

L.C.F.B.	
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NOTE FOR: DR. L.C.F. BLACKMAN

MR. S. MASSEY - SHARE OPTIONS 'A' SCHEME

To confirm our earlier conversation, having now examined a copy of the rules, the relevant points are indeed that:-

1. To be eligible an individual must be an employee of a 'participating' company;
2. A participating company is BAT Industries and any subsidiary which is under the 'control' of BAT Industries;
3. The meaning of 'control' is as ascribed by Section 534 of the Taxes Act (not Section 302 TA). Regardless of whether under 534 or 302 (and there is very little difference) ITL is not controlled and hence has never been a participating company.

The issue clearly then in this case is as we discussed - is Mr. Massey still employed by the U.K. company. If not, then he is no longer eligible to remain in the scheme.

As stated, the Section 302 "associated company" issue is a red herring!



D.P. ALLVEY

DPA/slb
7 August 1984

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