

Business

AWB Settles Iraqi Kickbacks Suit For \$35 Million

By Ray Brindal

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CANBERRA—More than four years after its involvement in the Iraqi kickbacks scandal came to light, Australian agribusiness AWB Ltd. on Monday agreed to conditionally settle an Australian lawsuit over the matter for 39.5 million Australian dollars (US\$35 million)

More than 1,000 AWB shareholders and institutions joined retired farmers John Watson and Kaye Watson in the suit in a federal court against AWB that started Feb. 10.

The class-action suit alleged AWB breached disclosure obligations by failing to inform the market that between 1999 and 2003 it paid US\$221.7 million in kickbacks to the deposed regime of Saddam Hussein. It claimed more than A\$100 million in losses after AWB's share price dropped following in inquiry.

The case was funded by IMF (Australia) Ltd., which reported it expects a pre-tax profit after costs and capitalized overheads of between A\$6 million and A\$7 million.

If the settlement is approved by the court, the suit will be dismissed without admission of liability by AWB, Chairman Peter Polson said in a statement.

"The commercially acceptable settlement was in the best interests of shareholders," he said.

The pre-tax amount of A\$39.5 million will be recorded as a one-time item in AWB's accounts for its fiscal first half year ending March 31. The settlement won't have any impact on the company's commercial operations or strategic direction, Mr. Polson said.

The suit is the final legal matter directed against AWB arising out of the United Nations oil-for-food program, which saw the company pay the kickbacks to the deposed regime of Saddam Hussein through a front company to secure wheat sales.

AWB faced a number of court actions, both in Australia and in the U.S., that have now ended over its involvement in the scandal, which formally came to light in October 2005 in a U.N. probe conducted by former chairman of the U.S. Federal Reserve Board Paul A. Volcker.

The U.N. oil-for-food program ended early in 2003 after U.S., British and Australian forces invaded Iraq. Prime Minister Kevin Rudd, who was in opposition at the time, dubbed it the 'wheat for weapons' scandal.

In mid 2008, AWB lost a long-term monopoly it held over bulk wheat exports, while the opprobrium surrounding the scandal helped to sour the public view of the then Liberal-National Coalition government, which lost office in late 2007.

AWB shares settled 9.0 cents higher at A\$1.08, about one-sixth its price of A\$6.41 just before the Cole Inquiry began in 2006.

Write to Ray Brindal at ray.brindal@dowjones.com

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