

**Report**  
**Investigation into Armscor Front Companies**  
**For the Attention of: Hennie Van Vuuren**  
**By: Paul Holden**  
**April 2014**

## *Introduction*

This interim report gives a brief report on the findings of an investigation undertaken by the researcher, Paul Holden, into companies alleged to have formed a web of front companies used by Armscor to undertake sanctions-busting activities. The report is split into four sections: a brief background; a description of the research procedures undertaken; a discussion of the results of the research including general observations; and a final section identifying potential research leads.

Note that this report should be treated as an interim as research into companies based in Liberia has not yet been completed. Researchers from Global Witness are attempting to access this information contemporaneously. It is hoped that the requisite documentation will be acquired in the course of April 2014, after which the research findings will be integrated into a final report.

## *Background*

It is widely acknowledged that the South Africa state arms manufacturer, Armscor, engaged in persistent and industrialised sanctions-busting activity from at least the late 1970s onwards. At the time, South Africa was operating under a mandatory UN arms embargo. Partially as a function of the defense philosophy of Total Strategy, the apartheid state came to believe that it was necessary to establish a large and sophisticated military. This became increasingly important as South Africa became embroiled in numerous conflicts in ‘frontline states’ such as Angola and Mozambique. In order to develop such a military without the appropriate technical expertise, Armscor was tasked with secretly purchasing weapons systems and technology, as well as negotiating maintenance and upgrade contracts, with foreign suppliers.

Documents provided to Hennie Van Vuuren in 2013 provided an insight into the manner in which Armscor undertook these transactions, and, in particular, the web of companies, mostly located in the secrecy jurisdictions of Panama and Liberia, used to illicitly purchase weapons and services from overseas suppliers. Affidavits provided to support the court appeal of a weapons broker who has pursued the non-payment of brokerage fees indicate that Armscor made use of a sophisticated and industrialised system of banking and corporate management. Operational control was wielded out of South Africa’s Paris Embassy, while banking largely took place in Luxembourg with the assistance of the bank Krediet Bank Luxembourg (KBL).

Included in documents provided to Hennie Van Vuuren as part of the broker’s legal challenge are numerous lists of companies that Armscor either purchased services from or were set up as fronts from Armscor itself. The companies were largely formed in Panama and Liberia, although companies registered in South Africa, the Czech Republic, Singapore, and Guernsey also appear.

In November 2013, the lists of companies utilized by Armscor was provided to the author of this report by Hennie Van Vuuren in order to undertake further research into the companies. The primary aim of this research was to confirm that the companies listed did, indeed, exist, and appear to share some sort of relationship. Additionally, it was hoped that documents filed by these companies would provide proof of their relationship to Armscor. Lastly, it was hoped that, by gathering material related to these companies, especially those documents located in official company registers, it may be possible to generate new research leads.

### *Research Procedures Undertaken*

Research into the material provided involved three phases.

In the first phase, a preliminary search of all companies was conducted using online tools including company registries that are often not available to the general public. The search was undertaken to verify the online presence of the companies. The search also sought to locate companies for whom there was little jurisdictional information.

In the second phase, company registers were accessed for all companies identified. Where possible, all company documents were accessed, downloaded and organized. Unfortunately, due to the fact that most companies were registered in secrecy jurisdictions, it was only possible to access detailed material for companies registered in Panama.

Finally, all company register information was collated into an Excel spreadsheet. Additional searches were conducted on prevailing directors, while any anomalies and points of interest were noted.

### *Results and General Observations*

The research was, first, able to identify and locate companies whose jurisdiction was previously unknown. These were largely located in Panama. However, ten companies could not be identified through traditional searches at all. As such, their existence and jurisdictions could not be confirmed. These companies are:

1. ADS-Paris (although it is assumed this company is based in France, no company by this name could be found)
2. ANDCO
3. Basken Marine Technologies
4. Edec Teknika
5. Exel Aero Tech
6. Gitrex Systems Inc
7. Honos Import Export Company
8. Transatlantic Shipping and Finance Co
9. Kormaquip
10. Omsa Limited

The following companies, whose jurisdiction was not confirmed in the legal documents provided, were successfully located and confirmed to reside in the following jurisdictions:

1. Aviaquip CC (Australia)
2. Pragent Ltd (Czech Republic)
3. Gerardo CM Forsthuber (Argentina)
4. Agon Consulting (Panama)
5. Bookuk Co Ltd (Panama)
6. Bronzec SA (Panama)
7. Gloria Management Inc (Panama – as subscriber in Lowfield Developments)

One company identified as located in Panama could not be located:

## 1. Ziline Enterprises Inc.

However, the original microfiche copies of the remaining 37 companies registered in Panama were successfully located, downloaded and analysed. From this information, the following general observations can be made.

First, while companies were formed in Panama as early as 1978, the majority of the companies were formed in the late 1980s and early 1990s. This is shown in the table below.

Year	Number of companies registered
1978	1
1979	1
1982	1
1983	2
1987	10
1988	7
1990	4
1991	9

Second, most companies were dissolved in the 1990s, with the majority closed by 1994. Only a handful of companies remained registered until 1995. This strongly suggests the companies, as a totality, were specifically established to undertake secret transactions, and were universally closed down, either due to necessity or as a method of evading detection, once the apartheid regime was overthrown.

Year	Number of companies dissolved
1984	1
1988	1
1989	6
1990	4
1991	7
1992	2
1993	4
1994	1
1995	7
1999	1

It should be noted that only one company remained operative in Panama after 1995: Lowfield Development Inc. In 1995, at the time other companies were being dissolved, the directors of Lowfield Development Inc were changed from set of company formation agents to another set (the second set of directors became notorious for being sham directors, especially Philip Croshaw, who was named as one member of the infamous 'Sark Lark'). This could suggest that either the original intent of the company remained the same, but the managing company was changed either to retain secrecy or for other administrative reasons. It may also suggest that the company was repurposed as a shelf company for use by a second company formation agent. However, considering the risk involved in inheriting a prior company in terms of legal exposure makes the second option unlikely.

Third, it appears that most of the companies were formed using well-known company formation agents. Indeed, only a single Panamanian company did not include well-known

company formation agents as their nominee directors (Tecla Engineering Corporation). This company is discussed in more detail below.

Company formation agents act as the ‘cover’ for individuals looking to establish companies without leaving registration fingerprints, and often offer a package of company management services ranging from formation to submitting annual financial returns. The company formation agents will most often also serve as nominee directors, with the powers associated with directors in that given jurisdiction. This prevents the ‘true’ owner from having to be associated with directorial decisions. However, as nominee directors, the individuals appointed would typically be held to a legal agreement signed in the jurisdiction in which the company formation agent operates (usually different to the offshore country in which they form companies) that provides that nominee directors can only perform functions with the express instruction of the ‘true’ owners and clients of the company formation agents. This can be supplemented by power of attorney documents that give banking facility access to non-directors in a manner that hides their involvement in the company in its filings.

Based on the documents perused, it appears that Armscor made extensive use of company formation agents, in particular four (addressed below) based in Luxembourg. It is unclear whether the agents formed the companies associated with Armscor as shelf companies to be sold to the first bidder, or were set up at Armscor’s behest as was needed (some agents keep rosters of companies on their books that can be quickly sold to new clients). Considering that the companies were formed in batches, but not in batches significant enough to generate any practicable savings, the safest inference would be that they were formed at Armscor’s behest and potentially for very specific transactions.

A large portion of the companies were formed by the directors Fernando Dondelinger, Edmond Ries, Marc Mackel and, when Dondelinger retired, Marc Lamesch. All four directors appear in hundreds of companies registered in Luxembourg, Panama and other secrecy jurisdictions. They also all provide the same physical address in the company formation and closure documents: 11 Boulevard du Prince Henri, Luxembourg. A search for this address suggests that the companies may have been registered by a company by the name of Socgen Finance.

The following well-known nominee directors were responsible for the formation of the following number of companies:

Directors	Number of companies formed and administered
Rosemary Minns, Ruben Quiros, Edgardo Eloy Diaz	2
Pablo Javier Espino, Adelina de Estribi, Aida May Biggs	3
Fernando Dondelinger, Edmond Ries, Marc Mackel and Marc Lamesch	1
Iquin Palomino, Eduardo Domingez, Elida De Cohen	27

Fourth, and as result of the wide-use of nominee directors, it was not possible to extract any useful company information regarding true ownership, and especially a connection to Armscor. However, it should be noted that the widespread use of company formation agents, and in particular one set of agents based in Luxembourg (where Armscor conducted the majority of its sanction-busting banking), speaks to a pattern of behaviour designed to

achieve the greatest level of secrecy in corporate affairs, as well as a highly organised and systematic approach to achieving this aim. It is clear from the documents that Armscor relied largely on a trusted set of agents – Ries, Mackel et al. – based in Panama to undertake all the necessary corporate filings over a considerable period of time. These company formation agents, in turn, relied on the active support of Panamanian agents who would physically submit documents in Panama, additionally witnessing documents where necessary. By doing so, Armscor was able to insulate itself from any sort of connection being established via interrogation of the company registry.

Fifth, the lifetime of the companies was relatively short (an average of four years). In addition, at least 13 companies appeared to have been formed in batches, and dissolved in batches. This strongly suggests that the companies were formed to jointly take part of a related set of transactions. Considering the average time-frame of defence contracts, it is possible that suggests that the companies may have been formed to undertake specific, well-defined transactions, and were closed once these had been completed. The following companies were formed and (at times) dissolved at the same time:

Date Formed	Companies
16 March 1987	Meduway Inc; Unigate Wonder Inc; Tolwood Inc; Lowfield Development Inc; Hi-Mets Tapes Inc
21 June 1988	Tradale Investments; Drymale Services Inc; Beralda Company Inc
13 March 1991	Cedok Holdings SA; Zinwald Inc; Warrington Inc; Remter Holdings

Lastly, the majority of those companies formed outside of Panama appear to have been suppliers. This is especially true of two companies based in Singapore, which were listed as being an aerospace export and oil extraction company respectively.

### *Further Investigations*

Due to the systematic nature of the attempt to secure the greatest level of secrecy, the research only uncovered a handful of leads that can be followed up.

First, it was noted that, in the dissolution proceedings for Helvetraction Inc (the earliest company formed), power of attorney over the banking of the company would be withdrawn from one AA Ligtenberg. This is the only instance in the entirety of companies researched that it was indicated that control over the banking of the company resided outside of the company itself. It would be useful to attempt to establish, if at all possible, the identity of AA Ligtenberg. If Ligtenberg was once an employee of Armscor, or a related entity, it would help to prove the Panamanian companies were formed specifically to shield Armscor from investigation.

Second, one company was formed without the use of nominee directors: Tecla Engineering Corp. The directors for this company included George Marneweck, Donald Edgar Macmillan and Johann Colyn. Research into these directors found that George Marneweck remains active as a corporate trainer and consultant in South Africa with a company by the name of Growth in Motion. Marneweck's online biography, which was tabulated against his LinkedIn

profile, confirmed that Marneweck worked for Old Mutual at roughly the time the company was formed. He later worked for Armscor, in particular Project Nimrod. This suggests that Marneweck may be interesting to contact to discuss the formation of this company and his knowledge of the broader system.

Finally, the directors of Glamis Management SA were different at the date of dissolution and date of formation. One director, Michel Rethoret, is a relatively well-known figure in Swiss financial services. It may be useful to contact Rethoret, who may be willing to speak due to his high public profile.