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CROWN OFFICE AND PROCURATOR FISCAL SERVICE

NEWS RELEASE

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CROWN SECURES RECORD £13.9M AS WEIR GROUP CONVICTED OF PAYING KICKBACKS FOR IRAQ CONTRACTS

The Crown Office has secured £13.9 million under Proceeds of Crime legislation after a Scottish engineering company pled guilty to paying 'kickbacks' in return for contracts from Saddam Hussein's government.

The confiscation order, made against Glasgow-based Weir Group Plc, is the biggest ever made by a Scottish court.

At the High Court in Edinburgh today, the company was also fined £3 million after pleading guilty to paying more than £3m in 'kickbacks', in contravention of UN sanctions against Iraq, through a Swiss bank account.

The Weir Group also admitted facilitating the payment of kickbacks by paying a fee of more than £1.4 m to their agent, an Iraqi national, to the same Swiss bank account. The agent made the payments to the Iraqi government on behalf of Weir.

The kickbacks were paid to the Iraqi Government from funds in the UN's Oil for Food Programme, which should have been used for humanitarian purposes. An Independent Inquiry Committee set up by the UN has estimated that, in total, about US \$1.5 billion that could have been used to ease the suffering of the Iraqi people was paid as kickbacks to Saddam Hussein's government.

The Lord Advocate, the Right Honourable Elish Angiolini QC, said:

"This case represents the biggest single confiscation order made so far in Scotland using the Proceeds of Crime legislation. It is the result of a highly successful collaboration between National Casework Division of the Crown Office and Procurator Fiscal Service, Strathclyde Police and the Serious Fraud

Office. In this year alone we have recovered over £24 million, a record amount under the Proceeds of Crime legislation.

"The Crown Office and Procurator Fiscal Service will continue to use the POCA legislation to ensure that unlawfully obtained assets are recovered and businesses get the message that financial crime does not pay."

George Hamilton, Assistant Chief Constable, Strathclyde Police said:

"This has been a long running and complex investigation. Our officers had to sift through a large volume of information and undertake interviews and recover evidence from across the UK and a number of other jurisdictions around the world. Enquiries such as this present investigative and logistical challenges but in the face of this the police, Crown and SFO teams working on the case were determined to establish the facts. I am pleased to see the successful conclusion of those efforts in today's ruling by the court.

"Today's result marks a successful end to the investigation and is a testament to the hard work and dedication of the officers and colleagues in the Crown Office and Serious Fraud Office.

"Just because this case involves a large company does not mean that they are above the law. I sincerely hope that today's result serves as a warning to other companies who may be tempted to think that they can break the law and get away with it. Strathclyde Police will robustly pursue such criminality with all the powers provided under the Proceeds of Crime Act."

Ends

Notes to editors:

1. UN sanctions were imposed on Iraq following the invasion of Kuwait in 1990. In 1996, the UN set up an Oil for Food programme to allow the Iraqi government to sell oil in order to buy humanitarian supplies. Subsidiary companies of Weir entered a number of contracts to supply goods to Iraqi public bodies during the Oil for Food Programme. These contracts were for the supply of spare parts for pumps for Iraq's drinking water and oil infrastructures. These items were essentials and were permitted to be supplied during the Programme.

2. In 2000, all Iraqi Ministries were instructed by the Revolutionary Command Council, chaired by President Saddam Hussein, that suppliers required to pay a 10% kickback to the Iraqi government in order to secure contracts. The supplier was to claim an inflated price from UN-controlled funds, keep the true price of the contract and pay 10% back to the Iraqi government.

3. Weir Group companies secured 16 contracts for which they were paid £34,340,204 by paying kickbacks of £3,104,527. The confiscation order has been granted for £13,945,962. This includes Weir's gross profit of £9, 414,283 from the contracts - plus the kickback of £3,104,527 and the fee of £1,427,152 paid to Weir's agent in Iraq.

4. The COPFS National Casework Division deals with the confiscation of proceeds of crime following conviction. NCD works together with the Civil Recovery Unit, and law enforcement agencies, to identify and recover the proceeds of crime.

5. A Confiscation Order is an order made by the court following criminal conviction, to pay a fixed sum of money from the proceeds of crime. An application for confiscation is one of the tools at the disposal of the Crown under the Proceeds of Crime Act 2002 and Proceeds of Crime (Scotland) Act 1995.

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