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ICL PLC
International Computers Limited
ICL Global Investments Limited

Minutes of the Investment & Strategy Committee

Held at 1pm on Wednesday 25th November 1998
Observatory House, Windsor Road, Slough Berks, SL1 2EY

Present	Mr T K Todd	(Chairman)
	Mr M Naruto	
	Mr T Sekizawa	
	Mr R Christou	(Item 55)
	Mr H Kurokawa	
	Mr H Sakai	
	Mr T Yurino	



In attendance	Mr S Riesenfeld	
	Mr R F Scott	(Secretary)
	Mr Y Katsuya	
	Mr Y Sumida	
	Mr D J Teague	(Item 56)
	Mr R M Hacking	(Item 57)
	Mr J H Bennett	(Item 55)
	Mr A King	(Item 56)
	Mr R Strich	(Item 56)
Mr N R Hartnell	(Item 57)	

Mr Sekizawa was welcomed to the Committee.

Action by: 98/52 Minutes of previous meeting

Minutes of the meeting held on 22nd July 1998 were approved as a correct record for signature by Mr Todd.

98/53 Matters Arising

Mr Todd said that actions noted from the previous Minutes had been completed, were being progressed, or were no longer applicable.

Re-minute 98/50d), Year 2000 - Mr Naruto requested ICL fully investigate Year 2000 compliance issues in the businesses ICL had in recent years transferred elsewhere in

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Mr Todd

the Fujitsu Group. These included Fujitsu ICL Computers, and the businesses in Australia and Asia (including the Indian businesses including ICIM). Mr Todd mentioned his continued efforts with customers to make them aware of the issues. (A Year 2000 issues update report would be made to the Board the following day).

98/54	Chief Executive's Report – November 1998	PLC/98/21
	Financial Performance	PLC/98/22
	1999 Budget	PLC/98/24
	ICL Strategic Plan 1999 - 2003	PLC/98/29

Mr Todd then Mr Riesenfeld reported. Points noted:

- a) Mr Todd referred to performance of the company, which Mr Riesenfeld would report in more detail. We had now made a profit before tax in each of the last four quarters and although he would wish that our forecasting was more accurate, the forecasts were usually exceeded. Considerable effort was going into exceeding the minimum commitment of £40m profit before tax from operations (£57m including profit from existing disposals).
- b) Mr Todd referred to markets and to the performance of some of ICL's competitors. He referred to the Pathway contract which would be the subject of reports and discussion later in the meeting.
- c) ICL had had some significant bid successes recently. These included DTI ELGAR where Mr Todd thanked Fujitsu for the support letter. This would be a showcase for ICL's technology since it was positioned on the interface between the DTI and UK businesses. A ten to fifteen year relationship was expected. The Courts 2000 contract was expected to be signed before the end of the year. On DSS Accord, ICL had apparently been promised, with our partners Microsoft and Andersen Consulting, an over-arching service contract, as had the BT consortium, while EDS was the prime service provider. It was not clear what this meant for ICL and Mr Todd said we were being cautious. He would be reviewing carefully whether it would be appropriate to take a contract.

This led to a discussion on the risks associated with PFI contracts where it was becoming increasingly clear that the balance of risk would sometimes be too far towards

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Mr Todd

the contractor. Mr Sekizawa commented that ICL now had considerable PFI experience, particularly arising from Pathway and that we should be able to develop useful approaches and suggestions which could be used with the Government to position ICL advantageously.

- d) Mr Todd referred to the market and to ICL's competitors, both of which were being watched carefully. They included BT which, like EDS, was also a partner and a customer, or was capable of being so, depending on circumstances.
- e) Arising from the BBC contract, ICL had decided to withdraw from direct involvement in the internet service provider marketplace, but would, depending on terms agreed, run the BBC's internet service for them. It was becoming increasingly clear that Globalstore as a software product would become very successful in the retail marketplace and ICL needed to ensure there was a satisfactory commercial model. Some of the retail hardware products were not market leaders. Mr Popa, the country manager of Romania, was congratulated for his efforts to secure the Romanian rail contract.

Mr Todd

- f) Mr Riesenfeld reported on ICL's results and forecasts, Revenue growth had accelerated over the last three quarters and he referred to the effect of exchange rates on ICL's performance. It was agreed ICL would prepare its results in sterling and the Euro during 1999 and Mr Naruto added that the ICL should also use the Euro in internal billing.
- g) Mr Riesenfeld referred to the performance of ICL's businesses including the continued strength of High Performance Systems, the cost of provisions and bids in Central Europe, Retail and Services, where the applications and technical consultancy division was showing a significant loss due to transfer pricing. Here the accepted practice in consultancies was to set these manpower costs low to encourage success in the related projects and it was noted ICL might have to revise this stance.

Mr Todd added that he was seeking at least £12m extra profit to enhance the October forecast of £53.5m operating profit for the year. The significance of profit from continuing operation, to the analysts and market in regard to flotation was noted. ICL would be concentrating on this figure.

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- h) Mr Riesenfeld referred to the budget for the new fiscal year to 31 March 2000. Profit before tax was planned at £95m (compared to £51.1m 1998/99) and operating profit was expected to be £115m (compared to £58.4m 1998/99). Revenue growth was expected to continue its acceleration to 14.4% for the new budget year. The Committee noted other elements of the budget including operating expenditure, where reductions continued, and borrowings which were heavily biased towards major projects.
- i) Mr Todd referred to ICL's strategic plan 1999 – 2003, including our approach to IT portfolio investment strategies, and the ICL business model, where much work had recently been done to refine our approach to the market, through offerings. He referred to the concentration of our capabilities through these offerings to the customers and to managed withdrawal from non-core offerings.

The financial plan focussed on operating profits of £66m (before rationalisation expenditure) for 1998/99, £124m 1999/2000 and £168m for 2000/01 the expected year of flotation. Over the period of the plan profit approached 5% to 6% of revenue which was an accepted benchmark/target. Mr Todd referred to the factors which he believed would lead to this accelerating profit trend, including cessation of the high levels of infrastructure spend going on at present, elimination of losses and ICL's new focus behind profitable core/strategic offerings. Outside of the financial plan, he referred to strategic opportunities to increase business, for example in France by collaboration and eventually acquisition, and to Germany and possibilities within the Fujitsu family. He added his commitment to developing ICL's management and people.

The Committee endorsed the budget and strategic plan. These would be discussed with the Board and shareholder.

98/55 ICL Pathway

PLC/98/25

Mr Bennett then Mr Christou presented. There was then a lengthy discussion. Points noted were:

- a) Mr Bennett reported encouraging operational progress with the live service in 204 Post Offices. Those who saw demonstrations of the system continued to be impressed.

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- b) Mr Christou reported on the without prejudice negotiations which had taken place with Government to resolve the project dispute. The contents of the without prejudice negotiations are briefly summarised in the attached report marked (A). This report is to be submitted to Masons for the purpose of obtaining urgent legal advice as to the merits/risks of proceeding with litigation against the background of the commercial negotiations set out in the report.

98/56 Project Q**ISC/98/36**

Mr Strich, with Mr King, presented on ICL's proposals to seize the opportunity to become the trusted personal information broker for the individual by collecting available personal information about an individual, providing him the information collected in return for the right to be his collective bargaining agent for personal information, eliminating other personal information, collection and distribution sources to increase the value of personal information and rewarding the individual for allowing this. Q involved a plan to establish a global brand that promised the individual collective power based on control over collection, storage and distribution of their personal information.

Mr King

Mr Todd recommended the proposal and the committee discussed it. It was noted that there were similarities between Q and Project iMi of Fujitsu and it was agreed Mr Strich would urgently meet with those in Fujitsu who were operating this project. Mr Sekizawa pointed out that it had taken some time, at least two years, for iMi to look successful but with the speed of developments on the internet and differences between the US and UK markets, and Japan, he accepted that Q might take off more quickly.

It was estimated that Q would require \$110m of investment and the options were that Fujitsu/ICL embarked on this by itself, or that the project was for three to five selected investment partners, or for a larger number of eight to ten investment partners. The recommended proposal was that Fujitsu and/or ICL would be one of three to five partners in the project, with ultimately a \$30m investment and around 23% ownership. \$1m had been committed by ICL to-date and \$10m was requested for commitment in the quarter beginning 1st January 1999. Mr Todd was in favour of this and Mr King and Mr Strich would be able to use this endorsement pending further discussion by Fujitsu ICL Group. The Committee decided that the Board would be asked to discuss the project and, subject to the Board's views, Mr Sekizawa, Mr Naruto

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and Mr Todd were delegated by the Committee (and it was proposed that they also be delegated by the Board) to decide on the recommended proposal outlined or any alternative.

98/57 Other Matters

Mr Todd

The committee delegated to Mr Todd and Mr Yurino, decision power regarding the following papers:

Healthcare in Holland	ISC/98/37
ECRC	ISC/98/38
ICIM	ISC/98/40
Capitalisation of subsidiaries	ISC/98/39

and the committee noted the following papers:

Major Bids report	ISC/98/35
Year 2000	PLC/98/26
South Africa	ISC/98/41
Glovia ERP product	ISC/98/42
Acquisition of PTI Inc.	ISC/98/43
Chairman and managing directors of trading subsidiaries (noted and approved)	ISC/98/44

Pension Policy Committee and
Audit Committee Minutes for the Board.

Documents Signed and Sealed	PLC/98/27a&b
Half Yearly Preference Share Dividend	PLC/98/28

Dates of next meetings:

The committee noted the proposed dates of:

3rd February and 12th May. The July and November meeting dates were still being investigated (subsequently agreed as 20th July and 24th November).