

## OPERATING GROUP PLANS 1994-1998

### 1. INTRODUCTION

- 1.1 The CEC will preview the plans for 1994-1998 and the budget for 1994 for each of the Operating Groups at meetings arranged for October 1993.
- 1.2 The CEC will then review the plans and budgets at meetings arranged for January 1994. Following these reviews, a summary of each plan will be presented to the B.A.T Industries Board in either January or February 1994.
- 1.3 The purpose of this note is to outline the requirements for the form and content of:-
  - (a) The previews to be reviewed by the CEC;
  - (b) The plans to be reviewed by the CEC;
  - (c) The summary for circulation to the Board.

### 2. PREVIEWS

- 2.1 Purpose : The purpose of the previews is to:-
  - (a) Agree the strategies on which the plans are based;
  - (b) Identify any likely shortfalls in performance relative to the Guidelines agreed by the Board at the end of July, concentrating particularly on 1994;
  - (c) Discuss options for action to eliminate these shortfalls and to provide further growth, taking into account the implications this might have for the medium and longer term prospects for the business.
- 2.2 Format : It is intended that the reviews should be brief and should consist of 2-5 pages of narrative, supported by outline figures only, showing the planned progression of turnover and profits supplemented by information on cash and borrowings. In particular a comparison should be made with the Guidelines. The financial information provided should be consistent with that supplied to Windsor House Accounts department.
- 2.3 Timetable : Operating Groups will be asked to provide their previews in October. The CEC discussions will be scheduled for the period before 2nd November, when a paper summarising the results of the previews and the implications for the Group as a whole will be presented to the Board.

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### 3. PLANS

- 3.1 **B.A.T Industries' Guidelines** : The plans will be discussed in relation to the B.A.T Industries' Guidelines issued in July. Please provide a comparison with each of the Guidelines.
- 3.2 **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 plans should be noted.
- 3.3 **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.
- 3.4 **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.
- 3.5 **Key Strategies/Action Plans** : The plans should identify the 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.
- 3.6 **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.
- 3.7 **The financial schedules** should cover 1992 (actual), 1993 (budget and estimate) and 1994-1998 (forecasts). They should be consistent with the schedules provided to Windsor House Accounts department 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.
- 3.8 **The schedules** should include figures for the key financial ratios (Profit/Sales, Sales/Net Assets, Profits/Net Assets and Debt/Equity). They should also include figures for growth rates on a year-by-year basis.
- 3.9 **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.

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3.10 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.

3.11 Comparisons with Previous Plan and Preview : The plan should include a brief summary and explanation of differences from the forecasts included in last year's Plan and in the Preview.

4. 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.

HCB/fmi  
6th July 1993

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