

Guidelines for Imasco : July 1994

(Substantive changes from last year's guidelines in bold, explanation for changes in italics)

General Priorities

1. It is suggested that the primary objective for Imasco should be to provide shareholders with an above-average return on their investment in the Company through dividends and capital appreciation measured in terms of the movement of the share price relative to the TSE 300 Index.
2. In line with the Group's overall development, B.A.T Industries would prefer Imasco to achieve these objectives through a strategy based mainly on maintaining Imperial Tobacco in a leadership position in its market and on developing the Company's Financial Services activities.
3. In evaluating Imasco's strategies and plans, B.A.T Industries will apply criteria similar to those applied to the other businesses within the Group. In particular, it is expected that there will be an aim for each business within Imasco either to be a leader or to be seeking to achieve leadership in markets where it is possible to earn rates of return which will generate sufficient cash both to pay a dividend and either support self-funded growth at above-average rates or provide surplus cash for investment elsewhere.

Financial Guidelines

4. **Profits and earnings should achieve growth rates which will produce Plan figures similar to those in the previous Plan. The long term growth target for earnings per share remains at 10% p.a. real.**

This wording is more general than in previous years but the long term growth target is essentially unchanged at 10% p.a. real rather than 15% p.a. nominal.

5. Imasco should pay Common dividends of at least 40% of current year earnings available for Common shareholders. The dividend should be increased each year at a rate significantly in excess of the rise in the CPI. In addition, the minimum percentage distribution should be reviewed with a view to increasing it significantly when a substantial reduction in borrowings has been achieved.
6. Priority should continue to be attached to strengthening the financial position by reducing the level of borrowings through generation of cash surpluses after paying increased dividends and the possible disposal of Hardees.
7. Imasco should aim to provide its shareholders with a superior total return consisting of the increase in the Common share price plus dividends. 'Superior' is to out-perform over three, five and ten year periods the TSE 300 index, peer group equities, a synthetic index composed of the consumer products index (60%) and the bank index (40%) and Canadian Treasury Bills.

Specific Priorities

8. **Imperial Tobacco** : Within the context of an overall decline in cigarette consumption, the Plan should review Imperial's manufacturing strategy. This should include a review of the range of brands, particularly the smaller ones.

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19. **Shoppers Drug** : The Plan should include the new format and positioning for Shoppers Drug, with an implementation plan.
20. **UCS** : The Plan for UCS should set out how the business is going to be turned around, and how value will be added to its assets, including its future as a separate business or as part of Imperial Tobacco.
21. **Genstar** : The Genstar Plan should be more realistic, using, for example, a three year rolling plan for land acquisition, if this is considered to give the best overall picture of what the business intends to achieve.

The previous plan for Genstar was unrealistic as it excluded land acquisitions. These are difficult to predict and are large enough to distort the picture. Imasco is committed to finding a way of presenting a more realistic plan without the distortions.

HCB
27th June 1994

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