

31. On 1st April 2008, officers from the Ministry of Defence Police and the SFO, as part of the SFO investigation into BAE's activities in Eastern Europe, executed a search warrant at UK premises associated with Ali Mensdorff-Pouilly, another BAE agent. During the search a CD was uplifted which, upon examination included a document dated 13th May 2005 recounting a meeting between Mark Cliff (financial adviser liaising between BAE and Mr Mensdorff Pouilly and author of the document) and BAE employees Neils Petersen and David White. Neils Petersen is Director of Marketing Operations for BAE, and David White is a marketing manager for Eastern Europe. During that meeting the BAE employees asked Mark Cliff whether he could help with distributing \$10,000,000 to "a South African individual" between July and September 2005 (Annex X). Mr Cliff stated that any such transaction was likely to cost over \$2,000,000 (20% of the transaction value). Mr Petersen stated that their other option was "to pay in country (39% tax rate)".
32. An email recovered from one of the computers seized at the same premises has confirmed that the "South African individual" referred to above is Fana Hlongwane (Annex Y). BAE have not disclosed the existence of this meeting in the documents they provided to us relating to Hlongwane Consulting.
33. On 28th and 29th May 2008 the SFO interviewed Mark Cliff under caution. He stated that he was approached by BAE to effect the transfer of \$10,000,000 to Mr Hlongwane. He was asked by BAE to contact a Swiss-

based fiduciary called Privexia, but was told not to mention the name of
Mr Hlongwane (a Privexia business card was found amongst the
documentation disclosed by BAE relating to Mr Hlongwane, which I
attach at Annex Z). BAE then transferred \$5,000,000 in late 2005 into an
account in the name of Valurex International SA (one of the companies
contracting with BAE for services provided by Ali Mensdorff-Pouilly for
services relating to Eastern Europe). Mr Cliff was then due to transfer the
£5,000,000 to Privexia for onward transmission to Mr Hlongwane.
However, Mr Cliff wanted assurance from Privexia and/or BAE that the
money would ultimately be paid to Mr Hlongwane. Neither Privexia nor
BAE would provide this information, and the money remains in the
Valurex account to date.

34. I am very suspicious about the way in which this payment was proposed to
be made. In 2005 Hlongwane Consulting still retained an ongoing
consultancy agreement with BAE. There appears to be no legitimate
reason for routing payments via unrelated third parties.

CONCLUSION

35. I believe that the varied ways in which Mr Hlongwane has received
payments in relation to the Hawk/Gripen contract is highly suspicious. I
also believe that there may be further payments which thus far the SFO is
yet to identify.