

## Company relied on foreign assistance: British brokers insured shipments from the UK to a number of countries from where the goods were shipped to Iran

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ONE OF Britain's best known law firms, three of its most respected insurance brokers, and several banks, were among the professional advisers retained by Allivane.

Allivane was founded in 1982 by Jim Guerin, former head of the American arms firm International Signal and Control, and one of his employees, Terence Byrne Jnr. Guerin was jailed earlier this year for 15 years after being convicted of fraud and illegal arms trafficking.

Allivane supplied a network which exported ammunition components made in the UK, through Portugal, to Iran. The company's first registered office was at the central London address of the law firm Wright, Webb and Syrett.

From its inception to its demise in 1988, Allivane - later known as Aerotechnologies - instructed Kevin Bays, a solicitor, who in April 1988 became director of an associated company, Allivane Holdings Limited, also registered the office of Wright, Webb and Syrett. Mr Bays declined to comment. There is no evidence to indicate that he knew of the illegal shipments.

In May 1988, Mr Bays received an urgent note from Alex MacDonald, Allivane's financial director. It described a threat from a former employee at its London office, who had been sacked as a cost-cutting measure and was threatening to 'expose everything about the company, Spain, and all its dealings'.

The company had already been in financial crisis for several months. In January, 1988, several months before Allivane publicly acknowledged its insolvency, Mr Bays' firm was dealing with proceedings brought by angry creditors whom the company was unable to pay.

By June 1988, the company was operating with a considerable deficit. It had become financially dependent on a Spanish arms manufacturer, Forex, which chose to advance funds to Allivane through Wright, Webb and Syrett.

Allivane had been reliant on foreign financial assistance since 1987, when Lagan Investments, a Panamanian-registered company with Spanish interests, agreed to lend Allivane pounds 1.25m. Mr Bays was a witness to the agreement.

The Spanish connection goes back to the earliest days of the company.

When it was finally wound up in 1992, the only two directors were Spaniards. By then, the key members of the company had resigned or been fired.

A number of leading British brokers provided the company's exports with insurance cover. These firms insured shipments from the United Kingdom to a number of countries from where goods were shipped to Iran.

One of Allivane's brokers, Paul White, who was then working for the City insurance brokers Norman Butcher Jones, said he had no knowledge that Allivane was supplying parts destined for Iran. A second broker, Harrington Austin, has since ceased trading under that name.

These insurers were dealing just with Allivane as a UK exporter. A leading firm of Lloyd's brokers, Lloyd Thomson, was providing insurance services to Apremont, which managed the network which supplied Iran from early 1987. Apremont, a Panamanian-registered company, was closely associated with the French arms manufacturer Luchaire. Apremont governed the sub-contractors of this Iranian contract. Allivane was listed as one sub-contractor and allocated 17.4 per cent of the dollars 93m deal for 150,000 rounds of ammunition. The components supplied from the UK were shipped to Portugal for assembly and then to Iran.

'We obviously had some involvement as insurance brokers,' a spokesman for Lloyd Thomson said, but was unable to comment further.

The Bank of Credit and Commerce International held several Allivane accounts. The company signed over two letters of credit generated by this Iranian contract in 1987 to BCCI against debts. It also had accounts at the Midland Bank, and with the Spanish bank, Banco Exterior.

In April 1989, Banco Exterior took the company into administrative receivership. Allivane's sponsors had given up on the company and stopped underwriting its debt. BDO Binder Hamlyn, the company's receivers, observed that the company owed pounds 8,750,695. Most of this debt was a result of Iran's refusal to honour its financial commitments to the European arms producers after the discovery that some of the shells they had supplied were sub-standard.

But the precise circumstances of Allivane's financial collapse remain obscure. The company's accountants, Deloitte Haskins and Sells, had been forced to qualify its audit for the year to April 1988. When it compiled the account in 1989 it warned that it could not, with any accuracy, determine either its assets or liabilities.

In 1988, Allivane's own accountant noted that 'substantial 'commission' has been paid with no supporting documentation'. It is not clear who received these payments.

(Photograph omitted)