a cynic would wonder if he was influenced in his choice of rose-tinted spectacles by the £19.5m the deal will pay out for him personally.

OFFSHORE FINANCE

Hole in OneWeb



WHEN the government teamed up with Bharti Global last year to buy bankrupt satellite company OneWeb for \$1bn, it pointed out how the company controlled by Indian telecoms billionaire Sunil Bharti Mittal would provide "commercial and operational leadership" (*Eye* 1539). Unfortunately, results from one of Jersey-registered Bharti Global's other investments suggest this faith in its financial stewardship may be a little misplaced.

Since 2014 Bharti Global has also owned the Gleneagles group of companies, whose prize asset is the famous Scottish golf resort (pictured) and hotel. Its latest accounts, running up to March 2020, show that it lost £6.7m in the year and was in such a parlous financial position when these were signed off four months ago that "material uncertainty exists... on the group's and parent company's ability to continue as a going concern" and that it was at risk of breaching banking covenants.

This didn't, however, prevent Bharti Global from extracting a £9.5m dividend from the group, taking the total since 2014 to £17m even as its accumulated losses reached £23m. It would be unlawful for a single company to pay out dividends without profits from which to do so, but since these are the combined results of a group of companies and the specific holding company that pays the dividend, GH Holdings 1 Ltd, does not itself report losses, the payments are legal.

The Gleneagles hotel company also managed to pay a significantly increased fee of £3.5m to the company that manages the hotel and resort (and Bharti's trendy Hoxton chain), Ennismore International Management Ltd. This company happens to be run by Sharan Pasricha, the son-in-law of Sunil Bharti Mittal and also a director of the hotel company.

While cash leaves the beleaguered Gleneagles group, a few million pounds have gone into it recently – from the British taxpayer. Figures released by HM Revenue & Customs show that from December 2020 to this April the Gleneagles Hotel company claimed between £500,000 and £1m a month in furlough payments (and more than £1m in January).

It looks like OneWeb's "commercial and operational" leaders are getting rather more from the British taxpayer than vice versa.

CHARITIES

Dope for heroes

BACK ON TRACK, a charity for service veterans, is being investigated by the Charity Commission after complaints that founder Dr Aamer Khan was using it to promote unproven products and treatments without declaring a financial interest.

Dr Khan and his wife, Lesley Reynolds, set up the charity in 2016 to provide medical and psychological treatment to injured former members of the armed forces. All very laudable and, as some grateful ex-soldiers and airmen testify on its website, of real mental and physical benefit. One problem, however, is that the line between the charity's work and the interests of the Harley Street Skin Clinic, favoured by celebs and run by Dr Khan and Reynolds, has become blurred.

Back on Track is based at the clinic and at least three of its six trustees are connected to it, including Reynolds herself, secretary Paula Hall and Melanie Faldo, the clinic's PR consultant. Two months ago, they were obliged to remove all charity tweets, blogs and links relating to MariPharm, an over-the-counter cannabis-derived oil (CBD).

The move followed complaints to the Advertising Standards Authority from researcher and campaigner Dr Alex May. He had discovered that Dr Khan, who was "helping" vulnerable veterans with CBD, had failed to declare that he was MariPharm's paid "chief cosmetic adviser". The Food Standards Agency, which regulates CBD, says research on safety and efficacy is limited and advises consumers "to think carefully" before taking it. It warns against use for "people in vulnerable groups", unless it is under medical direction.

Most troubling, perhaps, is that Dr Khan, who has interim restrictions on his practice imposed by the General Medical Council relating to cosmetic procedures, is

now venturing into what one leading expert described as "dangerous quackery". The Harley Street Skin Clinic offers largely unproven stem-cell treatments for everything from cancer, Parkinson's disease and strokes to erectile dysfunction and hair loss.

The Back on Track website promotes stem-cell treatment for tendon damage. "Your own blood is your hero," it says, describing a treatment which involves taking a sample of blood, extracting from it what is claimed to be a "high concentration of platelets (which is naturally rich in stem, and other regenerative cells)" and then injecting it back into the affected area.

Professor Patricia Murray, an expert in stem-cell biology at Liverpool University, told the *Eye*: "This is nonsense. Platelets would not be rich in stem or other regenerative cells. The likelihood is that there would not be a single stem cell present. Even if there were, there is no evidence whatsoever that they would have any rejuvenating effects."

Kathleen Costello, chair of the trustees, told the *Eye* she could not comment on any commercial relationship between Dr Khan and MariPharm. The charity had acted "responsibly in line with medical opinions we have sought", and products on the website were "placed in good faith" and subject to periodic review. (By spooky coincidence, some brand names were removed from the website after the *Eye*'s call.)

Asked whether his qualifications as a GP and skin specialist equipped him to treat patients with PTSD, Dr Khan said he consulted other experts. He said patients were always informed of the limitations of stem-cell treatment and "no treatment is undertaken until the patient has been reviewed by a consultant (who is a specialist in the relevant field) and approval has been given by the specialist".

Dr Khan said he only had a commercial relationship with MariPharm for eight months in 2019. The restrictions on his practice were being dealt with by his lawyers, "but suffice to say they are not related to CBD oil/MariPharm or BOT [Back on Track]".

NUMBER CRUNCHING

15 Maximum minutes Boris Johnson promises you will be from 'a high-quality football pitch' in one of the few concrete proposals in last week's 'levelling-up' speech

236 School playing fields the government confirmed last week have been sold off since Conservatives came to power in 2010