

FURTHER STATEMENT

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My name is Martin Steynberg and my nationality is South African. I am a married man with 2 children and we live in South Africa and I operate my business affairs from my Country. By way of background, after graduating at University, I qualified as an Accountant subsequently developing my career in Industry as a Costs Accountant. Initially this involved my employment at a Company called Kentron, which was and is part of the famous South African procurement and manufacturing group of companies known as Armscor.

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Armscor was and is owned by the South Africa Government and operates on a global basis. It played a critical role during the sanctions regime in terms of supporting the political aims of the then Government of South Africa in circumventing the intended effects of the UN sanctions imposed against South Africa.

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Whilst I was at Kentron, I became involved in the costs analysis and programming of a proposed revamp by that company of the helicopter fleet operated at the time by the South African Air Force. That was in or about 1984 and subsequently that project was pursued via Armscor, the aim being to upgrade the existing fleet of Puma helicopters and to develop by acquisition to a stage where Super Puma status was achieved with its greater range of capabilities.

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In 1986, I pursued an application for a new employment post within the Armscor Group and after going through a searching assessment process, I was successful in being appointed to the position of Contracts Administrator employed by Armscor itself.

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During that assessment process, I was briefed as to what the job would involve in terms of covert procurement and sales activities to assist our Country in avoiding the embargo that had been imposed against us and apart from the job having good employment terms, in seeking to take up the position, I also had in mind that I was serving my Country in its fight to avoid the political threats that it faced at that time.

My new position was to involve my deployment within Armscor's set up in Paris which operated under the cover of being the Technical Council of the South African Embassy there. After extensive briefings about the way in which Armscor operated its covert activities and the managements systems applicable to its dealings with Armscor's Head Office in Pretoria, I left South Africa to take up my new position on the 24th November 1986.

The briefings provided had made clear the importance at all times of the issue of security and the need to always approach matters exercising foresight on a risk analysis basis with the communication of information being very much on a need to know basis only and with minimal external audit trails.

On arrival in Paris, I reported to Tony de Klerk who was the Head of the Armscor set up in Paris and he introduced me to the personnel who made up the Armscor team there. The team numbered 25 people some involved in procurement and sales, others in the movement of products and materials, additionally people engaged on technical matters and finally those who dealt with accounts and administration. Annexed hereto is a chart showing the set up at Armscor Paris.

In my position, I liaised with all those sections as necessary to ensure that the trading activities in which we were engaged went as required. In particular it was my responsibility to certify that transactions were cleared for payments or receipts in line with contractual terms applicable to the transactions.

In the throes of discharging my responsibilities, I would travel to the Bankers with whom Armscor had relationships to provide them with written instructions and to collect paperwork relating to the processing of those instructions. I had been introduced to the Bankers in question following my arrival in Paris, Basil Baker the Head of Finance at Armscor's Paris base taking me to the Banks in question which in the main were in Luxembourg and Switzerland.

In Luxembourg, Basil introduced me to Germaine Menager and Anton Gerten at Kredietbank and his colleague from KredietTrust a man by the name of Dr. Mergan. As in the case of each Bank whom we visited, Basil explained to the Bank officials whom

we met what my position within Armscor was and that I was to be afforded total co-operation and assistance in our dealings with the Banks.

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My arrival on the banking scene also involved a complete new set of signature mandates to go in place and in each case having produced my passport for the Banks to retain a copy, they then produced new mandates which were subsequently collected from the Banks so that all signatories could join with me back in Paris in signing the same before they were returned to the Banks by hand.

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Apart from meeting the Banks and their officials, I also accompanied some of our procurement and sales people to familiarize myself with suppliers and buyers of products and services, additionally to get to know the shipping and air freight parties with whom we were dealing and also I took opportunity of meeting from time to time commission agents involved in our trading activities.

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Kredietbank of Luxembourg (KBL) was by far and away the main Bank with whom we dealt with many of the other Banks being used to host accounts as a means of moving monies around to try and mask the trail of fund movements. This was inherent in the operating policies that we were obliged to use given the UN sanctions that were in force against South Africa and the sensitivities of the products and materials in which we were trading.

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In terms of the value of transactions, KBL with its core financial role in the receipt and distribution of funds through a whole network of accounts handled about 70% of all our activities and once a week mainly myself but sometime my colleagues would visit KBL in Luxembourg to hand written instructions to their officials and to receive paperwork from those officials covering our activities with the Bank. The Bank would acquire for us off shore companies that would be used as "front companies" to mask our trading activities and would open bank accounts at KBL for those companies.

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The front companies secured by the Banks from company formation agents with whom they dealt were in the main companies incorporated in Panama and Liberia and apart from supplying us with such companies they also arranged for such companies to have Directors and any other Company Officers based in the countries of incorporation and who would execute documentation and do all that was required of them by the Bank.

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The relationship with KBL was originally established in 1977 at the time that the UN passed resolution 418 putting into effect the embargo against South Africa. That relationship was critical to South Africa having any prospect of circumventing the influence of the sanctions.

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At the time in question, the South African Government was determined to maintain movement of essential products and materials in what they saw as being a fight against a Communist inspired uprising aimed at taking over South Africa. Accessing in particular the products and materials to enable fulfilment of the then Government's Defence Agenda was viewed as essential.

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It was against this background that the relationship with KBL was established the same being put into place on the back of the top people at Armscor at the time visiting Luxembourg to make the necessary arrangements. That top team comprised Commandant Marais the Chairman of Armscor, John Hare Armscor's General Manager and his Assistant a man by the name of Helmut Snyman.

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By the time of my arrival in Paris, the methodology of conducting business with KBL had become well engrained, the Bank having brought into play a modus operandi with appropriate paperwork.

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The foregoing along with their co-operation over front companies and the opening of accounts for those front companies as well as their willingness to provide just numbered accounts afforded Armscor and its personnel effective anonymity and freedom from corporate accountability in the conduct of activities.

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By way of clarification of what I have described in the previous 2 paragraphs, the use of numerous companies and accounts and in some cases numbered accounts allowed us to obfuscate the movement of necessary payments and receipts and we would also break even those confused movement paths by breaking the trail through implementing cash handling steps.

The other key feature was that by following the modus operandi recommended by the Bank and in particular utilizing the documentation created by the Bank, Armscor and its personnel were ensured total control of account activities in a way which preserved anonymity and detachment and in particular facilitated freedom from corporate accountability as at no time did Armscor and/or its personnel become corporate officers with the responsibilities that go with such positions in law.

Instead, the Armscor personnel including myself merely became signatories under the terms of the Bank created Power of Attorney with its incorporated delegated mandate powers. The prime corporate responsibilities remained with the Directors and other Company Officers who were offshore officials provided for such roles by the company formation agents used by the Bank and if necessary for security reasons, they could liquidate the companies and lose trace thereof "at the drop of a hat".

KBL and its officials were well aware of what was involved in Armscor's activities and the sheer volume of activity and the sums of money involved were such as to make it obvious from their vantage point.

Apart from the fact that there was a lot of media coverage about Armscor and its sanctions busting activities, the Bank operations involving over 850 accounts at KBL itself, the front company and numbered accounts elements, the reducing of fund movements into less conspicuous sums and the regular drawing of large cash sums were methods typically utilized in money laundering which indeed was the case here given that the channelling of the funds was directly linked with activities illegal at the times in question by reason of being sanctions busting.

What I have just described is well known to the main man with whom I dealt with at KBL namely Germaine Menager and his Senior Management people at KBL. This was in fact acknowledged to me by Germaine Menager in the course of a particular conversation over lunch. That lunch took place in Luxembourg a couple of years after I had arrived on the scene in Europe. I had developed a good relationship with Germaine Menager who was known to all of us at Armscor Paris as Dick.

As our relationship had developed, once a year or thereabouts I would take him out for lunch. At the lunch to which I refer above, I expressed my concern about the activities in which we were involved with all its covert elements and risks in the context applicable thereto. Dick's response sought to relieve me of my concern, he saying in so many words that I should not worry as the powers that be had everything under control, both of us recognising that such powers involved his top Management and very Senior Politicians.

I mentioned above the regular drawings of cash designed to break the trail of fund movements. This happened on average once a month and utilizing a code which Dick and I had developed for discussing cash requirements on the telephone, I would subsequently provide Dick with confirming written instructions to cover the cash withdrawals which ranged in size from 10,000 USD to as much as 500,000 USD.

Apart from the cash withdrawals being used to break fund movements trails, sometimes it was necessary as some suppliers and agents would only deal in cash because of the sensitive nature of the activities involved. When I drew cash, often I would go across the Street in Luxembourg and deposit the same in accounts that we maintained in other Luxembourg Banks. On other occasions the cash would not actually leave the Bank and in such instances, Dick would in effect take the cash out of accounts maintained at KBL and deposit the same in other accounts that we had at KBL.

In relation to the accounts maintained at KBL, there were over 850 of the same all of which were either in front company names or in numbered accounts as facilitated by KBL. There were certain accounts which tended to be main accounts for receiving funds or holding funds the majority of which funds originated from Armscor's Bank in Pretoria namely Volkskas Bank which was a correspondent Bank of KBL.

The funds that originated from Pretoria were routed to Luxembourg via a trail of accounts maintained at a number of international Banks around the world including in particular Banks in New York and Singapore.

The existence of the accounts at KBL and all other Banks was logged into a bespoke software programme which one of my colleagues at Armscor Paris, Daniel Loubier developed. That programme involves 2 sections, the first being in effect a road map of all

accounts and their designation in terms of what they concerned, when they were opened and a coded linkage to track interfaces and movement of funds.

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The second section is a financial data source which records all the actual sums received and moved about and Daniel Loubier and I are providing copies of the software programme with explanations of how to use the same from which the total and individual picture of all Armscor's dealings from 1986 onwards will be seen.

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This will enable the draft power point presentation which I have been shown by WAH to be finalized on an accurate basis reflecting as it does the breadth of the sanctions busting activities, the sensitivities thereof particularly in terms of the products and materials involved in those activities and overall dimensions of the funds channelled through the Banks and in particular by KBL whose complicity with Armscor will become self evident.

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The French Government afforded considerable assistance in the activities of Armscor Paris knowingly allowing the South African Embassy there to house Armscor's activities under the cover of being described as the Technical Council. They also issued Conseiller Passports to myself and colleagues and allowed us total freedom and respect for our use of "our Diplomatic Bag".

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This latter feature coupled with diplomatic immunity in the carriage of documents and sometimes sensitive items was critical to our being able to conduct our activities. The French Government of course had a covert interest themselves in participating with us as for example in the case of the Adenia Project concerning the supply of 50 Super Puma Helicopters, spare parts, maintenance and the creation of South Africa's own production base, that involved French Government owned and/or controlled companies.

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Additionally, the French Government's co-operation took into account the Political dimensions that applied thereto involving the Countries associated with the promotion of the activities. Apart from France and South Africa, those included Portugal who came to play a vital role in the perceived supply chain and Luxembourg whose Banks in particular KBL played another vital role of channelling the funding for the activities.

The main French company involved in supplying items to Armscor was Aerospatiale which later on became Eurocopter International and today is part of EADS. As explained in my previous statement, being a French Government company their senior personnel had very influential links with the top Ministers in the French Government. I have described in my previous statement the transaction that involved Aerospatiale which was ascribed the project code name of Adenia.

The sensitivities of that project were such that in handling the same, it became necessary for 2 Aerospatiale employees to be permanently based with the Armscor team within the Paris Embassy. On the subject of sensitivities, the trading activities for which I had responsibility required very discreet handling indeed and in the event of any problems arising, like other members of Armscor Paris, we had a special South African Intelligence squad to call upon, they being the notorious CCB (Civil Co-operation Board) who were answerable only to P.W. Botha, the President of South Africa.

To illustrate the kind of challenges with which I was faced in the handling of my role and why our dealings with the Banks particularly KBL were as I have described, I refer now to a couple of incidents which gave rise to security problems.

The first involved dealings which we had with the IRA over an item known as the Blowpipe Missile. British Intelligence had somehow found out about our dealings with the IRA and when the first Blowpipe Missile was delivered to us in Paris for onward shipment to South Africa, they had told French Intelligence about this and it led to the French Government intervening with President Mitterand informing our Paris Ambassador that whilst certain matters were being tolerated, this Blowpipe Missile project had to cease.

The second incident to which I refer above involved my collection of a missile from the French company called Matra. It had become necessary to handle that collection personally and having collected it in my vehicle, I subsequently delivered the same to an airfield where a private Jet had been organized to take the missile to South Africa. In the event, on his return to France the Pilot of the private Jet was indiscreet about his mission to South Africa and that led to matters becoming of interest to the Media.

The foregoing events led to strains in the relationship that Armscor Paris enjoyed with the French Authorities and at one stage, plans were pursued with a view to relocating Armscor Paris to Portugal. Additionally the events highlight the espionage environment in which my colleagues and I operated with the constant need for being tremendously circumspect in how we undertook our activities.

In this latter regard, from the moment that I had taken up my post in Paris, I had been involved in highly sensitive projects, in particular those code named as follows and involving the items identified alongside the project codes,

Adenia – Super Puma Helicopters
 Nimrod – Mirage Weapon Systems
 Austin – Electronic Warfare Systems
 Buzzard – Nuclear Components
 Keepsake – Air to Air Missiles
 ? – Chemicals

The Armscor Paris activities were subjected to internal and external audits with the internal audit being undertaken by personnel from Armscor's Head Office in Pretoria who carried out a stringent exercise every September. In the month of May, the Senior Partner of what was then Coopers Lybrand's Pretoria office would arrive in Paris to conduct the February Year end annual audit and he would be accompanied and assisted on each occasion by 2 different yet senior partners.

The audit reports were passed to the Senior Management of Armscor in Pretoria who included Commandant Marais the Chairman, John Hare the General Manager, Raymond Pretorius ? and Mr. P.W.Smith ? They in turn were accountable to the Minister of Defence in the South African Government. Notwithstanding this chain of scrutiny in respect of Armscor's activities, the absolute dependency on Armscor which the Government of the day relied upon when it came to securing the kit, items and materials to satisfy its Defence agenda meant that Armscor was allowed considerable discretion in the application of financial resources.

In the operating climate that prevailed, apart from suppliers of sensitive items requiring substantial premiums to normal market rates, considerable largess had to be expended to promote goodwill amongst the International Media to keep a lid on our activities and to

ensure that the case for South Africa's political agenda was aired. Such largess also found its way to famous Politicians and their parties whose co-operation in allowing activities in their countries was vital.

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Similar activities and operational methods as deployed by Armscor Paris were also undertaken by a much larger Armscor set up established at Tel Aviv in Israel, the Government of that Country having close links with its counterpart in South Africa.

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I turn now to the involvement of the man known as Jorge Pinhol (JP) in the activities of Armscor. I first learnt of him by reference to my file briefings on the Armscor Paris activities. That said it was quite some time before I actually met JP which occurred at the Paris Embassy when one of my colleagues with whom JP had been having discussions introduced me to him. We had a brief exchange of no great note. That said, as explained in my previous statement, I became aware of his role in dealing with senior Officers in the Portuguese Air Force and Defence staff to maximize the scope for establishing a supply channel via Portugal.

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I also learnt of the terms upon which agreement was reached with JP's business and on the back of the Adenia project getting seriously underway in the delivery of items sense in 1989, early in 1990, instructions were received from Raymond Pretorius in Armscor Paris to set up a particular Bank Account at KBL in the name of JP's business Beverley Securities Limited (BSL)

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My colleague Daniel Loubier dealt with those instructions by firstly obtaining from JP a copy of BSL's certificate of incorporation and memorandum and articles of association. Those items were subsequently delivered by hand to KBL with instructions to the Bank to prepare the necessary papers to open an account in the name of BSL and to ensure that Armscor through its personnel retained operating control of such account. Dick at the Bank was also told that JP the Director of BSL would be coming to the Bank to sign all necessary papers and to produce his passport.

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The use of an external company such as BSL and the introduction of its Director to KBL was unique as for security reasons, we always preferred for the least parties to know of how we went about our activities, particularly non Armscor people. I was surprised therefore by these events but it was not my place to question orders that came from Head Office particularly from the likes of Raymond Pretorius. I was conscious that JP had a

close relationship with Raymond Pretorius at the time and between them that they were interfacing with Generals in the Portuguese Air Force and Defence Staff whose continued co-operation was critical in using Portugal as a channel for the supply of products and materials.

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The instructions to KBL to open the BSL account were acted upon with my colleague Daniel Loubier accompanying JP to the Bank's offices in Luxembourg to introduce him to Dick at the Bank. Daniel has told me that he introduced JP to Dick explaining who JP was with an indication of his association with Armscor and hence JP's introduction by Armscor.

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Daniel has told me of what then transpired during the meeting which went on for just over half an hour. JP produced his passport and Dick organized for a copy to be made and retained and then secured JP's signature on account opening papers allocating an account number thereto followed by JP being required to agree the execution of the Bank's form of Power of Attorney under which mandate authority in relation to the account was being delegated to colleagues and myself on behalf of Armscor.

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The Power of Attorney with the delegated mandate authority had to be taken back to Paris for all the Armscor signatories to sign but to all intents and purposes the BSL Armscor controlled account was then in place. On a subsequent usual weekly visit to KBL amongst papers collected from the Bank was a yellow slip advising of the Bank's charges for the opening of the BSL account and yearly charges that would apply and further that such charges had been debited to the BSL Account. Receipt of that advice note triggered the opening of a BSL entry in the software programme which we maintained as a record of all Armscor trading activities.

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Confirmation of the existence of the BSL account therefore appears in the software programme that is being provided along with this further statement. I confirm that in my capacity as the Armscor Paris Contracts Administrator, knowing what I did of JP's involvement and the commission terms of his deal in respect of the Adenia project, as the project began to move on with actual supply of items taking place, I would have approved payments to JP's business via the BSL account at KBL. This would have involved drawing funds down from other Armscor accounts at KBL into the BSL account and then transferring payments to accounts maintained separately by JP for his business which I understood also operated as Beverley Security Incorporated (BSI). I recall JP advising us that he had a BSI account in Lichtenstein to which the commissions due to his business were to be transferred.

I have been asked to clarify the purpose for the opening of the BSL account at KBL and to explain the role of the Bank in accommodating that requirement. Further to describe the way in which the Bank participated in the events concerned with the account opening and the handling of JP at the time in question and subsequently. From enquiries that I made and taking into account also my knowledge of Armscor's policy of ruthlessly cutting out commission agents where they could, there were several purposes behind the opening of the BSL account at KBL.

Firstly, by taking JP to KBL in Luxembourg that calmed him down at a time when he was becoming increasingly agitated about the commissions due to his business. Secondly by getting the Bank to go along with what we wanted in the opening of the account followed by the securing of delegated mandate authority under the Bank's form of Power of Attorney, Armscor retained control of activity on that account. Thirdly, it afforded a way by which percentages of shared commissions which Raymond Pretorius and JP had in mind for the Portuguese Generals were ring fenced.

In the event, on the back of JP's increasingly overt behaviour, a decision was made in the Summer of 1990 by Armscor's Raymond Pretorius and P.C. Smith to cut JP out of his entitlement and to subsequently close the KBL account.

When it comes to the behaviour of KBL in its dealings over BSL and its Director JP, there are several points that I would make. Firstly, as in the case of all the front companies that KBL acquired for us and for which they opened countless bank accounts, they knew what activities we intended for BSL through its account as opened with KBL. Secondly, the modus operandi deployed and the paperwork to regulate the same was originated by the Bank and adopted by Armscor on the advice of KBL. Thirdly, that KBL knew that our sanctions busting activities were illegal and linked to activities in South Africa involving crimes against humanity.

In the circumstances described above, my attention has been focused upon the interpretation of the KBL role in its dealings with BSL and the numerous other companies through which we conducted our activities. As a professional man, I understand the separate legal entity status of a corporate body, additionally the obligations in law that reside with Officers and Bankers for corporate entities to safeguard such entities when it comes to conducting their activities within the law as

opposed to engaging in illegal activities. I also understand the concept in law of that which is known as fiduciary duty and how it should be discharged.

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In the case of BSL, I realize that, at the point in time during the meeting that took place involving Dick, Daniel Loubier and JP, when Dick accepted the account opening application and opened an account for BSL allocating the account number as recorded on our software programme, that BSL then became a customer of the Bank with the Bank becoming bound by its Banker and Customer fiduciary duty in law.

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I can also see more clearly now how in that context, KBL through its Manager was quickly offside in law in that it advised and procured the take up by JP as the Director of BSL of the Bank's form of Power of Attorney with its absolute delegated mandate authority in favour of Armscor personnel for controlling activities that the Bank knew by reason of its vantage point in its dealings with its special customer Armscor involved Sanctions Busting and Money Laundering.

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Irrespective that the share ownership of BSL remained as it was before the account opening at KBL, further that JP remained the Director thereof, KBL and Armscor declined to provide JP and his business with any information about the BSL account at KBL and in subsequent investigations and proceedings, the commission agent role and relationship has been denied and subjected to obfuscation.

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The channel activities which JP and his business colleagues persuaded the Portuguese Generals to allow through their Country proved to be extremely effective in relation to supplies not just under the Adenia project but also under other similarly sensitive projects enabling the sanctions busting that took place and the associated money laundering.

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I eventually left Armscor Paris in May 1990 leaving the employ of Armscor shortly thereafter. My decision in that respect reflected my anxiety about participating in such activities given the way in which matters had moved on the Political front. I nevertheless kept in touch with Armscor affairs via friends and colleagues who remained at Armscor some of whom are still there to this day.

In making this further statement, I do so from knowledge of which I am directly possessed and furthermore where not directly possessing such knowledge, on the basis that I verily believe information and advices which have been brought to my attention in the circumstances referred to herein.

This further statement is made this _____ day of April 2006 and signed by me of my own free will and having had opportunity of taking independent professional advice hereon.

Signed by Martin Steynberg
in the presence of