

B.A.T INDUSTRIES' GUIDELINES : OCTOBER 1983

IMASCO

Purpose

1. The purpose of the Guidelines is to record the policies, objectives and strategies relating to Imasco which were agreed by the B.A.T Industries' Board following the discussion of the Group Financial Objectives and Group Investment Strategy papers. They also cover items agreed at discussions of the Imasco Plans and 10 Year View which were held during the year.
2. The Guidelines will be used as the basis for the CPC discussions of the Imasco Plans and 10 Year View in February and May 1984.

Priorities for Imasco

3. Imasco's strategies for development throughout North America should take into account BATUS' plans in order that, so far as is possible, potential conflicts of interest are avoided.
4. In Tobacco, there should be particular emphasis on improving the level of creativity in the business in order that it should be in a strong position to react to future competition through price cutting or through technical developments. It is important to establish and maintain a lead in developments such as expanded tobacco and low tar cigarettes and also to identify relevant market opportunities in which these might be applied.
5. The Fast Food business should continue to receive a high priority, including the consideration of alternative methods for developing the chain without heavy capital expenditure.
6. The strategy for Retailing should be developed further and should include a critical assessment of the prospects for each element of these activities. The decision to divest the Collegiate Arlington chain should be implemented.
7. Imasco should be encouraged to continue to seek opportunities for a substantial new investment, preferably in Canada, in consumer goods or services. However, B.A.T Industries will wish to debate any proposals for major new investments in energy or other resource based industries.
8. Wherever possible, new investments should be funded by internal cash flow and by the proceeds of divestments.
9. It is intended to maintain the B.A.T Industries' share of Imasco's equity at not less than 40%. If additional finance is required to fund new investments, B.A.T Industries will consider providing additional equity finance, consistent with reaching and maintaining a 40% shareholding in Imasco.

Financial Guidelines

10. Rates of Return: B.A.T Industries' criteria for acceptable rates of return should be applied to any discussions of Imasco Plans and to any new ventures that are proposed.
11. Dividends: B.A.T Industries is expecting the following minimum progression of Dividends from Imasco (gross of 15% withholding tax).

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Can \$m	24.6	29.8	34.9	40.0	46.0

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