



Office of the Secretary of State

PRIME MINISTER

INMOS

1. It would be helpful in judging the situation if we were given actual figures.

The loss for 1983 we are told "substantially exceeds that forecast a year ago". But the loss forecast a year ago is not stated, nor is the loss now expected for 1983. Annex A does not give profit figures but only something described as "PBIT" which for 1983 amounts to minus £11.8 million. After interest, the true loss must therefore have been pretty big. The sudden emergence of a profit before contingencies of £13.1 million for 1984 as shown in Annex A needs to be taken with a pinch of salt. It is very relevant to know how good a track record INMOS have for accurate forecasting.

2. There are other minor oddities. The last time we saw this the Colorado Springs facility was estimated to yield \$16 m. This has now shrunk to \$13 m. There is also some discrepancy between this \$13 m and the £15 m which is said to be required if the Colorado Springs facility is not sold.
3. Finally and perhaps most importantly of all this is just like de Lorean ie the British Government puts in all the money and the American partners get the profit - or a very large slice of it. If we are to put in more money directly or by guarantee, there really ought to be a revision of the terms.
4. I am copying this minute to other members of E(A) and to Sir Robert Armstrong.

A C

7 December 1983