

FILE NOTE

1995 FINANCE KEY AREA PAPER

At the 7th April 1995 BMB meeting to consider the draft 1995 Finance Key Area Paper, the following points were made:-

1. ROFE is the key ratio, but the Finance Key Area Paper does not need to include this (it already refers to RONA and ROSF)
2. Bottom of page 6 to be amended to make it clear that when setting profit targets for 'export' markets, this should include ratios (e.g. CTA as % net turnover; or CTA per mille) as well as an absolute currency value.
3. RHP to review how best to ensure that all selling costs are adequately taken into account when assessing the profitability of each market.
4. During 1995 RHP to review methods for adequately assessing the financial performance of plants.
5. Penultimate para on page 3 to be amended to clarify that UK profits are 47% (48%?) of Group total profits.
6. BAT Industries is looking for an improved cash performance for 1995.
7. BATCo to consider whether to adopt a policy of seeking 100% ownership of subsidiary companies.
8. It was agreed that it should be a Board decision, rather than individual RBU decisions, as to how to spend any extra money that is available if the 1995 BATCo performance is expected to exceed the revised budget. This should be reviewed at the time of the half-year review.

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GJB comments on draft Finance paper:-

1. No mention is made of the 9% p.a. net turnover growth target for BATCo that is given in the BATCo Guidelines.
2. Page 5, section A. The BATCo Guideline is not for 15% p.a. dividend growth.

GJB:amr 6/26
7th April 1995

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