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ICL PATHWAY Memo

To: Stefan Riesenfeld

cc.: Keith Todd, John Bennett, William Smith

From: Tony Oppenheim

Date: 4/2/97

Subject: Pathway Business Case

Further to the pre-Board meeting last Thursday, I attach our best view Business Case based on all actions agreed and the current judged outcome of the Replan/ contract extension. An element of advanced payments is included. The outcome of the Replan remains uncertain and further discussions will take place later today.

The peak borrowing requirement goes down to below £200m, which is where William and I have positioned the cash call with Fujitsu. This does however continue to assume a further £20m of equity injection by ICL. Please note that the £250m number shown last week included the £40m of equity, whereas in all Hambros discussions we have tended to talk in terms of borrowings excluding equity. The previous Hambros financing target was £150m into ICL Pathway plus some £10m of asset financing into CFM.

Like for like, the comparison is from £160m to £200m. This is explained by the slip and increased start up costs at the front end of the programme, viz.:

- £4m per month opex, for four additional months, equals £16m;
- £9m additional capital (including that expected to be found by CFM)
- £8m of additional training
- Interest on the above for two years, equals £7m
- Total £40m cash adverse.

Following on from discussions initiated last year, William Smith and I have a meeting with POCL Finance and Commercial later today to explore advanced payments. I am cautiously optimistic that something will come of this, hence the factoring in of moneys into the Business Case, but the initiative could yet fail because of POCL insistence on parent company guarantees which could jeopardise the advanced payment status. Thus far, DSS have declined to consider advanced payments but opportunities to open this up will be sought again when the time is right.

I have arranged with Paula to call you at 9.00 tomorrow with a view to agreeing the package we will send to Yurino-san (who is pressing me for the Business Case update). Please note that he was made aware of the probable slippage and additional £40m cash call before he prepared the presentation to Yamamoto-san and Sekizawa-

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san.

Tony Oppenheim

Encl.