



29th March, 1988.

Mr. Purdy Crawford,
Imasco Ltd.,
P.O. Box 6800,
Montreal,
P.Q.,
Canada H3C 3L4.

Dear Purdy,

Genstar Acquisition Goodwill

When Imasco bid for Genstar in March 1986, it was understood here that a significant amount of goodwill would arise and that this would affect the B.A.T Industries balance sheet as our proportion was set off against reserves. At that time, your knowledge of the Genstar Group was limited so that the estimation of sales proceeds arising from asset disposals and the fair value of retained assets was difficult to forecast.

Your review of the Genstar assets after acquisition concluded that goodwill of C\$1.2 billion should be taken up in your March 1987 accounts, which of course was significantly higher than the C\$0.9 billion estimated at the time your offer was made. This firm valuation was the basis used for establishing our proportion of the goodwill, so that \$262 million was written off against reserves in our accounts for the year to December 1986.

It was thus a matter of great concern and disappointment to our Board that two further and unexpected adjustments were made by Imasco to the value of the Genstar assets during the course of 1987, due at least in part to the off-balance sheet funding associated with them. As a result, the Group has been obliged to write off a further \$72 million in the 1987 accounts.

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I understand that no further goodwill will arise from the Genstar acquisition, and indeed there is a considerable risk that any additional charge would affect the year's profit rather than reserves. I would thus be grateful for your assurance that the assets are now finally and appropriately valued and that there is no risk of further adjustments.

Yours sincerely,

G.

G.L. Dennis

b.c. Mr. E.A.A. Bruell
Mr. A.C. Long ✓

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