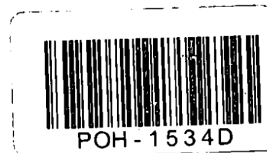


COMPANY SECRET



To: Mr M Naruto
Mr T K Todd
Mr T Furukawa
Mr K Fukagawa
Mr H Sakai
Mr H Watanabe
Mr R Christou

cc: Mr S Riesenfeld
Mr Y Sumida

Date: 15 December 1997

ICL

**INVESTMENT AND STRATEGY COMMITTEE MEETING:
Thursday, 20 November 1997**

Please find attached the Minutes from
the above meeting for your records.

GRO

GRO R F Scott

Att

ICL PLC
1 High Street
Putney
London
SW15 1SW

Tel
Fax **GRO**

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ICL PLC
INTERNATIONAL COMPUTERS LIMITED
ICL GLOBAL INVESTMENTS LIMITED
MEETING OF THE INVESTMENT & STRATEGY COMMITTEE
held at
ICL House, High Street, Putney, London SW15 1SW
On Thursday, 20 November 1997 at 10.00 am

PRESENT:	Mr T K Todd	(In the Chair)
	Mr M Naruto	
	Mr H Watanabe	
	Mr R Christou	
	Mr T Furukawa	
IN ATTENDANCE:	Mr S Riesenfeld	
	Mr R F Scott	(Secretary)
	Mr T Yurino	
	Mr Y Sumida	
	Mr N R Hartnell	(Items 66c) & 69)
	Mr J H Bennett	(Item 65)
	Mr A Gibson	(Items 66c) & 69)

Apologies for absence received from Mr K Fukagawa and Mr H Sakai.

ACTION BY:

97/59 **MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 22 July 1997 were approved as a correct record and signed by Mr Todd.

97/60 **MATTERS ARISING**

97/42 - Fujitsu Research and Development in the UK - Mr Todd and Mr Watanabe would put together an estimate of total spend, for use with the UK Government.

Mr Todd

97/61 **CHIEF EXECUTIVE'S REPORT - OCTOBER 97** PLC/97/16
 FINANCIAL PERFORMANCE PLC/97/17
 1998 BUDGET ISC/97/57

Mr Todd and Mr Riesenfeld reported, points noted:

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- a) To the end of October the total ICL Group Revenue was down 17.5% compared to 1996, with pretax profit improved by £46.5m. Operations divested in 1996 significantly impacted these comparisons.

At the end of each quarter we had been ahead of budget. To the end of October, we were £1.5m worse than budget, reporting a loss of £24.7m before tax. Growth varied significantly by business. The Services and TPLC units projected growth in excess of 20% per annum. Overall growth for the year is projected to be 7% for Systems and Services.

- b) The individual businesses performance was reviewed. High Performance Systems was performing exceptionally well, at £62.1m profit to October, £26.9m better than budget. Sales of Trimetra were excellent.

Mr Christou

- c) Any arrangements for sale of I.500 would include continued use within TeamWARE. Mr Todd would arrange for a paper to be written to clarify the issue. TeamWARE had lost £14m so far this year, £9.8m worse than budget. Discussions continued on the transfer to Fujitsu and also on the advance payment of \$5m royalties outstanding.

Mr Riesenfeld

- d) Mr Naruto said he thought ICL's budgeted £25m profit should arise from operations. Mr Todd and Mr Riesenfeld would draw up a schedule showing the effect of this policy decision on the tasks ICL had to achieve for £25m for 1997. Both emphasised ICL was committed to achieving its £25m committed PBT.

Mr Todd

- e) Technology PLC was slightly behind budget but recovering after loss of the GCAT contract and increased logistics spend. At ICL Enterprises West & Central Europe, control of the business was tightening since Mr A Gibson had arrived and contract management procedures had improved in the UK in particular. The MAV (Hungarian Railway) contract was due to be signed in a ceremony in Hungary involving Robin Cook, the UK Foreign Secretary. Mr Naruto said Fujitsu was reviewing operations in Hungary, which were too cumbersome and Mr Todd would assist in this.

- f) There had been concern recently over the Pathway contract but Mr Todd was able to report progress following initiation of a review, with the heads of POCL and the Benefits Agency. (Pathway review, Minute 65 below.)

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Mr Todd/Mr King

- g) The trading position at ICL Retail continued to deteriorate at loss of £18.7m so far during 1997, £15.1m worse than budget. Mr Todd said that the transition to the Globalstore product was slow, although the product was a world-beater and customers were slowing orders for existing ICL products. Similarly, although we were winning precision retailing pilots, mainly loyalty cards, build up of profitable business here was also slow. The end-to-end supply chain of product from Fujitsu to installation in ICL customers was too long and would be examined. Finally ICL France Retail was losing £3-4m this year as a result of poor management, now being rectified.
- h) In ICL Services, profit was down £8.1m to budget and being closely managed to maximise the year end situation. ICL Sorbus was also significantly down on budget and much worse than last year, but plans were being put in place to improve 1998.
- i) The South Africa business was £8.2m below budget. Mr Christou said the management team, including John Jones the new Managing Director, had promised an improvement. Changes were being made to the organisation in South Africa, where at present there being too many decentralised, uneconomic, business units, and Mr Christou was reconsidering the kind of black empowerment shareholding we should have for the future.
- j) Mr Todd referred to the BBC contract where he still wished to proceed. He was working with the BBC management to ensure the contract would ultimately be profitable for ICL. He drew attention to significant spin-offs arising through our knowledge and experience on this contract.
- k) For 1998, Mr Todd said that all measures in place to maximise opportunities and save costs in Q4 would continue into 1998. ICL would break even in Q1 or better and this would provide a springboard for £40m PbT for 1998. However he also believed that £40m could be exceeded and stretched targets were being set for the businesses to bring this about.
- l) The Committee discussed financing of ICL. Our 1998 needs were for cash of around £230m but of this £190m was project financing and the rest "corporate financing". Discussions were ongoing with Fujitsu on corporate financing but, as Mr Naruto explained, project financing, eg for the PFIs should be arranged in the market probably without a Fujitsu guarantee.

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97/62 ICL'S STRATEGIC PLAN 1998-2002

Mr Todd presented on the plan, as it would be presented to the Board the following day and in Tokyo in December.

Amongst points covered in the presentation and discussions were that ICL planned to float on the London Stock Exchange around May 2000; ICL might change its year end to coincide with Fujitsu (31 March); and there would be less emphasis on geographic organisation in future.

Mr Todd referred to the individual centred information society of the future, to be serviced by our customers (who depended on our understanding of trends and mastering of technology) and possibly also directly by ourselves (for example as an agent for operation of the next stage of 'smartcards').

97/63 PROPERTY UPDATE

ISC/97/56
ISC/97/45

Mr Christou

Mr Christou referred to a forward property strategy involving outsource of the ICL property estate to a property manager. At the moment, generally speaking, ICL's property was poor and inefficiently operated and it was planned to increase flexibility, save cost and allow ICL staff to enjoy an appropriate physical environment through the new strategy. The Committee agreed Mr Christou would present in more detail to the March meeting of the Committee.

The vacant property update was noted.

97/64 TREASURY ITEMS

a) Preference Shares

ISC/97/46

Mr Riesenfeld referred to the proposal to change the terms of ICL's preference shares following the change in the UK budget by which Fujitsu Finance UK PLC, holder of the shares, could no longer receive the benefit of the tax credit ICL had to pay on dividends. Discussions were continuing with Northern Telecom with a view to finalising the matter before the end of the year and the situation would be explained to the Board the following day.

b) Recapitalisation of Subsidiary Companies

ISC/97/47

Mr Riesenfeld referred to the proposal to recapitalise two subsidiaries for legal reasons,

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in Hungary and Norway. He then referred to other capital structure changes in other subsidiaries in Germany, Finland, Sweden and Denmark to optimise their financial position and these were also agreed. Mr Todd added that the proposal for a recapitalisation of ICL France remained under review although a legal minimum capitalisation would probably be needed in 1998. Other action would await success in ICL's management strategies in France.

97/65

ICL PATHWAY UPDATE

Mr Bennett presented. He referred particularly to success on installing release 1C in almost all targeted Post Offices. This release included order book control systems and benefits payment system for child benefit payments only. He then referred to plans to implement release 2 beginning 1998 with full roll out in the second half of year 2000.

Mr Todd and Mr Bennett then referred to the independent review of the project Mr Todd had sponsored with the Chief Executives of Post Office Counters Limited and the Benefits Agency. The atmosphere with them was good and they understood that ICL needed to make a profit on the project. The contract might move to ten years rather than five, an extension based on modern understanding and practice of the way PFI contracts were working. Review work would continue through December with a view to presenting to senior civil servants and politicians towards the end of that month. It was agreed Mr Bennett would go to Tokyo with Mr Todd to present to Fujitsu during December.

Mr Todd

97/66

UPDATE PAPERS

a) ICIM, India

ISC/97/49

It was hoped that Fujitsu would still purchase the systems and engineering services division although a sale to IBM, who could exploit the business by introducing product sales, was also a possibility.

b) Softbank Flotation

ISC/97/51

The flotation was unlikely to take place in December as previously planned, but ICL might be able to take profit from the sale, in 1997.
(Position to be finalised by Mr Riesenfeld.)

Mr Riesenfeld

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c) **Network Services**

ISC/97/50

Mr Todd/
Mr Hartnell

Following the discussion at the last Committee meeting, Mr Hartnell updated the Committee on discussions with Fujitsu. ICL saw much value in the Fujitsu family controlling a worldwide network, much of which could be contributed by customers (for example Transco) and for which ICL's investment might be limited to only sufficient equipment etc to control the network and the bandwidths available, and guarantee service. Discussions would continue.

97/67

JASMINE

Mr Todd

Mr Furukawa presented on Jasmine, a suite of products jointly developed and marketed by Fujitsu and Computer Associates based on their strategic alliance. Essentially Jasmine would be the successor to ODB2 as an object database, working within the "commands" environment. After discussion Mr Todd agreed ICL would consider the use of Jasmine and Mr Boswell would be asked to look at the place it could occupy within ICL's product range and technical infrastructure. Jasmine would also be a factor within the Microsoft discussions. ICL might sell it as a distributor for Computer Associates on a licence/royalty basis as reseller, thus taking advantage of the Computer Associates spend on marketing. Regarding Computer Associates, ICL had questions for them following the sale of OSMC four years ago and Mr Christou would ask Mr Pyle to report to him on the situation. Furthermore, the effect of Jasmine on ICL's plans for commands would also be considered.

Mr Christou

Mr Christou

97/68

ACQUISITIONS AND DIVESTMENTS

ISC/97/52

Mr Christou reported on the existing position regarding several acquisitions and divestments.

It was noted that Celestica had withdrawn from interest in purchase of ICL's repairs business although Mr Christou was in discussion of a potential new purchaser.

Mr Christou

Sale of the HPS software products, particularly I500 would be reviewed in connection with the TeamWARE transaction.

Mr Christou

Progress was noted with the other proposals mentioned in the paper and Mr Christou was delegated authority to continue discussions subject to presenting final details on any disposal to the Committee in due course. The Committee also agreed in principle that ICL

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should take an investment in Escher, the Boston based software house involved in the Pathway project.

97/69 UPDATES ON MAJOR BIDS

Mr Gibson and Mr Hartnell presented on a group of 9 major opportunities for ICL, as set out in the paper.

Almost all of the proposals were going through a very high activity stage at present with awards due to be announced on at least four in Q2 1998, two more later in 1998 and one in 1999. The implications for ICL and the position regarding the competition was noted. The predominance of EDS in large Government IT projects in the UK was noted but this was bringing disadvantages to EDS as Government were beginning to fear over concentration. However ICL would (and it was assumed EDS would also), propose to Government various combinations of projects in one supplier's hands to enable further rationalisation of activity by Government and ICL in future.

The Committee also considered the range of activity under the various large opportunities, from full business process organisation, which could involve a full outsource as Mr Hartnell was dealing with on the DNS opportunity, to technology-only outsource possibly including applications, in a more limited approach. The position of the bids was noted on all the opportunities and Mr Todd, Mr Christou, Mr Riesenfeld, Mr Gibson and Mr Hartnell authorised to proceed as necessary.

The other £50m opportunities set out in Paper ISC/97/54 were noted and Mr Todd and Mr Christou were authorised to sign or approve any contracts of more than £50m arising prior to the next meeting of the Committee.

**97/70 CHAIRMAN AND MANAGING DIRECTORS ISC/97/55
OF TRADING SUBSIDIARIES**

The position was noted and appointments since the last meeting of the Committee were ratified and approved.

97/71 BOARD COMMITTEE MINUTES

The Pension Policy Committee and Audit Committee minutes, to be considered by the Board the following day were noted.

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97/72 DOCUMENTS SIGNED AND SEALED PLC/97/22a&b

The papers, for the Board the following day, was noted.

97/73 DATES OF MEETINGS IN 1998

The meeting date for March 1998 was still under discussion but the following were the provisional dates for later in 1998:

27 May 1998
22 July 1998
25 November 1998.