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INVINCIBLE - PHASING OF FUNDINGBRIEF FOR PRIME MINISTERObjective

To maximise receipts in FYs 82/83 to 84/85.

Background

1. The Australian Defence Ministry has previously accepted the following phasing of payments for a 1983 sale:

| | 82/83 | 83/84 | 84/85 | 85/86 | £M Cash |
|----------|-------|-------|-------|-------|---------|
| Payments | 95.7 | 28.3 | 24.7 | 26.3 | |

2. The impact on the UK Defence Budget of this would be (taking account of keeping HERMES):

| | | | | | |
|--------------------------------------|------|------|------|------|--|
| Additional cost of running on HERMES | - | (20) | (13) | - | |
| Net Benefit to Defence Budget | 95.7 | 8.3 | 11.7 | 26.3 | |

3. Australian Financial Years from 1 July to 30 June, and we are ready to be flexible about when payments are made within our Financial Years.

4. Recommended compromise (if Mr Fraser wants to argue about price) in following range:

| | | | | | |
|--|------------------|--------|------------------|-------|----------------|
| | 82/83 | 83/84 | 84/85 | 85/86 | |
| | 50-60 | 75-100 | 50 | | |
| | 30-50 | 50-75 | 50-75 | - | to equal £175M |

Full back-siphoning should not go (because of risk