OPERATING GROUP PLANS 1992-1996

1. INTRODUCTION

1.1 The CPC will review the plans for 1992-1996 and the budgets for 1992 for each of the Group's Operations at meetings arranged for January 1992. Following these reviews, a summary of each plan will be presented to the B.A.T Industries Board.

1.2 The purpose of this note is to outline the requirements for the form and content of:-

(a) The plans to be reviewed by the CPC.

(b) The summary for circulation to the Board.

2. FORM AND CONTENT OF THE PLANS

2.1 B.A.T Industries' Guidelines : The plans will be discussed in relation to the B.A.T Industries' Guidelines issued in July.

2.2 Assumptions : The main assumptions underlying the plans should be stated, covering not only macroeconomic/political factors but also developments in the market and competitive situation. Significant differences from the assumptions detailed in the B.A.T Industries' Future Business Environment paper and from the assumptions used as background to last year's plan should be noted.

2.3 Analysis of Key Issues : There should be an analysis of the current performance and of the specific opportunities and threats which are thought to be most significant in determining future profits. This analysis should be used to define the key strategic issues to be addressed in the plans.

2.4 Objectives : The objectives for the Operation should be consistent with the B.A.T Industries' Guidelines and should be quantified wherever possible. The objectives should cover growth rates and levels of performance and should include non-financial objectives (e.g. for sales volumes, market shares and market positioning) as well as financial objectives. They should also be related to current levels of performance and should indicate the timescale to achieve the levels of improvement being sought.

2.5 Key Strategies/Action Plans : The plans should identify te key strategies and action plans through which the improvements in performance/growth are being sought. The plan should also indicate the relative priorities and timetables for implementation of the major strategies being proposed and should show their costs and expected benefits.

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2.6 **Supporting Schedules** : The plans should be supported by schedules showing the financial implications of the plans and planned changes in sales volumes and market shares.

2.7 The financial schedules should cover 1990 (actual), 1991 (budget and estimate) and 1992-1996 (forecasts). They should be consistent with the more detailed schedules provided to Finance/Accounting and should include for each major business activity Sales Turnover (Gross and Net), Trading Profits, Profits Before Tax, Profits After Tax, Profit Attributable, Dividends, Net Assets, Shareholders' Funds, Debt and Net Cash Flow.

2.8 The schedules should include figures for the key financial ratios (Profits/Sales, Sales/Net Assets, Profits/Net Assets and Debt/Equity). They should also include figures for growth rates on a year-by-year basis.

2.9 In cases where it is possible to do so, it will be helpful to show several years of historical figures in order to establish trends.

2.10 **Sensitivities** : The main sensitivities in the forecasts should be identified. The plan should also outline the arrangements to monitor for early signs of adverse variances and to counteract these through contingency plans.

2.11 **Comparisons with Previous Plans** : The plan should include a brief summary and explanation of differences from the forecasts included in last year's plans.

3. SUMMARY FOR THE BOARD

The summary of the plans to be circulated to the B.A.T Industries Board should be self-contained and restricted to 5-10 pages. It should cover the main points from the plan and should be supported by schedules showing the key figures and ratios for the Operation.

4. **EMPHASIS ON 1992**

In view of the requirement to achieve a rapid rate of recovery in 1991-1992, there should be particular emphasis on the plans for 1992 and on contingency plans to offset any negative variances, showing the impact on the longer term of implementing plans for short-term profit improvement.

RS/DJA
1st August 1991