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TOUR REPORT

VISIT TO MEXICO - 26TH NOVEMBER TO 1ST DECEMBER 1983

During this visit the Board of E.L.M. approved the accounts for the last financial year and decided to propose to the A.G.M. due to be held on the 16th December, dividend distribution which represents 75% of the profits. This is the maximum sum permitted by the restrictions imposed on foreign loans. This is a drastic change from previous dividend policy which was close to one-third of profits.

Anthony Pereira took over as Marketing Director on the 1st November, and has very quickly gained the respect of his colleagues and established his leadership in the Department.

At the time of my visit Messrs. Brooks and Lowe were in Mexico analysing the results of the experiments carried out by E.L.M. based on the guidelines and suggestions left by Geoff Brooks on a previous visit. The results were very encouraging and showed a vast improvement in the smoking characteristics of the products. This is extremely relevant for new brands, as well as for existing brands where the changes will be phased in over a period of time.

The market situation continues to deteriorate and Pereira should have his revised action plans at the end of December.

The subject of top management was discussed once again with Jorge Barrera. I insisted that Clifford King should go to Mexico early next year to take up an executive position as effective Number Two of the Company. This was reluctantly accepted by Barrera who made the point that when Hector Arechavala is approached by him concerning this development Arechavala most likely will resign from the Company as he will not see this as a development opportunity as explained by me, but rather as a demotion. I told Barrera that we would not wish a decision like that from Arechavala, but that if he decides in that manner we would simply have to accept it.

The Production Department is finalising its production strategy from the point of view of distribution of production between the three factories, and basically the idea is that the Tepic factory will produce a maximum of 700 million cigarettes per month, or less if there is a shortfall in sales volumes against estimates, keeping Monterrey at full capacity in modules. They are going to be looking into the question of the possibility of buying second-hand Mark 9s.



R.A. Crichton

12th December, 1983

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