

Our ref : ~~AP 60~~ ^{XBT} 5 VS 12
Your ref: AP116/091

26th October 1984

The Secretary,
H.M. Treasury (AP),
Great George Street,
London SW1P 3AG

Dear Sir,

Application is hereby made by B.A.T Industries plc (BAT) on behalf of a wholly-owned subsidiary, South Western Nominees Ltd. (SW) for consent under section 482 2A 1970 to the transaction outlined under (8) below:

The information required under section 482 is as follows:

1. B.A.T Industries plc (BAT) on behalf of its wholly-owned subsidiary, South Western Nominees Ltd. (SW)
2. SW is a holding company, the business of which is to hold BAT's U.S. interests. Its activities are carried on in the UK.
3. BAT is a public company.
4. Not applicable.
5. The directors of SW, who are all resident in the UK, are:-
Messrs. P. Sheehy
G. L. Dennis
R. P. Garraway
P.G.N. Pest
A. C. Long
6. SW makes its returns to Millbank District under reference 479/16060/DI.
7. Previous section 482 applications by BAT have been dealt with under reference AP 116/091.
8. SW is the immediate parent company of BATUS Inc. which company holds the major part of BAT's U.S. interests. It is proposed that BATUS Inc. incorporates a new U.S. resident subsidiary (NEWCO Inc.) NEWCO Inc. is being formed to hold additional shares in Inasco Ltd., a Canadian public company, in which BAT is a major shareholder (holding 45% of the company's ordinary shares at 31st December 1984). Because of recent share issues by Inasco Ltd., BAT's shareholding has fallen to some 40%, and it is now proposed to restore BAT's shareholding to at least 45% and possibly to 48%, partly by an issue of new shares to BAT alone and partly by private placement. The cost of the additional shareholding is estimated to be almost £140 million. The funds are to be raised by B.A.T Capital Corporation, on-lent to B.A.T International Finance Int., and further on-lent to NEWCO Inc. The capital structure of NEWCO Inc. has not yet been finally determined.

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A U.S. resident company is being used to purchase the Imasco shares because the U.S. corporation tax rate is now higher than the U.K. rate and therefore the after-tax cost of borrowing is reduced by raising finance in the U.S.

The following consents are required:-

- (a) under section 492(i)(c) for the issue of shares by NEWCO Inc. to BATUS Inc.
- (b) under section 492(i)(c) for the raising of loan finance by R.A.T. Capital Corporation.

The information required for (a) (issue of shares by NEWCO Inc) is as follows:-

- 16. NEWCO Inc. will be an off-the-shelf company and a wholly-owned subsidiary of BATUS Inc.
- 17. The company will not trade and its only asset will be Imasco shares.
- 18. To be determined.
- 19. The entire share issue is to be taken up by BATUS Inc.
- 21. Not applicable.
- 22. S/I will not hold directly any share in NEWCO Inc.
- 28. The transaction will have no effect on UK corporation tax liabilities.
- 29. The transaction will have no effect on the U.K. balance of payments.

R.A.T. Capital Corporation have not yet determined the precise form the financing will take and this will be notified to you as soon as possible. In view of the urgency of the matter, we should however be grateful for your consent to the share issue noted at (a) above.

This letter authorises the Commissioners of Inland Revenue to disclose to the Advisory Panel the particulars of the company's tax affairs should this be necessary.

We should be grateful if you could contact this department by telephone as soon as consent has been approved so that we can arrange collection by hand.

Yours faithfully,



K. Etherington
Group Taxation Department

Encs.