

DN-COPY



BAT (U.K. and Export) Limited  
Woking

DGN/SCR/DN-265

21st July 1992

Note to Dick Brentnall

Dear Dick,

REF: Canada Duty Free

Please find attached, a price structure proposal for the 3 main Duty Free operators in Canada. The main assumptions that have been made are as follows:

1. Duty Free retail price will be at the same level as ITC products.
2. Discounts for Duty Free operators are based on:  
  
Alders - participation allowance 6%  
UCS - \$1.20 per carton (\$6.00 per mille)  
DFS - 10% discount
3. Invoice price to Duty Free operators will be the same price as Rothmans KS.
4. ITC commission of 10% on FOB.

I have also attached a 5 year financial evaluation which is based on the following:

1. An exchange rate of 1.95 Canadian Dollars to £1.00
2. Volume is split equally amongst the 3 DF operators giving an average NSV of £13.74.
3. There is a 4% invoice price increase per annum.
4. In year one there is an allocation of 10% free goods, equivalent to 300,000 cigarettes, which is offered FOC with the first order.
5. There is m/m support going from £3000 per annum to £5500 per annum in year 5.

I hope this meets with your requirements and I look forward to hearing your comments.

Kindest regards

*S Rowley*

PP DAVID NEWBERRY

CC C Costa  
J Potheary  
F Lloyd  
R Matamoros

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