

From:	AM
TO:	CL-IB
DATE:	15 January, 2003
SUBJECT	In answer to CL's report dated 14 th January concerning the various affairs discussed at the meeting in CL's office last November, present CL-IB-AM

There are four areas that need to be sorted out, perhaps it is best to isolate these and then deal with them one by one, and I list them in no order of priority.

- I. Personal tax situation of AM since the last fiscal year when PAYE was deducted.
- II. Clarification of Mila's position.
- III. Riverdel/Strathairly, the past period during development, the present and how to deal with the running/maintenance and the future, which IB now seems to have found the answer to and which Granger Brash is dealing with on IB's instructions.
- IV. The situation between the 'Offshore' operations and the 'onshore' companies.

AM's Personal Tax: If we start with the sale of Hinton House 9 years ago, there was a capital sum of £400K (approx) paid to me from the proceeds of the sale. The remaining £400K was taken by the Natwest to secure the Lightweight Body Armour's borrowings.

The £400K was deposited with either the Natwest or the RBS Cupar branch and this was used partially to contribute to the refurbishment of Strathairly [*and no doubt I used some of the money to continue pursuing LBA Armour business.*] On this basis the money spent thus was to be used to offset rent for the house after a 3-year period when the work was finished. Between 1993 (I think) when HH was sold and 1997 (check) I was paid my salary by LBA less PAYE.

In 1996 LBA got into trouble and I decided to live off my capital and that Mila should receive an allowance from Her Capital Trust. Since then I have not received any salary but have claimed my expenses (but not all, from the LBA group). I have from time to time claimed money's from the 'Offshore' firms for 'commissions' for lack of a better description against firm contracts. As of 2003 this is still the case. In 1995 I sold my personal Rolls-Royce for £500K, these funds went into Adam & Co and again were used to pay for living expenses and for further refurbishment of Strathairly. I also used some of this money to buy a Mercedes car for £68K which I sold (traded) after 3 years for £46K against the Bentley that I currently drive.

There is an outstanding debt to me from Lightweight Body Armour Ltd for the Sri Lanka business, this currently stands at £320 +++ interest. Although I guaranteed the Natwest loans, I believe that the £320K is the liability. There is an 80-20% chance that this money will be recovered in 2003.

The current situation is that for the past 18 months I have not been living off capital and I need to draw a salary, fees, or commissions from any of the companies. Of the two onshore companies Systems and International, Systems can easily pay me a salary (if this is the most efficient way of being paid). My time is now divided between Systems and International 50-50 and International is the most expensive, however if I succeed in my present negotiations in the Mid East there will be approx 2.2 million profit in the next 18 months.

From what I understand there are areas where we need to produce records for the period, this should not be too difficult since all records are 'somewhere' in the office, it's just a matter of sorting the information into groups. Money spent on Strathairly, money received from the UK and the offshore companies as expenses and money received from the offshore companies as a 'fee' for whatever reasons.

I have now started a detailed analysis of all the files that are in the offices to identify all the relevant information for the period one year prior to the sale of Hinton until January 2003.