

AFFIDAVIT

I, the undersigned **HEIKO FRANZ ARJES** do hereby make oath and say that the background for my decision to offer evidence in the Tlais matter is as follows:

1. I have worked in the cigarette industry on and off for the past 10 years. For the past 5 years I have worked with Philip Morris Brand Integrity to track and locate smuggled and counterfeit goods.

I have worked with the Gallaher export department on various projects over the past two and a half years. The people I have come into regular contact with are Richard Johnson, Nick Ganker, Tassos Sitsas and Raj Goel. In addition to the regular contact with Gallaher staff I was also asked by Slaughter and May whether I was interested in acting as an industry expert in the case and met with Mark Hughes and Sam Coulthard in November of 2006 to discuss this.

It was the meeting at Slaughter and May and regular conversations I had with Raj Goel about Tlais which as an industry insider prompted my more detailed interest in the case.

During my discussions with Mr Hughes and Mr Coulthard at the London offices of Slaughter and May I stated that it was my opinion that major cigarette manufacturers have in the past made their products available for export in volumes and in a style of packaging that facilitated the transit and or sale of these goods into markets whereby payment of official duties was avoided entirely or at least greatly reduced.

I especially highlighted the fact that it was my opinion that Imperial Tobacco and Gallaher had conducted these kind of sales in order to strengthen their position in key markets namely the supply of goods that were specifically in demand for the United Kingdom.

My direct experience with Gallaher confirmed that they were still more interested in pursuing transit, non duty paid business than the other manufacturers who had cleaned up their act. I did not feel comfortable presenting a picture of the industry that was untrue especially in the light of my direct experiences with Gallaher.

After our meeting I had no further contact with Slaughter and May.

2. Guinea / Sierra Leone

I was contacted by Richard Johnson (RJ) in June of 2005 to see whether I was in a position to assist Gallaher with a problem they were having with their distributor in Guinea and Sierra Leone. I met with him at Gallaher offices Switzerland on the 12th of July 2005.

He stated that they were having complications with their distributor in Guinea who was also responsible for supplying many of the neighbouring markets



including Sierra Leone. He explained that he was aware that I had been responsible for the launch and setting up of the distribution infrastructures in both markets for a brand called Gold Seal. According to RJ, Gallaher had run out of patience with their current distributor and were interested in relaunching their brands through other partners into the markets in question.

I was asked whether I was interested in looking into helping Gallaher restructure the imports into Guinea and Sierra Leone through my existing business contacts. I agreed to look into the matter and report back.

My initial goal was to understand why Gallaher performance had been poor despite the large volumes that were shipped to the area by Gallaher and to propose a top line resolution that could be affected immediately as RJ had mentioned that time was of the essence. I subsequently visited Guinea and Sierra Leone on at least 5 separate occasions over the next 4 months to meet with potential alternative distributors and to understand more clearly what was required to relaunch the brands. It was my opinion that years of under investment by the manufacturer, two substantial price increases within a year of Gallaher taking over Austria Tabac and dealings with an inactive and uninterested regional distributor had resulted in the situation. In addition I was shown evidence that Austria Tabac had been paying the CEO of Sadio & Freres commissions into offshore accounts which caused friction between the other investors in the business.

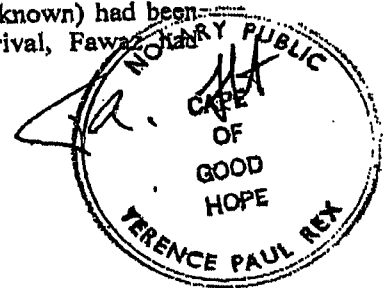
I contacted two leading cigarette distributors, one in Guinea and one in Sierra Leone, who both were interested in distributing the Gallaher brands. Both companies proposed marketing strategies and gave projections which showed a substantial increase in potential sales if proper distribution and marketing practices were put in place.

Both companies made it very clear they would only do so under following conditions:

- Gallaher must provide clear legal documentation showing that both companies have the right to distribute the Gallaher brands into the proposed market.
- Gallaher must provide letters of appointment.
- Both companies required evidence that the current distributor would accept the new terms

I reported back to senior management at Gallaher and several meetings took place in the UK and in South Africa. During these meetings I was assured that Gallaher legal was in the process of putting both proposed companies through due diligence and that they would be appointing legal representation in Guinea to sever links with their current distributor. As the situation in Sierra Leone was clearer and required less involvement a letter of appointment was duly given to the company in Freetown.

Despite assurances that the appointed distributor would have full control of all Gallaher brands I was subsequently made aware on one of our trips that an ex Gallaher employee by the name of Fawaz (other names unknown) had been doing some investigation in the region prior to my arrival, Fawaz had

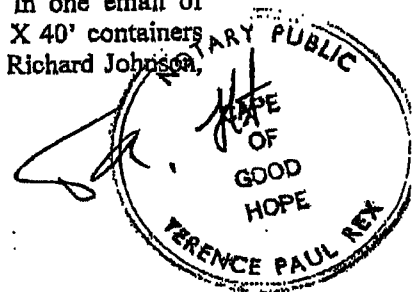


recommended a certain Marwan and his associates in Freetown to distribute some or all of the brands. At a later stage it became apparent that they had indeed signed a distribution agreement for LD which was a very important brand in the portfolio of the distributor I had brought to the table. I was at the time told to not rock the boat by Raj Goel as we had been given verbal confirmation that many more markets were available to us. He told me at the time that Gallaher felt they owed Fawaz a favour. When I asked him to explain I pointed out a very important issue in our strategy to gain market share quickly. My distributor was selling Gold Seal the number one brand in the country at the time and we had always discussed with him that it was Gallaher's wish that as LD became established that he replace Gold Seal with LD. Raj told me that he had told senior management exactly that but their reaction was that Fawaz needed a piece of the action.

At the beginning of November I was again in Freetown on a research trip with a member of Gallaher management. We travelled by road to Conakry where a meeting was set up with Tassos Sitsas, who at the time was Director for Africa and South America. He was in Conakry with a Gallaher legal representative and I was assured all necessary procedures to end the existing contracts were being undertaken. I was also introduced to the regional distributor who was vague in discussing details with the new Sierra Leonean distributor who had come with us for the meetings. The purpose of the trip was to satisfy one of our requirements whereby the existing distributor accepts the appointment of new partners.

It was also during this period that we had intensified our research into the overall market for Ronson. In my role as Brand Integrity with Philip Morris we had in the past managed to get some statistics pertaining to importation from port authorities. I again approached my informants in the port and the discussions clearly showed that at that specific time at least 25% of the total volume of Ronson received in Conakry port was in fact re-exported to destinations such as a bonded warehouse in the Netherlands and Constanza in Rumania. Furthermore informants claimed that among the goods being re-exported were very substantial numbers of cigarettes that did not carry Guinean health warnings but in their own words were in English. I clearly communicated these findings to Raj Goel and Tassos Sitsas in writing.

It was suggested several times by Gallaher senior management that should the Guinean regional distributor not cooperate as required that the demand for Ronson in Guinea could be supplied into the markets through Sierra Leone. The traditional route for cigarettes had always been through Guinea into Sierra Leone due to the lower duty structure in Guinea but Gallaher management was keen to explore reversing the routing. I clearly indicated at the time that the only way to make product available at key Sierra Leonean / Guinean border crossings was to reduce the price of the landed product. The intention of this was to bypass their existing Guinean distributor and teach him a lesson that the business could still be done without his involvement. This was documented in various emails with Gallaher Switzerland. In one email of October 2005 Antonina Kuznetsov wrote suggesting that 6 X 40' containers be delivered to Sierra Leone copying in Irina Pashentseva, Richard Johnson,



Denise Lay, Tassos Sitsas and Charlotte Fouda. This despite reports from Gallaher consultants and me that showed the Sierra Leonean demand for Ronson was 500 cases/month.

At the end of October 2005 the first invoice was issued (DOC No BSBSL1) for Ronson cigarettes delivery Sierra Leone new importer.

In November 2005, after the meetings in Conakry, the existing Guinean distributor again arrived in Freetown and with unconventional bully boy tactics convinced the new Sierra Leonean distributor to not accept any orders. Various promises were made to compensate efforts and expenses but with no subsequent action.

Gallaher at this stage met me and explained that they were not in a position to cancel the contract for Guinea due to laws they had not properly understood and that in effect safeguarded the Guinean distributors existing position. Gallaher at the time asked for the sake of their bigger picture to step back and let things remain as they were. They also confirmed that their existing distributor had with my help been severely shaken by the possibility of losing his distributorship in some areas and that he had been placing substantial orders and in fact paying for them.

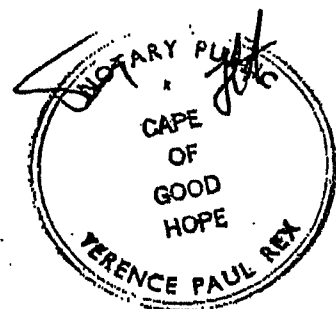
In the end we were asked for the good of Gallaher's existing business to take a step back. It was agreed under the understanding that some compensation would be forthcoming for 7 months of utter and complete time wasting from my side, USD60,000 worth of expenses and the fact that long standing existing relationships in the region had suffered irreparable damage.

Raj Goel at the time apologised for the whole affair blaming Tassos Sitsas and Richard Johnson. He remarked that he wasn't quite sure which one of the two was the bigger incompetent Idiot but assured me we would develop business elsewhere and not to worry about Tassos as he would soon be moved to a project where he could do less damage. This indeed happened not long thereafter.

3. Libya

During the summer of 2006 I was approached by a business contact who asked whether there was any chance of speaking to Gallaher about the possibilities of developing any business in Libya.

During one of our meetings in London I gave Raj Goel a short but detailed history of the group in question, naming Edwin Cotran and the company Metco based in Cyprus, and indicated that they were very interested in developing a new brand into Libya and Algeria. Raj assured me that the importation and distribution rights for Libya and Algeria for Gallaher products were available and that if indeed the company in question was suitable that we could progress the matter.



During several further meetings in London with Raj I explained that Metco although willing to work with the Libyan state distribution company for some of the product would only progress the issue if Gallaher would supply the bulk of the product to either Togo or Benin from where the goods could be transported into southern Libya via Niger. This route is well known to cigarette insiders and has for as long as I can remember been used to supply substantial volumes of cigarettes into the Libyan market.

Raj agreed that this would not be an issue as long as some goods were supplied via what we called the front door i.e. through the official Libyan Government channels.

It was agreed that I contact Metco and ask them to prepare a business plan for the project and that as soon as this was ready a meeting in London would be arranged between Gallaher and them.

Edwin Cotran and myself in November 2006. The meeting was held outside of the Gallaher offices at a Loch Fyne restaurant in the Surrey area. It was intended to have a further partner of Edwin's present at the meeting namely Karl Raphael. Karl was responsible for the data that was put together in the business plan presented to Gallaher at the meeting. Gallaher was kind enough to forward letters of invitation to him so he could get a UK visa to attend the meeting but he was not able to secure the visa in time and we took the decision to proceed without him rather than wait any longer.

The meeting was most disappointing as Raj seemed uninterested in getting into any great detail regarding the potential to develop the market. He did though promise to forward paperwork to Edwin the following Monday so that the process to appoint them importer distributor could get started. Raj had by this time been furnished with details of a Libyan company that would act as the importer.

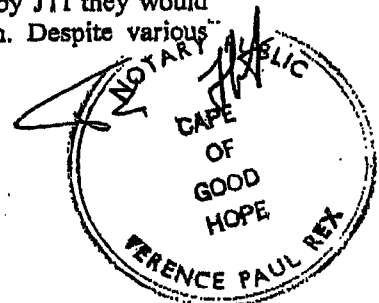
Despite various reminders no paperwork was forthcoming. On the 4th December I was informed by Raj that the company was not interested in pursuing the project as he stated now due to ongoing issues within the group. I was not offered any further explanation.

4. Democratic Republic of Congo / Peoples Republic of Congo

Gallaher South Africa asked me to find possible buyers or distributors for their products in various African countries. I had a relationship with one of the Philip Morris agents in Kinshasa who was possibly interested in launching a new brand.

Various meetings were held and after Gallaher had completed due diligence. Bomengo signed a distribution agreement for DRC and PRC and were subsequently issued a proforma for 15 X 40' containers of Memphis.

So far only one container was supplied. Bomengo was to draw down further stock but has been told that due to the takeover by JTI they would have to wait until JTI management contacted them. Despite various



reimbursed for expenses pertaining to transportation from the point of discharge to end destination.

It became more and more apparent that the initial business philosophy of offering customers continual regular supply was fast failing and that in fact based on Gallahers performance both from a logistical and planning perspective the operation was not going to work. An example of this is the prepayment of one container Dorchester Menthol in September 2006 and put into production planning for October 2006 was finally delivered in February 2007.

I was approached by Gallaher management as to whether it would be possible to supply Dorchester Menthol into the Nigerian market via Ghana. When I questioned why Ghana they stated that they were uncomfortable supplying it to Cotonou Benin, which is the traditional route for goods going into Nigeria when not supplied through the front door i.e. a Nigerian port, as they did not necessarily want Orionagro to be aware. Orionagro at the time was Gallahers importer into Nigeria. Subsequently it was made clear to me in meetings in the U.K. and South Africa that Gallaher were experiencing difficulties with their importer in Nigeria and that they feared a situation where the market would run out of stock. At the time Raj Goel mentioned to me that I must be sure this was 100% possible as in his own words "we are talking about 11,000 cases in one shipment".

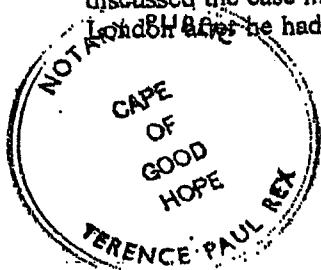
In effect the Dorchester Menthol supplied to Phoenix was produced for this purpose and meant as a trial run. The factories inability to meet deadlines or production dates was in my opinion instrumental in Gallaher not pursuing this project. It was discussed in a meeting in Joburg with Raj Goel that even if the relationship with the existing Importer returned to normal then Gallaher would be most interested in supplying 30% of the total Dorchester Menthol supply to Nigeria through a neighbouring market, preferably Cameroun. This if and only if a price of \$115 per case could be guaranteed. The Dorchester supplied at the time remains unsold as packaging changes occurred for the stock being delivered to Nigeria via Ghana which no one at Gallaher South Africa was aware of.

There exists extensive email communication for all matters many not detailed here. In addition Campbell freight Northern Ireland namely Darren Green and Terri Broadhurst, are in a position to confirm some of the more serious blunders.

The company was set up with the intention of running an efficient distribution of product. The operation has since closed it's doors. In addition the company has lost very substantial sums in expenses and other costs incurred.

6. Meetings Raj

I was aware of Raj Goels appointment as industry expert in the Tlais case. We discussed the case most times when we met which usually occurred in central London after he had left Slaughter and Mays offices and took a Taxi to meet



Handwritten signature and initials, possibly "S" and "JA", in black ink.

me for dinner in either Knightsbridge where I stayed at the Jumeirah Carlton Tower or somewhere in the center of town closer to the offices of Slaughter and May. His preferred venue was Bar One in Leicester square. Raj during this time frequently had a Taxi company collect him for the return journey to Dorking after our meetings rather than take a train home which he usually did. He commented that his expense account was most generous as long as he was seconded to the legal project.

He also informed me that his ability to deal with Gallaher business issues was somewhat restricted due to the large proportion of his time that was spent at the offices of Slaughter and May preparing for his evidence at the trial. He assured me that he would though do his utmost to prioritise his available time to the distribution agreement in the DRC and the ongoing problems in Ghana caused by Gallaher.

During one meeting for lunch at the Jumeirah Carlton Tower Rib Room restaurant he arrived in the best of moods and proceeded to "dump" a large book like object on the table and say in a most jovial tone "I'm finished" this is worth a million to me. In fact I have already been offered a million for this thing. He offered that I have a look at the substantial and bound document and I did open it and glance at a few pages.

During Raj's secondment to the trial I was not aware that his involvement in the day to day management was restricted as we communicated regularly over Gallaher issues both on the phone, in meetings and by email.

7. Volumes ex Factory Johannesburg

A Duty Free shiphandler located in Cape Town Harbour who was an authorised agent for Gallaher exported approx. 12 containers of mixed goods including Ronson and Mayfair over a 4 month period. The goods were supplied to them in their warehouse in Cape Town. Although some goods were supplied to visiting ships the vast bulk of the goods were exported directly to Bonded warehouses in Holland and some goods were shipped directly to Bar Montenegro. I have seen copies of the B/L's.

My own discussions with the company in question at the time revealed that they were placed under pressure by Richard Johnson to take as they put it "big quantities". The companies I was consulting for at the time were offered similar volumes but I advised them to decline the offer. The reason for this was that I knew that volumes of this nature could only end up in one place and that was on the parallel market.

Indeed this was confirmed several months later when Gallaher was informed that "many containers" of Ronson were appearing in Bar. The company in question was red carded at the time when the arrival of the goods became public knowledge.

In discussions at the time with the company in question they let me know of their absolute disgust at getting a red card when as they put it they had only been doing what Gallaher had asked them to do.

I was informed by various Gallaher personnel towards the middle of 2006 that Richard Johnson was being transferred to a new role in the U.K. dealing with the domestic market. The factory in Johannesburg had had a disastrous launch of brands into the domestic South African markets. I was told at the time that



it was extremely important to show some turn around in the factories profitability. Raj Goel mentioned to me that the factory had lost USD11.5 million in one year. This was I was told the reason for the "pump the volume" mentality.

It was also at this time that LD, one of the brands that the company had high hopes for in the Domestic South African market was being seized by South African customs whilst being transited back into South Africa. According to information supplied to myself goods had been exported to Zambia and the Eastern DRC in volumes that far exceeded any demand in those markets. In my opinion goods were in effect being sent back to South Africa on a non duty paid basis.

I visited various markets in and around Cape Town during the first half of 2007 that sold non duty paid cigarettes. Most Gallaher brands including Ronson and Memphis (In standard Duty Free packaging) were available. In effect the factory in Johannesburg had continued to supply shipchandler's whose goods had leaked through the so called back door. There is no other logical explanation for these goods being available on the black market.

8. Invoicing and Documentation

Gallaher Johannesburg delivered one container of Mayfair cigarettes to Neutral Duty Free Angola. Duty Free was supplied despite no signing of ITP documents.

In addition they accepted payments from accounts that were not as per the account on the proforma.

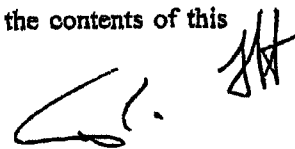
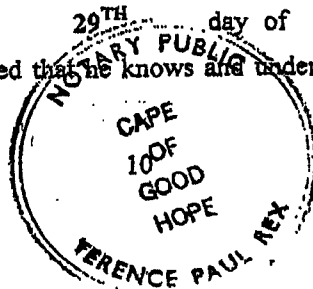
I have recently been informed by an associate that 2 of the companies who made direct transfers into Gallaher Joburg bank accounts are in fact companies that have been accorded the so called red card. At the time I was never questioned over my relationship with these entities and transacted with them in good faith.

I had no information concerning undesirable customers and always gave Gallaher accounts Joburg in advance the name of the company paying them in order that they could track the incoming payment.

My role in all of this was always as a consultant to the purchaser.

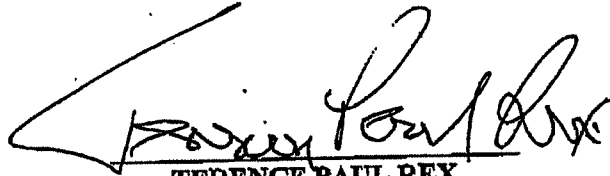

HEIKO FRANZ ARJES

SIGNED AND SWORN TO before me at WYNBERG, CAPE TOWN, REPUBLIC OF SOUTH AFRICA on this 29TH day of FEBRUARY 2008, the Deponent having acknowledged that he knows and understands the contents of this



Affidavit, has no objection to taking the prescribed oath, considers the same binding on his conscience and uttered the words "I swear that the contents of this Affidavit are true, so help me God".

QUOD ATTESTOR



TERENCE PAUL REX
NOTARY PUBLIC

