

SECRET

BATCO. OPERATING GROUP

KEY AREA - FINANCE

Major changes from 1993 Key Area Paper are indicated by double lines in right hand margin.

INTRODUCTION

This paper seeks to establish the financial priorities of BATCo. and to confirm the minimum levels of financial performance acceptable for BATCo. and its operations. It incorporates the July 1993 financial guidelines from BAT Industries and the financial issues arising from the BATCo. 5 year plan 1994 - 1998, together with the expectations from the BATCo. operations to be reflected in their 1995 - 1999 plans.

The Key Area Paper covers the following areas:

- (i) Growth in Profitability.
- (ii) Return on Net Operating Assets (Historical only).
- (iii) Interest Cover and Debt Management.
- (iv) Taxation Management.
- (v) Return on Shareholders' Equity.
- (vi) Cash Management, Manageable Cash Flow and Cash Generation to BATCo.
- (vii) Export Business Financial Performance.
- (viii) UK Costs and Southampton operations.
- (ix) Standard Finance Policies Applicable to operations and Finance Directors' Checklist.

BATCo.'s Financial Position 1991 - 1998 is summarised in Appendix I.

(i) Growth in Profitability

The current BATCo. plan projects sterling pre-tax profit growth of 16.4% 1995 over 1994 and 15.3% p.a. over the period. The 1994 profit base currently projected is probably unacceptably low for certain companies/markets and individual profit growth guidelines for future years need to take this into account. Overall profit growth of at least 12.5% p.a. is considered to be achievable based upon 1994 - 98 plan projections and the opportunities for profit enhancement available. In practice BATCo. seeks to achieve this growth level on a published quarterly basis.

The present cost structure of the BATCo group puts BATCo at a competitive disadvantage and more radical ways of structuring and managing the business need to be considered.

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In targeting individual company and export market profit growth, consideration should be given to the following:-

- (1) Consistency with international brand and market share objectives.
- (2) A major determinant of profitability is the level of selling prices. Export Managers and companies should ensure that as a general rule cigarettes do not become cheaper in real terms, but with falling leaf prices and costs generally in the industry realistic costing is essential in determining future pricing levels.
- (3) Those operations that have the potential to produce cost savings, better asset utilisation and efficiencies, and disposal of non or under performing assets. One of the key BATCo. objectives is to be the lowest cost provider of quality cigarettes in each of the markets where we operate. A real quantum reduction of at least 5% in General Administration costs, excluding T&A fees was targeted for 1993/4 and should be sought in 1995 if not already achieved.
- (4) Excise is the largest single item of cost and excise systems in all markets should be kept under constant review to ensure the key objectives of all interested parties are being achieved. Where this is not the case consideration should be given to pursuing a more proactive approach with the authorities to improve the overall position. An Excise Key Area Paper is also available as a reference.
- (5) The financial position and marketing activities of the competition and how it is likely to impact on individual market forecasts and pricing levels.

(ii) Return on Net Operating Assets (Historical basis)

The July 1993 Guidelines received from BAT Industries stated that:- "BATCo. should aim to achieve a historic cost return of at least 40% for the Operating Group as a whole with each individual business achieving at least 25%."

Appendix II highlights those companies where the historical RONA is below 25% and where the forecast 1995 return is lower than the 1993 actual or 1994 budget.

It is suggested Regional Directors and Finance Controllers target individual company historical RONA's and export markets contribution to admin based upon current forecasts and known improvement opportunities.

Those operations in territories prone to inflation and devaluation must continue to constantly monitor their performance so that there is no overall deterioration of the business in real terms. CCA may need to be continued in certain circumstances and other management measurement and monitoring techniques include effective use of replacement costing for managing price increases and tight cash control and cash flow management. Regional Directors and Finance Controllers should target those operations that are vulnerable and ensure proper management controls are in place.

The methodology for understanding and enhancing Brand Value should be implemented and the results evaluated. However, this is a separate management exercise to improve our understanding of brand value and is not intended to form part of the Balance Sheet.

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(iii) Interest Cover and Debt Management

BAT Industries are looking to BATCo. to reduce its debt/equity ratio over the plan period - no specific targets are set - except to the extent that U.K. income can be enhanced via increased local borrowings.

Appendix III highlights companies with interest cover falling within the following bands:-

- a) Below 7 times
- b) In excess of 12 times

In the case of the (a) band the profitability of the end market and structure of the debt should be examined to ensure we are financially geared in the most effective manner from a tax and U.K. income angle.

Companies falling within the (b) band can be classified as having surplus financial resources and all ways of improving U.K. income and group tax efficiency must be explored.

There are group tax advantages if borrowings can be channelled via Hamburg Investment Trust or the Belgian Co-ordination Centre and these opportunities should be explored before new local borrowings are taken out or when existing facilities are due for renewal.

Local remittance problems should not prohibit maximum permissible dividend declarations.

(iv) Taxation Management

In 1994 the BATCo Group will suffer corporate taxes of £148 mn of which only 30% arises on UK trading profits which represent 42% of the Group total.

The Group effective tax rate has improved from 25.2% in 1991 to 20.7% in 1993 and is forecast at around 25% for the remainder of the plan period.

Tax management papers issued to all companies remain relevant. Attention is particularly drawn to:

- a) The UK Inland Revenue's contention that BATCo is recovering insufficient costs from its operating subsidiaries and, more importantly associated companies, in respect of T & A fees and R & D recoveries. All efforts should be made to increase direct income flows to the UK and reduce Millbank exposure in this area.
- b) The marginal UK tax rates 12.375% in 1994 and 13.0% in 1995 mean that the Group's overall tax efficiency improves by the maximisation of local borrowings and the minimisation of shareholders funds through high dividend distributions and the consideration of capital reduction schemes.
- c) The low UK tax rate also means that BATUKE is a very tax efficient vehicle for exports. By carefully structuring operating company export operations via BAT (UK&E) the Group can capitalise on this situation.

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(v) Return on Shareholders' Funds

The BATCo. Group historical return on Profit After Tax to Shareholders' Funds is forecast at 29.1% in 1994 and to 33.2% in 1995.

To enable the Group's cash generation objectives to be met, the overall key financial criteria must be regarded as profit after tax return on shareholders funds. This also encompasses debt, cash, and taxation management from the profits angle and the quantum of dividend, capital reductions and retentions in the business from the shareholders' funds level.

The objective must be for the return on shareholders funds to increase at a faster rate than RONA. Appendix IV sets out those companies that have:-

- a) a static/falling return on shareholders equity
- b) a return below 20%
- c) a return on equity growing slower than RONA
(over the period 1993 - 1996)

Appendix IV highlights that most companies fall under c) above and strategies must be developed with the operating companies that over a period of time reverse the declining trends and improve the return on shareholders funds both in quantum terms and at a faster rate than RONA. The level indicated points to dividend declarations being too low.

(vi) Cash Management, Manageable Cash Flow and Cash Generation to BATCo.

Our policy revolves around sound cash management, together with risk averse Treasury management and the maximum generation of cash by operating companies and remittances to BATCo.

The Manageable Cash Flow figures by operations are detailed in Appendix V. These should form the basis of targets for individual operations and should be monitored on a quarterly basis via the QPR and QBS during the budget year to improve overall cash management. BAT Industries have set a target of manageable cash flow growth (excluding capital expenditure) increasing at 2% above trading profit growth to reflect control of working capital. More recently BATCo have been set a target of improving 1994 manageable cash flow by £50 mn over the budget.

A. From Operating Companies to BATCo.

This is reflected in the minimum dividend declarations required by BAT Industries from BATCo. which increase by 13.6% p.a.

The improving RONA returns, the limited use of debt within the majority of the BATCo. businesses and the trends in the returns on shareholders funds indicate substantial amounts of cash within certain companies that are basically surplus to requirements for the ongoing size of the existing tobacco operations.

Following the BATCo. dividend requirements and unique tax position of UK income, guidelines to operating companies should emphasise the need for maximising UK remittances via the UK companies, ie. BATCo. or BAT (UK & E). The following specific issues should be addressed:-

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- (a) Dividends should be maximised and local constraints challenged. Surplus cash and under-utilised borrowing potential within companies is basically financially inefficient from an overall BAT Group position. In particular any forecast cash build up should be addressed via the guidelines.
- (b) Payments by Operating Companies for specific justifiable and arms length expenses such as royalty, T & A Fees, R & D, insurance placed with TIC, etc. are highly tax efficient as they are generally allowed for tax in the operating company and subject to low tax in the UK. Purchase of operating company trade marks by the centre could be financially attractive where it provides tax efficient UK royalty income and provides the companies with cash which can eventually be repatriated as dividends.
- (c) The use of capital reduction schemes.
- (d) Continuing efforts should be made to release BATCo. blocked funds.

B. Within Operating Companies

With the increased emphasis on cash and asset management it may be appropriate, particularly in high inflation territories, to set a year end cash balance objective. Manageable cash flow growth should exceed trading profit growth.

Companies must bring their expertise in cash flow management and forecasting to the same general level of accuracy as reflected in profit management. The monitoring of the Manageable Cash Flow via the Quarterly Cash Flow reporting should be used to ensure this happens and to identify immediately those companies that have a negative cash flow or are generating less cash than budgeted so that corrective action can be taken.

Guidelines to Operating Companies should make reference to the "asset turnover ratio" required as an overall measurement of efficiency of asset management and targets set where rates are unacceptable or declining. Appendix VI highlights those areas where the Asset turnover is below the group average or declining.

With volume growth opportunities, largely through exports which tend to be more volatile, emerging in many markets, extra vigilance is required to guard against over stocking and subsequent asset turnover ratio declines.

Investment levels in Fixed and Current Assets are largely governed by volumes, and so the accuracy of sales forecasting in all markets is very relevant. It may be appropriate to emphasise that where sales forecasts are not being achieved it is important to react quickly to adjust stock levels.

There are many remaining disposal opportunities for non and under performing assets that should be taken as soon as practical.

Proposed capital expenditure should be reviewed by Regional Directors before inclusion in the BATCo. Company Plan, and the principles outlined in the paper "Financial Return on New Investment" should be followed in operating companies when evaluating proposals.

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Use should be made of post audit reviews covering all areas of the business eg. investment appraisals, price increases, new brand launches, etc. with a view to improving controls and learning from past experiences to assist the quality of future decision making.

(vii) Export Business Financial Performance

Appendix VII shows contribution to admin from the major markets and growth rates. The same principles for the operating companies are relevant - maintaining price levels and margins consistent with costs and international brand and market share objectives; cost, credit and stock control; and cash management. Complexity costs and the level of unallocated overheads must be taken into account when fixing prices and considering contribution to admin figures. Southampton site costs will be allocated to exports on a budgeted per mille site cost pending BAT Industries exercise on end market profitability.

(viii) UK Costs and Southampton Operations

A new initiative on all UK costs is recommended. Certain areas of Southampton site costs are being investigated along with the performance criteria being established aimed at achieving Class A manufacturing status. BATUKE profits, investment levels, return on investment etc. will be available to all Board Members on a quarterly basis with effect from 1st quarter 1994.

(ix) Standard Finance Policies Applicable to Operations and Finance Director's Checklist

In view of the high profile of the group, its activity in various financial markets and as a pre-requisite to BATCo, being a well managed group of companies it is vital that these disciplines are adhered to at all times. Regional Directors, Regional Finance Controllers, Company No. 1's and their Finance Directors and staff must ensure, particularly where staff changes occur, that awareness and implementation of these policies is maintained at all times. There have been serious lapses in the past and compliance with these procedures at all times must be re-emphasised continually. Coverage of such issues as dividend levels, borrowing arrangements, new company formations, etc. in Plans does not remove the requirement for specific approval at the actual time of implementation.

April 1994

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	BATCo. Financial Position					Appendix I		
	1991	1992	1993	1994	1995	Growth	1998	CGR
£mns.	Actual	Actual	Actual	Budget	Plan	1995 on 1994 %	Plan	1998 on 1994 %
Cigarette Sales bns.	273.8	296.8	289.0	302.6	318.6	5.3%	365.3	4.8%
Net Turnover subs.	1887.0	2164.9	2413.3	2594.0	2772.5	-6.9%	3517.9	7.9%
Net Turnover group % Assocs.	350.3	340.2	422.7	445.3	521.2	17.0%	718.6	12.7%
Net Turnover Total	2237.3	2505.1	2836.0	3039.3	3293.7	8.4%	4236.5	8.7%
PBIT subs	370.2	479.2	508.3	531.5	613.9	15.5%	909.9	14.4%
PBIT group % Assocs	46.6	50.0	61.2	69.8	83.1	19.1%	126.7	16.1%
Talisman*			144.6					
PBIT Total	416.8	529.2	714.1	601.3	697.0	15.9%	1036.6	14.6%
Profit Before Tax	447.0	544.0	711.4	587.7	683.8	16.4%	1040.0	15.3%
Profit After Tax	334.3	428.5	564.2	440.0	511.5	16.3%	785.7	15.6%
Attributable Profit	304.7	382.6	524.4	390.4	454.0	16.3%	707.9	16.0%
Dividends to BAT Industries	239.0	248.0	301.0	357.0	410.0	14.8%	593.0	13.6%
Historic Cost Base								
Subsidiaries only								
Trading Margin %	19.6	22.1	21.1	20.5	22.1		25.9	
Asset Turnover (times)	1.90	1.76	1.79	1.72	1.79		2.12	
RONA %	37.3	39.0	37.8	35.3	39.6		54.9	
Interest Cover (times)	11.2	13.2	15.7	12.5	15.5		25.0	
Manageable Cash Flow		213.0	303.2	270.5 #	399.4	47.7%	708.0	27.2%
Net Trading Assets	993.2	1229.0	1346.4	1506.1	1548.7	2.8%	1657.2	2.4%
Subsidiaries & Associates								
ROSE %	29.5	31.8	36.6	29.1	33.2		43.0	
Gross Debt Equity Ratio %	17.3	21.1	25.0	29.3	27.8		22.4	
Exchange Rates								
Year End US \$ to £	1.871	1.514	1.48	1.48	1.48		1.48	
Average Year US\$ to £	1.769	1.765	1.50	1.50	1.50		1.50	

* - Talisman includes £138.2m profits and £6.4m BII profits in Europe for 6 months to June 1993

- Adjusted for opening balance variance.

Ratios calculated using sterling figures.

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RETURN ON NET TRADING ASSETS (%)
 Calculated on an Historic Cost Basis & in Local Currency

	1991	1992	1993	1994	1995	1996	Companies Below 25% for 1995 or 1996	Companies Return declining For '95 v '94 or '93
	Actual	Actual	Actual	Budget	Plan	Plan		
B.A.T.(U.K. & Export)	54.3	62.7	64.5	48.9	51.3	55.6		X
BAT Benelux	22.3	17.9	17.2	20.1	16.5	23.4	X	X
BAT Espana	33.5	19.0	5.5	0.2	14.8	27.0	X	
BAT (Suisse)	69.5	66.0	67.3	85.3	112.4	152.5		
BAT Finland	14.5	8.9	-5.9	0.0	5.8	10.9	X	
Cigar Group	24.7	24.2	17.2	18.1	20.8	22.7	X	
BAT (Cyprus)	27.4	27.0	5.5	12.0	7.8	19.5	X	
BAT Hungary	0.0	14.9	17.0	14.0	17.4	20.1	X	
Nobleza-Piccardo	-10.2	41.1	24.3	24.9	23.4	26.7	X	X
Cia. Digost	60.1	49.9	39.0	51.3	62.8	73.2		
Chile Group	53.5	63.2	39.4	53.3	64.0	73.7		
Chile Tobacco	78.9	78.9	47.9	73.1	92.7	116.2		
Republic Tobacco	119.3	103.1	-16.2	1.5	28.6	56.5		
Tab. Nacional	25.4	24.1	2.2	-11.6	2.7	12.6	X	
Tab. Hondurena	61.8	61.4	25.4	30.2	35.4	49.2		
Tab. Nicaraguense	174.2	84.8	47.2	63.5	70.0	80.8		
Tab. Istmene	25.8	31.8	-3.4	12.5	30.1	31.3		
Cig. Morazan	31.3	22.0	36.3	34.0	42.9	51.6		
Barbasus	67.2	70.8	83.0	109.1	112.2	114.8		
Suriname	655.4	-105.9	116.6	90.7	111.7	55.3		
Demerara Tobacco	-17.7	44.6	-21.7	38.0	-2.0	-11.1	X	X
Nigerian Tobacco Comp.	48.2	41.8	55.9	56.3	57.0	51.5	X	X
BAT Kenya	42.5	45.5	65.5	76.2	64.3	60.4		X
South Africa - Tobacco	41.3	34.1	30.9	32.0	33.6	38.9		
South Africa - Foods*	23.3	30.1	31.3	34.5	37.4	40.8		
BAT (Malawi)	53.8	42.1	86.4	74.2	83.6	114.1		X
BAT Mauritius Branch	23.2	31.0	42.7	47.5	50.4	53.4		
Auroel Tobacco	47.4	25.4	30.4	87.0	94.6	75.8		
BAT Zimbabwe	48.4	54.5	41.9	62.0	59.2	60.3		X
Tobacco Proc. Zimbabwe	6.3	9.2	29.2	10.2	6.1	3.7	X	X
BAT - Cameroun SA	12.3	-2.0	13.3	9.2	23.3	21.5	X	
BAT Uganda	111.4	79.0	85.6	65.1	63.3	71.7		X
Pioneer	21.3	13.9	16.7	26.2	35.8	45.3		
Pakistan Tobacco	-8.3	25.6	21.0	20.5	24.9	18.8	X	
Bangladesh Tobacco	4.4	25.7	32.9	26.0	26.1	30.5		X
Ceylon Tobacco	42.4	34.7	28.2	31.2	38.6	41.5		
BAT (Hong Kong)	81.3	49.2	25.5	27.9	24.4	23.4	X	X
BAT China	0.0	-16.3	N/A	60.7	31.6	15.2	X	X
Malaysian Tobacco	30.1	25.8	28.8	38.6	41.6	44.9		X
BAT Indonesia	14.1	17.9	25.1	26.4	29.8	35.2		
Singapore - Tobacco	41.7	30.1	28.4	25.2	25.6	25.6		
Wills (Australia)	3.3	12.9	18.1	18.8	22.0	25.6	X	
Wills (P.N.I.)	66.8	64.8	58.3	33.6	34.6	38.8		
Wills (New Zealand)	115.6	80.5	92.8	91.1	100.8	98.5		X
Total Group	37.3	39.8	37.8	35.3	39.6	45.1		

* - Expected for the world in 1991

Appendix II

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INTEREST COVER (number of times)

Appendix III

	INTEREST COVER (number of times)					COMPANIES 1995	
	1992 Actual	1993 Actual	1994 Budget	1995 Plan	1996 Plan	Below 7	Over 12
UK		60.0	27.2	23.4	24.1		X
BAT Benelux	2.3	0.3	1.3	1.5	1.8	X	
BAT (Netherlands)	85.8	618.1	N/A	N/A	N/A		X
BAT Espana	51.0	-4.5	0.0	2.7	5.2	X	
BAT (Suisse)	N/A	N/A	N/A	N/A	N/A		X
BAT Finland	1.3	-1.0	0.1	1.3	2.6	X	
Cigar Group	2.2	2.6	3.1	4.0	4.4	X	
JIAT (Cyprus)	58.9	8.0	21.5	16.0	N/A		X
JIAT Hungary	12.0	1.9	1.9	4.0	9.1	X	
Nobleza-Piccardo	25.0	13.2	8.3	16.1	71.4		X
Cia. Bigott	908	143	36.8	31.6	50.1		X
Chile Group	12.9	7.5	9.0	12.7	20.9		X
Chile Tobacco	22.0	12.6	16.9	33.3	-1793		X
Republic Tobacco	38.9	-4.7	0.8	8.1	18.0		
Tab. Nacional	1.2	0.2	-1.2	0.6	2.3	X	
Tab. Hondurena	9.4	3.5	3.7	7.1	17.7		
Tab. Nicaraguense	0.0	1233	166	315	0.0		X
Tab. Istmenas	8.3	-1.0	3.6	8.8	11.1		
Cig. Morazan	6.0	9.4	7.6	21.7	81.1		X
Barbados	306	468	251	228	238		X
Suriname	N/A	N/A	68.4	N/A	N/A		X
Demerara Tobacco	9.3	10.3	39.9	N/A	-21.7		
Nigerian Tobacco Comp.	13.7	12.5	9.5	12.2	15.0		X
BAT Kenya	478	98.2	29.3	42.4	62.9		X
South Africa - Tobacco	9.1	20.1	9.0	9.3	11.0		
South Africa - Foods*	4.4	8.7	7.3	7.7	10.0		
BAT (Malawi)	13.2	51.3	33.7	60.5	109		X
BAT Mauritius Branch	18.3	23.8	38.3	51.6	121		X
Aureol Tobacco	1.4	3.4	9.0	32.2	0.0		X
BAT Zimbabwe	10.8	11.6	113	199	304		X
Tobacco prod. Zimbabwe	1.0	1.0	1.0	1.0	1.0	X	
BAT - Cameroon SA	0.0	0.4	1.2	5.6	14.3	X	
BAT Uganda	23.2	39.7	42.5	50.0	64.4		X
Pioneer	7.4	5.4	6.4	7.4	9.4		
Pakistan Tobacco	3.9	4.0	2.6	2.8	2.0	X	
Bangladesh Tobacco	7.1	13.2	8.6	7.7	9.3		
Ceylon Tobacco	2.9	3.6	4.7	7.7	13.5		
BAT (Hong Kong)	15.3	6.0	5.9	4.9	4.5	X	
Malaysian Tobacco	841	388	58.5	71.7	58.6		X
BAT Indonesia	4.8	13.1	7.8	9.0	10.8		
Singapore - Tobacco	167	28.4	18.7	20.5	25.6		X
Wills (Australia)	108	564	272	271	273		X
Wills (PNG)	74.3	276	13.4	10.2	17.0		
Wills (New Zealand)	137	78.1	74.1	86.0	101		X
Total Group	13.2	15.7	12.5	15.5	19.3		X

* - Expected to be sold in 1994
N/A - No Interest Paid

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	RETURN ON SHAREHOLDERS FUNDS (%)					Falling/ Static ROSE For '95 v '94 or '93	Return below 20% for 1995 or 1996	Appendix IV ROSE Growing slower than RONA
	1992 Actual	1993 Actual	1994 Budget	1995 Plan	1996 Plan			
UK						X		X
BAT Benelux	16.7	3.0	11.7	12.5	17.6		X	
BAT (Nederland)	37.5	N/A	831.2	924.5	945.2			
BAT Espana	31.1	-52.0	-15.3	21.4	36.2			
BAT (Suisse)	28.8	29.7	30.2	32.1	32.3			X
BAT Finland	0.7	-17.0	-8.2	2.5	10.3		X	
Cigar Group	55.7	37.5	48.9	52.8	54.1			
BAT (Cyprus)	36.5	3.8	10.7	6.8	15.9	X	X	
BAT Hungary	22.0	15.0	11.1	17.5	21.8		X	
Nobleza-Piccardo	37.4	25.5	19.9	16.2	17.4	X	X	X
Cla. Bigott	66.2	57.1	69.2	71.6	71.6			X
Chile Group	72.1	68.9	74.4	89.0	95.5			X
Chile Tobacco	120.6	118.9	131.8	148.1	150.3			X
Republic Tobacco	128.4	-2.1	-0.9	32.0	57.6			
Tab. Nacional#	15.2	N/A	-43.1	-6.9	18.6		X	
Tab. Hondurena	68.2	25.5	23.5	24.6	34.6	X		X
Tab. Nicaraguense	134.6	75.5	71.6	80.2	92.1			X
Tab. Istmena	45.6	-17.8	16.5	29.7	21.4			
Cig. Morazan	29.6	51.0	39.3	58.7	75.3			
Barbados	30.6	36.3	36.9	36.3	37.3	X		X
Demerara Tobacco	8.0	6.0	22.4	4.6	-5.1	X	X	
Nigerian Tobacco Comp.	63.3	87.7	58.3	48.9	44.2	X		X
BAT Kenya	51.6	72.1	68.9	60.9	58.6	X		X
South Africa - Tobacco	22.7	22.2	23.1	25.0	27.4			X
South Africa - Foods*	40.4	37.2	27.3	30.9	35.4	X		X
BAT (Malawi)	54.4	97.8	112.2	138.7	178.2			
BAT Mauritius Branch	47.3	72.1	56.9	55.2	59.3	X		X
Aureol Tobacco	17.1	36.8	55.8	70.7	61.1			X
BAT Zimbabwe	35.2	31.1	37.1	37.5	36.4			X
BAT - Cameroon SA#	N/A	N/A	0.6	29.1	24.1			
BAT Uganda	155.0	104.3	76.2	68.4	67.7	X		X
Pioneer	12.3	15.4	23.3	29.1	34.6			X
Pakistan Tobacco	35.0	29.1	28.4	33.2	20.0			X
Bangladesh Tobacco	24.3	34.3	37.2	38.5	39.1			
Ceylon Tobacco	20.2	14.3	26.9	32.6	34.6			
BAT (Hong Kong)	225.7	48.9	76.0	72.3	78.7	X		
Malaysian Tobacco	19.5	25.5	30.8	45.0	50.2			
BAT Indonesia	12.6	23.7	20.9	22.1	26.6	X		X
Singapore - Tobacco	38.9	35.5	34.9	30.9	29.2	X		X
Wills (Australia)	7.5	-4.6	10.6	11.0	13.7		X	
Wills (PNG)	80.9	73.1	55.3	38.9	40.6	X		X
Wills (New Zealand)	74.4	79.2	75.1	80.7	87.5			
Total Group	31.8	36.6	29.1	33.2	37.9	X		X

* - Expected to be sold in 1994.

- Expect revised capitalization schedule in 1994.

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Extract of current plan	MANAGEABLE CASHFLOW						Appendix V Companies with lower growth in Cash Flow excl. CAPEX than PBIT+ 2% for 1995 v 1994
	1993	1994	1995	1996	1997	1998	
	£mns	£mns	£mns	£mns	£mns	£mns	
UK Trading Operations	187.7	144.5	196.0	265.6	297.4	367.0	
Head Office Adjustments	14.8	-8.5	-3.4	0.0	0.0	0.0	X
UK	202.5	136.0	192.6	265.6	297.4	367.0	
BAT Benelux	-1.5	6.2	2.1	8.2	2.8	3.1	X
BAT (Nederland)	12.2	7.2	7.8	8.1	8.8	9.7	X
BAT Espana	-8.0	-3.3	-2.2	3.1	7.5	8.1	X
BAT (Suisse)	9.9	10.3	11.9	12.1	11.2	13.0	
BAT Hungary	-20.3	2.9	3.1	2.8	2.4	2.5	X
BAT Finland	-0.9	0.2	0.2	1.1	-0.3	-0.4	X
Cigar Group	2.1	3.6	4.1	4.6	4.9	5.7	X
BAT (Cyprus)	0.1	-0.1	0.1	0.6	0.3	0.4	
Europe	-6.4	26.2	27.1	40.7	37.5	42.0	X
Nobleza-Piccardo	5.3	8.1	8.2	16.8	22.9	18.3	
Cia. Bigott	2.2	6.9	16.3	19.6	16.3	25.5	
Chile Group	14.7	36.8	35.7	46.6	51.1	62.9	X
Central America	-11	9.2	10.3	16.7	17.2	16.7	X
Caribbean	0.2	0.8	0.9	0.3	0.6	0.6	
Latin America	11.8	41.7	21.4	29.7	108.1	123.2	X
Nigerian Tobacco Comp.	2.3	3.2	3.5	4.5	9.3	9.3	X
BAT Kenya	0.9	4.4	3.0	3.4	7.9	7.9	X
South Africa - Tobacco	1.2	2.6	4.1	3.9	7.1	7.1	X
BAT - Cameroun SA*	0.1	9.8	4.6	0.5	2.0	2.0	X
Other Africa	8.8	9.7	9.8	13.4	20.2	20.2	X
Africa	12.1	22.7	24.8	23.6	46.4	46.4	X
Pakistan Tobacco	-3.4	0.1	3.3	-2.4	-0.2	-0.2	
Bangladesh Tobacco	2.7	-4.0	2.6	6.7	4.9	5.4	
Ceylon Tobacco	7.2	3.1	5.7	5.1	2.5	2.7	
Sub Continent	6.5	-0.9	11.6	9.4	7.2	7.8	
BAT (Hong Kong)	13.1	13.6	1.0	1.2	15.4	39.0	X
BAT China	0.0	0.0	0.0	0.0	0.0	0.0	
Malaysian Tobacco	10.3	21.9	15.4	13.5	19.3	19.1	X
Singapore - Tobacco	-16.3	6.3	18.7	18.7	17.7	19.6	
Wills (Australia)	11.3	19.2	24.6	24.8	26.3	32.8	X
Wills (PNG)	2.0	-1.3	3.6	3.3	2.9	3.1	
Wills (New Zealand)	4.7	3.9	4.6	4.0	4.6	4.9	X
BAT Indonesia	2.4	-3.0	4.1	3.4	2.2	2.3	X
Asia Pacific	27.5	60.6	71.2	62.0	68.2	120.2	X
BAT Co Operating Group	255.1	311.2	322.4	510.0	584.2	708.0	X
Net Capital Expenditure	-195.8	-215.4	-150.1	-114.8	-121.9	-93.4	
Cash Flow excluding Capital Expenditure	451.1	529.3	549.5	624.8	706.8	801.4	

* - Expect revised capitalisation schemes in 1994

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Appendix VI

ASSET TURNOVER (Times)
Calculated on an Historic Cost Basis & in Local Currency

	1992	1993	1994	1995	1996	Companies Below Average Budget	Asset Turnover Declining 1996 v 1993
	Actual	Actual	Budget	Plan	Plan		
B.A.T. (U.K. & Export)	2.11	1.94	1.69	1.73	1.83	X	X
BAT Denclux	1.61	2.23	2.86	2.73	2.91		
BAT (Nederland)	-32.28	-5.66	-4.57	-4.02	-3.64	X	
BAT Espana	2.17	1.71	2.12	2.19	2.22		
BAT (Suisse)	3.76	4.06	4.65	6.07	7.84		
BAT Finland	1.30	1.35	1.75	1.87	2.06		
Cigar Group	1.47	1.50	1.41	1.44	1.47	X	X
BAT (Cyprus)	0.82	0.81	0.95	1.05	1.17	X	
BAT Hungary	1.93	1.52	1.54	1.74	1.89	X	
Nobleza-Piccardo	2.97	2.24	2.02	1.87	2.01		X
Cia. Bigou	1.99	1.71	2.02	2.41	2.71		
Chile Group	1.99	1.27	1.71	1.90	2.16	X	
Chile Tobacco	2.26	1.31	2.05	2.42	2.99		
Republic Tobacco	2.32	1.32	1.49	2.04	2.54	X	
Tab. Nacional	2.16	1.28	1.13	1.19	1.31	X	
Tab. Hondurena	1.61	1.07	1.17	1.35	1.65	X	
Tab. Nicaraguense	1.98	1.45	2.11	2.18	2.37		
Tab. Istmena	1.98	1.50	1.67	2.07	2.20	X	
Cig. Morazan	1.61	1.70	1.97	2.05	2.22		
Barbados	3.74	3.38	4.45	4.69	4.79		
Suriname	14.11	3.53	3.70	4.07	2.22		X
Demerara Tobacco	4.96	19.90	10.42	9.50	7.01		X
Nigerian Tobacco Comp.	1.22	1.45	1.58	1.55	1.56	X	
BAT Kenya	1.40	1.39	1.93	1.78	1.69		
South Africa - Tobacco	2.27	2.22	2.21	2.32	2.36		
South Africa - Foods*	3.56	3.39	3.67	3.57	3.48		
BAT (Malawi)	1.98	2.61	2.22	2.27	2.61		
BAT Mauritius Branch	1.54	1.78	1.64	1.68	1.65	X	X
Auroel Tobacco	2.82	1.79	4.49	3.23	2.33		
BAT Zimbabwe	1.53	1.24	1.65	1.48	1.43	X	
Tobacco proc. Zimbabwe	1.30	4.66	1.84	1.99	2.34		X
BAT - Cameroun SA	0.96	1.26	1.13	1.74	1.90	X	
BAT Uganda	1.74	2.43	1.90	1.77	1.85		X
Pioneer	0.87	0.98	1.20	1.45	1.65	X	
Pakistan Tobacco	1.77	1.63	1.66	1.75	1.71	X	
Bangladesh Tobacco	1.76	1.54	1.36	1.35	1.47	X	X
Ceylon Tobacco	1.13	1.33	1.29	1.43	1.52	X	
BAT (Hong Kong)	4.68	4.94	4.22	4.13	3.99		X
Malaysian Tobacco	1.62	1.38	1.87	1.94	1.96		
BAT Indonesia	1.40	1.74	1.60	1.83	2.02	X	
Singapore - Tobacco	1.75	1.02	1.29	1.42	1.35	X	
Wills (Australia)	1.16	1.35	1.39	1.50	1.60	X	
Wills (PNG)	2.39	1.99	1.33	1.42	1.48	X	X
Wills (New Zealand)	3.24	3.61	3.96	4.18	3.90		
Group	1.76	1.79	1.72	1.79	1.89		

* - Expected to be sold in 1994

	SUMMARY OF UK				Appendix VII	
	1993	1994	1995	1996	Growth	CGR
	£mns.	£mns.	£mns.	£mns.	1995 on	1996 on
					1994 %	1994 %
Contribution to Administration						
Europe	20.3	21.5	25.1	29.3	16.7%	16.7%
Latin America	3.3	8.3	11.2	14.7	34.9%	33.1%
Africa	30.7	30.6	36.6	41.5	19.6%	16.5%
Asia Pacific	177.0	181.6	196.2	226.2	8.4%	11.8%
UK Exports	231.3	242.0	269.8	312.4	11.5%	13.6%
Other Trading	-19.0	-13.5	-8.1	-9.2		
Total BATUKE - PBIT	212.3	228.5	261.7	303.2		
BAT Co. UK Operations	5.1	-6.1	-9.8	-1.1		
Total UK - PBIT	217.4	222.4	251.9	302.1		
Talisman	145.3	0.0	0.0	0.0		
Finance Charges	-0.2	-0.2	-0.2	-0.2		
Interest Paid	-6.6	-9.4	-12.2	-14.2		
Investment Income	33.8	33.2	34.0	40.7		
Profit Before Tax	389.7	246.0	273.5	328.4		
Profit After Tax	342.0	200.6	221.0	266.7		
Manageable Cash Flow (plan)	187.7	144.5	196.0	265.6		
Net Capital Expenditure (plan)	-82.4	-88.2	-48.9	-29.2		
Net Trading Assets - Total	380.7	489.6	539.5	567.9		
Net Trading Assets - BATUKE	329.3	467.5	510.5	545.6		
Shareholders Funds	778.5	766.7	757.0	764.8		
RONA % - Total	57.1%	45.4%	46.7%	53.2%		
RONA % - BATUKE	64.5%	48.9%	51.3%	55.6%		
ROSE % - Total	43.9%	26.2%	29.2%	34.9%		
Interest Cover - Total	60.0	27.2	23.4	24.1		

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