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Secretary of State for Trade and Industry

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16 March 1984

COMMERCIAL IN CONFIDENCE

The Rt Hon Lord Cockfield
Chancellor of the Duchy of Lancaster
Cabinet Office
Whitehall SW1

D. Arthur.

with AT

Thank you for your letter of 2 March about the apparently low price being offered for INMOS.

2 There are a number of points I would make. First, the company is only just emerging from the start-up phase. So although it is currently on track for profits in excess of £7m this year, it will be the first year of profit after several of losses.

3 Second, although the AT&T offer of some £47m is the best firm offer for the whole of the company at present on the table, other offers, including the one from institutions for a minority stake currently being put together by Hill Samuel, do imply a much higher value for INMOS.

4 Finally, I am sure that prospective investors are much influenced by the risks inherent in this type of business and the fact that if INMOS is to pursue its chosen strategy it will require further large amounts of money to maintain its technological lead and continue to introduce new state of the art products.

5 I shall be reporting on this further in the near future when I respond to the questions the Prime Minister has asked.

6 I am sending copies of this letter to recipients of yours.

Norman

NORMAN TEBBIT

Industrial Policy Pt 2

1 NIMOS

19 MAR 1984





Chancellor of the Duchy of Lancaster

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

2 March 1984

file

New Human,

INMOS

You asked for any reactions to your minute of ~~29~~ February to the Prime Minister.

INMOS estimated profits of £13.1 m - or £7.5 m after "contingencies" - for 1984 and £40.3 m for 1985. They are said to be "on target" for the £7.5 m profit.

It seems to me to be rather odd that the best offer that can be obtained for the Company is one of about £47 m. Is it possible to shed further light on this?

I am copying this letter to the other recipients of your minute.

John,
Arthur
COCKFIELD

The Rt Hon Norman Tebbit MP
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and Industry
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