

FILE NOTE

1992 KEY AREA PAPERS - FINANCE

The draft Finance Key Area Paper was discussed at the 16th April 1992 BATCo Board meeting. Key points made included:-

1. The paper is not to be circulated to operating companies.
2. Major changes to the paper are:-
 - (i) Dropped CCA returns, but emphasised the need to manage inflation.
 - (ii) Asset turnover is now dealt with in an annex rather than in the main text.
 - (iii) There is a target of reducing General Administration costs by 5% p.a. in real terms.
 - (iv) Management of cash flow has been strengthened, plus quarterly reporting.
 - (v) Need to channel insurance through TIC (page 5).
3. Reference should be made to the brand-value model (which JR expects to be ready in about four weeks time).
4. 5% p.a. target reduction real General Administration costs to be retained. GJB to ensure that the Marketing and Production papers refer to need for targeting a 5% p.a. reduction in real per mille F&SV costs (excluding advertising and depreciation).
5. Page 2, para (i), line 5: Replace 'viability' with 'financial growth'.
6. Page 2, para (i), sub-para 4: Amend to indicate that the need for achieving 15% p.a. profits growth should take account of the need to be "consistent with market share objectives".
7. The paper should refer to the need for more rigorous post-audit reviews of brand launches.
8. The Introduction should indicate why cash flow is so important i.e. so that BATCo can invest in new operating companies (e.g. Pecs), in central marketing and in international brands.

It was also confirmed that the 15% p.a. target profit growth is a BATCo responsibility, rather than a requirement for each and every operating company. As such, some territories may need to achieve growth above this rate.

Other points which might be amended are:-

- i. Page 2, para (i), line 2: Insert "p.a." after "10.6%".
- ii. Page 2, para (i), sub-para 1, line 3: After "producer" insert "of quality cigarettes".
- iii. Page 4, para (iv), first line: "Adverse" should be "averse".
- iv. Page 5, section A, first para: Insert "p.a." after "12%".

GJB/btm
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