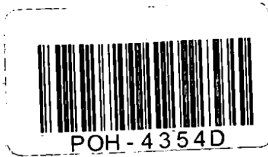


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ICL PLC
INTERNATIONAL COMPUTERS LIMITED
ICL GLOBAL INVESTMENTS LIMITED

MEETING OF THE INVESTMENT & STRATEGY COMMITTEE

held at

Observatory House, Windsor Road, Slough, Berks, SL1 2EY

On Wednesday, 22 July 1998 at 1.00 pm

PRESENT:	Mr T K Todd	(In the Chair)
	Mr M Naruto	
	Mr R Christou	
	Mr H Sakai	
IN ATTENDANCE:	Mr S Riesenfeld	
	Mr R F Scott	(Secretary)
	Mr T Yamada	
	Mr Y Katsuya	
	Mr T Yurino	
	Mr Y Sumida	
	Mr D J Teague	(Item 45 onwards)
	Mr R M Hacking	(Item 48)
	Mr J Polatch	(Item 49)
	Mr P Eames	(Item 50)
	Mr G Pickup	(Item 50)

ACTION BY:

98/40 COMMITTEE MEMBERSHIP

Messrs Fukagawa, Furukawa and Watanabe were standing down from the Committee, on leaving the ICL PLC Board. It was noted that the ICL PLC Board would be asked to appoint Mr Sekizawa, Mr Kurokawa and Mr Yurino to the Committee.

98/41 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 27 May 1998 were approved as a correct record and signed by Mr Todd.

98/42 MATTERS ARISING

98/23b - ICL was now unlikely to invest in Escher at this time, but the matter would be kept under review.

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Mr Hartnell 98/24b - A paper on ECRC would be brought to the next meeting of the Committee.

Mr Palk Help desks were being identified as investment priority for ICL, and there would also be a paper on this for the next meeting.

Mr Teague 98/24e - Mr Teague would ask Fujitsu Systems Europe to ensure that Japanese companies in the UK would be treated as their target customers.

Mr Escudier 98/27 - Persona - Ahead of the next meeting of the Committee, in September or October, ICL would consider whether to go ahead.

IRRELEVANT

Mr Christou

Mr Gibson 98/29 - **IRRELEVANT** - It seemed unlikely that ICL would prove a good channel for **IRRELEVANT** Mr Todd would arrange for the ICL view to be sent to Mr Furukawa.

98/32 - **IRRELEVANT** - Mr Todd said a services joint venture with **IRRELEVANT** might still be arranged.

Mr Teague On Year 2000 issues, Mr Sakai said there was concern in Fujitsu over the possibility of legal action from customers and others, not only in Japan but in Courts throughout the World. This could also happen to ICL. Mr Todd and Mr Christou were keeping the situation under review and also writing to customer CEOs to again raise the issue. Mr Todd added reports would be made to the ICL PLC Board on Year 2000 from now on.

98/43 CHIEF EXECUTIVE'S REPORT JULY 1998 PLC/98/14

Mr Todd expanded on his written report. Points noted.

- a) Mr Todd said that in the second quarter of 1998 ICL had achieved a profit from operations. However growth in the second quarter was poor at 4.8% compared to 13% in the first quarter.

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- b) Goldman Sachs were valuing the IPR and other assets likely to arise from the BBC contract, as it was now accepted this would have some value on termination of the project.
- c) The Microsoft partnership could be greatly expanded by exploiting exchange based systems over the next few years.

98/44

FINANCIAL PERFORMANCE
AND HALF YEARLY ACCOUNTSPLC/98/15
PLC/98/16

Mr Riesenfeld reported and there was a discussion.

- a) Year to date profit before tax was £18.5m, including the benefit of the sale of Teamware to Fujitsu and the flotation profit on part of the **IRRELEVANT** investment. However Q2 had been disappointing particularly in slow growth. For the first time at this meeting the global business picture was presented based on the ICL "Cube" reporting system which showed the business gained in "verticals" i.e. the businesses ICL was in, from the business offerings or products etc through the various geographies in which we operated. This system, which was capable of further refinement, would enable sharpened focus on problem areas and a prioritisation of investment etc in promising areas. The Committee noted the list of ICL's top 20 customers and the predominance of business with them in ICL's total results.
- b) From Mr Riesenfeld's slides, the Committee noted the trend of profit this year, significantly above 1997. The order backlog was also noted. Mr Todd emphasised the importance of making a profit in Quarter 3 of 1998 and referred to efforts led by Mr Teague to greatly expand short term revenue opportunities (by £250m in the rest of 1998). Originally we had planned 13% growth for 1998 but he now hoped for more.
- c) The Committee noted the trading issues in Central Europe, Retail (where Mr Mullinder in the US in particular was improving the situation significantly) and Services (where the education and ECRC businesses were a concern)

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- d) The Quarter 3 forecast from the Divisions was a loss of £11m but Mr Todd and Mr Riesenfeld had judged that ICL would in fact make a small profit, based on our increased sales efforts and the fact that the divisions' forecasts were usually pessimistic. When this was achieved, the outlook for Quarter 4 would be good. The "stretch" profit target for the year remained at £75m although the post-judgement forecast now stood at £58.7m PBT. Mr Todd said the EMC understood the importance of accelerating profit towards flotation in May 2000. Falling into loss in even one quarter was not acceptable.
- e) For the Fujitsu year, ending 31st March 1999, ICL operating profit forecast was £67.5m compared to £50.3m achieved last Fujitsu year.
- f) Mr Riesenfeld explained changes to ICL's banking facilities including a borrowing limit increase and a relaxation of elements of the covenants the banks imposed. Mr Todd praised Mr Riesenfeld and Mr Hill's efforts in achieving this. The Committee approved the changes.
- g) The Half Yearly Accounts being prepared for the banks, which would also be considered by the Audit Committee and the Board were noted. They showed a profit on the bottom line after tax, minorities and preference dividends.

98/45

ICL'S MARKETS

PLC/98/17

Mr Teague gave a presentation on ICL's markets and Mr Todd emphasised that the Executive Management team would be using this information, continually updated, for strategic and other purposes particularly in the run up to flotation. The market situation would be reviewed at each committee meeting in future.

Mr Teague

98/46

FLOTATION UPDATE

ISC/98/24

Mr Riesenfeld gave a presentation of material obtained from ARC Associates showing the potential ICL had for a stock market listing although pointing out the improvements necessary in profitability. He also referred to the preparatory work being undertaken and timing issues. After discussion it was agreed that ICL would continue to plan for listing in May 2000 but with a contingency plan for listing up to 12 months earlier.

Mr Christou
Mr Riesenfeld

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98/47 MAJOR CONTRACTS AND BIDS

- a) ICL Pathway project update PLC/98/18

Mr Todd referred to recent relatively good progress operationally on the project and to the review by HM Treasury which it was expected would lead to commercial negotiations in which ICL intended to achieve a realistic return on the investment. The project would be further discussed at the Audit Committee and the ICL PLC Board meetings.

- b) PFI Projects Update ISC/98/25

Mr Todd referred to progress with HM Customs and Exercise, the Magistrate Courts opportunity (ICL was now in a single negotiator position and Mr Christou was asked to ensure a satisfactory margin return). The DTI the Home Office IT 2000 project and the Accord project. Concerns on Accord included that it was bigger than Pathway, that there was a poor business case and that the Department of Social Security might not prove to be a good customer.

Mr Christou

- c) Major Bids Report ISC/98/26

The paper was 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.

It was noted that the contractual documentation on the **IRRELEVANT** opportunity was nearing signature and that a full resolution giving appropriate authorities, as required by the various parties, would be circulated to the Committee for signature. The resolution would be accompanied by an update paper including details of the margin.

Mr Gibson

98/48

ICIM - INDIA - UPDATE

ISC/98/31

IRRELEVANT

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IRRELEVANT

Mr Hacking

98/49

CUSTOMER SATISFACTION

Mr Polatch joined the meeting and gave a presentation covering the activities of the Customer Satisfaction Action Centre the Customer Satisfaction Interview Programme, Customer Issues Reporting, Customer Red Alerts and Root Cause Analysis. He concluded by referring to the One ICL acceleration model by which problems were accelerated in an orderly fashion to become "red alerts" and dealt with appropriately. Mr Todd emphasised that when ICL was able to report overall satisfaction scores of an average of 9 (at present we were around 7 having

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previously been at 6.4) this should be worth 2 to 3 points of margin to ICL. Therefore, on £3bn revenue we could increase profits by £90m.

Secretary

The presentation covered reliability of PC products from Fujitsu Computers Europe Ltd and the Secretary would advise the EMC to ensure proper identification of this company in future. Mr Polatch and Mr Teague were having monthly reviews with Mr Urano of FCEL in order to deal quickly with any problems.

98/50

APPROVALS AND CONFIRMATIONS

a) **Acquisitions and Divestments** ISC/98/28

Mr Christou reported on progress with the various acquisition and divestment propositions. It was noted that Celestica to whom ICL had sold the design and distribution business had obtained a stock exchange quotation and repaid early the loan note they owed ICL. Also the volumes of business we placed with them were close to the committed levels, which should enable us to obtain bonuses shortly. Mr Christou referred to the opportunity to realise some value from the Internet Service providing business in German, IRRELEVANT

IRRELEVANT The business was currently loss making but as Internet related might be valued in accordance with other factors.

b) **PTI - Approval to Proceed** ISC/98/29

Mr Eames and Mr Pickup gave a presentation on the proposed PTI acquisition. It was noted the price to be paid for the shares was \$3m initially plus a further \$3m over three years, subject to some conditions placed on the Vendors. Additionally they would have incentives to perform well with ICL.

Mr Escudier

The need for on the spot ICL management supervision of PTI was emphasised.

Mr Todd wished further information on the high growth expected between 1998 and 1999 in revenue and profits, also, development spend had to be analysed. We had to be sure significant further development spend would not be necessary to bring the product up to the level at which it could satisfy the market at which it was aimed. Also, the attitude of other Fujitsu group companies to this would be ascertained as they should be committed to this product rather than develop their own.

Mr Escudier

Mr Sakai

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Mr Escudier
Mr Escudier/Secretary
Mr Escudier

Subject to the points mentioned, on which clarification would be provided to Mr Todd, the proposal was approved and a resolution setting out the final terms will be circulated to the Committee for signature in due course. Mr Sekizawa was visiting ICL in September and a presentation would be made to him on PTI and other ICL smartcard activity.

c) **Capitalisation of Subsidiaries** ISC/98/30

Mr Riesenfeld

The proposals were approved. In future Mr Riesenfeld would ensure there was a summary of the three year business plan for each company requiring capital, showing the way back to profit.

d) **Year 2000** PLC/98/19

The paper was noted.

e) **Chairman and Managing Directors of Trading Subsidiaries** ISC/98/33

Changes since the last meeting were approved.

f) **Pension Policy Minutes dated 10th July 1998**

These were noted.

h) **Documents signed and sealed** PLC/98/20a&b

The paper was noted.

98/51 **DATE OF NEXT MEETINGS**

Wednesday 25 November 1998