

**COMPANY SECRET**

ICL PLC  
INTERNATIONAL COMPUTERS LIMITED  
ICL GLOBAL INVESTMENTS LIMITED

Minutes of the ICL Executive Management Committee  
held on Monday 3rd September 1996  
at ICL, ICL House, 1 High Street, Putney SW15 1SW.

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Present: Mr T K Todd (Chairman)  
Mr R Christou  
Mr W J Davison  
Mr N R Hartnell  
Mr R E Livesey-Haworth  
Mr J G Lillywhite  
Mr R H E Powell  
Mr J W Goasdoué  
Mr D J Teague  
Mr T Escudier  
Ms M-A Van Ingen  
Mr H Watanabe  
Mr P M Whitwam



In attendance: Mr R F Scott  
Mr T Yamada  
Mr M J Austin (Item 201)  
Mr K Varuohovi (Item 201)  
Mr A Kelly (Item 201)  
Ms S McLaren-Thomson (Item 204)

Apologies for absence were received from Mr D J Berry and Mr N P D Eadie.

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ACTION BY

96/200 NEW MEMBERS OF THE COMMITTEE

JGL, DJB  
Secretary, and  
ALL to Note

Marie-Ann, Tim, Rod and David Teague were attending their first meeting as full Committee Members and would now receive all papers including ERP and the Forecast Blue Books. This also applied to David Berry, who was not present.

96/201 ACTUAL AND PERFORMANCE FORECAST REVIEWS

John Lillywhite reported with the Group Executive Directors/Managing Directors commenting for their own business. Points noted:

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- a) For the YtD, actual revenue was £99m below budget and, at a loss of £16.8m, PbT for Systems and Services was £4.9m below budget. Adding D2D and Volume Products the loss so far for the year of £63m was £32m below budget and £11.9m below last year at this time.
- b) The forecasts for Q3 and the full year showed revenue falling, compared to the previous forecast but John said they still implied a higher revenue performance from August to December than had been achieved last year.

Forecast PbT had been held for Q3 and the full year but there had been increases in the task, to £4.9m for Q3 and £11.1m for the full year. Therefore the full year PbT forecast given to Fujitsu at the end of July, £15m, depended on a task of £11.1m to be achieved. John said the only significant central help with the PbT would be if ICL Sorbus decided to establish help desk facilities at STE09, preferably in Q3, which would enable release of a provision taken against vacant space in that building. Paul would

PMW 11/9

investigate this. Further on property, it was reported the Inland Revenue would not now wish to take over MAN12 (Arndale Centre building). If it was rebuilt we may still have lessee's obligations although if the rebuilding project was funded by the EC, we could benefit.

- c) Inventories, previously heading downwards were now beginning to increase slightly to budget. Receivables were better than forecast but up on budget. John said receivables were too high considering the decline in revenue to budget.

ALL

- d) The rolling forecast showed that quarters 1, 2 and 3 of 1997 were expected to show revenue increases of 11.4%, 16.8% and 14.6% respectively. During 1996 so far we had achieved 1% growth on 1995 and the forecast was a 6% increase for the whole of the year. This taken together with some unrealistic profit forecasts for the first ¾ of 1997 led John to believe that not enough attention was being paid to the forecast this far out.

ALL to Note

The cash forecast at £156m for the full year compared to £83.7m for year to date, was beginning to creep up although John acknowledged that the central programmes of cash actions would be likely to reduce the year end out turn significantly, as previously.

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e) Some comments on individual businesses:

**TV 6/9** [IRRELEVANT] whose PbT forecast had deteriorated slightly were finding it difficult to make up ground with the continuing uncertainty over their ownership. Torsten would investigate the FICHL forecast (and any additional possibilities) for Sparc servers and ensure Alastair was working to this in terms of factory loading etc.

**DJT 13/9** [IRRELEVANT] forecast for Q3 and the full year had been held. Keith would discuss with David, the status of negotiations with EDS.

**TV 6/9**  
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**DJT 6/9** TeamWARE was a continuing concern with Kari saying that the Q3 and full year revenue forecast, both of which were substantially below our aspirations, now contained significant risk. Torsten would brief Jukka on the discussion, prior to the next review of the business with Keith, and would also cover particularly the product roadmap and our offering to compare to Microsoft Exchange and other packaged products. Our support capability was also important. Torsten would also check out those client managers who were not attending the events arranged by TeamWARE and defaulters would be advised to the relevant GED/MD. Torsten would also arrange for weekly good news reports to come out on TeamWARE sales/successes. Keith communicates considerable concern to Jukka on the TeamWARE situation.

**M-AVI 6/9** Marie-Ann said the [IRRELEVANT] forecast of PbT £3.3m for the full year was at risk by £400k expected [IRRELEVANT] losses and £600k costs to close the retail outlet. She was working to increase the forecast to cover these items. On [IRRELEVANT] Marie-Ann was having considerable problems with [IRRELEVANT] who were not signing up to the expected arrangements. She would discuss this offline with Keith.

Richard L-H explained the Enterprises Group issues including serious deteriorations in Finland and Sweden and further risks in ICL Enterprises UK. From the last forecast to this forecast, £5m of Richard's £10m contingency had been used up to hold the full year forecast. Richard was vigorously pursuing the necessary actions. On the good news front, the [IRRELEVANT] contract and the South African transaction with [IRRELEVANT] had both just been signed. Prospects were still alive on the

[IRRELEVANT]

**COMPANY SECRET****RL-H/NPDE**

The Committee note considerable concern over the BT mediation contract now on Red Alert for 60 days. The principal issue remained unreliability of the large servers when heavily utilised. Richard and Ninian would brief Keith after the next review and Richard added there was an unforecast cost implication of £8m for his business and £10m for the whole of ICL, in the worst case scenario.

**RL-H**

Keith drew attention to the huge step between Q3 and Q4, for Richard's businesses and advised on getting the cost profile right for the business circumstances.

**JGL 6/9**

The Retail forecast for Q3 had dropped by £1m but had been held for the full year. Rod was conducting reviews to try to improve Q3. On a discounting arrangement agreed between Messrs Palk and Morgan, there was a forecast £2m profit impact to be dealt with. John would arbitrate between David Palk and Adrian King if necessary and would advise Keith on the facts and consequences and how it happened.

In FSS, Tim was still working to recover to budget in Q3 and the full year, which might be achievable since the forecast revenue/profit were flat rather than peaking towards the year end. He was concerned about commitment and competence in his sales force and managers.

**PMW 20/9**

Sorbus continued to cause concern with both the Q3 and full year and PbT profit having been lowered this time by in total of £3m and Paul identified a further £4m in risks. Paul said Project Dawn was important to Sorbus' recovery and when the new project manager had fully acquainted himself and produced a proper project plan, Keith and Paul would review it.

On Outsourcing, Nigel still hoped to improve to budget, but by Q4 rather than Q3.

**ALL to Note**

- f) John asked the GEDs/MDs to carefully watch revenue growth and the growing tendency for backending in both revenue and profit. Also the tendency for internal revenue to increase rather than external revenue might mean margin deterioration in future rather than real growth in the business. Keith emphasised the importance of Q3 to Fujitsu and ICL and how vital it was to avoid any deterioration in the commitment we had given to Fujitsu for this quarter and for the full year, of £15m PbT. We were losing business we should win and it was important for GEDs/MDs to understand why this was

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**ALL to Note** happening (for example we should understand the risks better). All necessary cost cutting actions should be taken, including stopping discretionary spend and recruitment and actions with suppliers.

**TE 6/9** Keith said it was easy to become depressed by the forecast but there was much good news including the **IRRELEVANT** Pathway, **IRRELEVANT** (where we were likely to be the only pilot for their new EPOS) and **IRRELEVANT** **IRRELEVANT** (where Tim would see if this could be announced, which would be particularly helpful with First Union and others in the US).

96/202 **IRRELEVANT** CONTRACT

John said the contract, which would now go on until the end of December 1999, had been signed but the announcement was embargoed until 30 September.

**WJD** £2m had now been released into this year's forecast in John's business. Keith emphasised the importance of managing the risks in the contract and keeping a risk log of the actions etc to be taken to enable the contract to emerge into profitability in the end.

96/203 ICL PATHWAY LIMITED

Keith and Richard Christou reported on the Board meeting just held, where Pathway, although there was a very great deal to be done, was meeting its early deadlines leading to the initial 'go live' of 23 September.

96/204 ELECTRONIC COMMERCE

**ALL to Note** Sue McLaren-Thomson gave a presentation concentrating on what electronic commerce was, ICL's opportunity and on the comments received from the Committee members on the document she had circulated previously. Inevitably, elements of electronic commerce development would remain in various of the ICL businesses although it was accepted there was a need for a common strong line and message that ICL was very much in this business. Investment in electronic commerce projects should be identified in strat plans.

**TV 6/9** It was agreed there would be light central coordination at this stage, managed by Torsten who in particular would pick up on the key actions identified by Sue in her presentation. It would be important to keep in close contact with Fujitsu on

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TV electronic commerce and to remain aware of the internal (both within the ICL group and the Fujitsu group as a whole) dimensions.

96/205 IRRELEVANT

Secretary 6/9 There was a discussion on several of the individuals mentioned on the IRRELEVANT agenda circulated recently by David Berry. Members of the Committee would pick up the relevant actions. (Company Secretary will brief David Berry/Mark Birchenhough).

96/206 PROCESS SOLUTIONS AND SERVICEPOWER DIVESTMENT PROPOSALS

RL-H/RC The papers on these had been circulated and approved by the Committee members. This minute notes this approval and that authority to negotiate and conclude the sales has been delegated to Richard Livesey-Haworth and Richard Christou.

96/207 COUNTRY MANAGEMENT BOARDS

TV Torsten circulated a paper and his proposal was approved that Country Management Boards be put in place to support the host Country Managers in their host country management roles. Any additional comments would be fed into Torsten. It was also agreed that Paul and Rod would act as the Country Management Board for Italy, Austria and Switzerland and Committee Members if they wished would comment to Keith on whether they thought it necessary to have a host Country Manager and a Country Management Board for the UK. There would be one for Ireland, however and Richard L-H/John would advise Torsten.

ALL

TV

ALL

RL-H/JGL 6/9

96/208 ICL PRODUCT CONFORMITY PANEL - RED ALERT STATUS REPORT

The Committee noted the report and confirmed its intention to monitor and review all safety related matters.

Regarding the present report, Ninian would be asked to advise on the closure criteria for the 151V/152V monitor inspection plan. Ninian would also be asked to review with Richard Christou whether ICL had any liability at this stage despite the fact that not all monitors had been inspected.

NPDE 13/9

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- NPDE 13/9 Also, on the S90CD Notebook overheating, Ninian would be asked to advise on the results of the Fujitsu ICL Finland and ICL Norway investigation.
- 96/209 SPAIN
- It was noted the Fujitsu Executive Management Committee had agreed the merger of the Fujitsu and ICL businesses in Spain. Work was progressing and in connection with this, Paul and Ninian would be likely to meet Kojima-san in the following week. Richard would arrange for Robin Hacking to be available in the event that Project Doris (Asia) could also be discussed with Kojima-san.
- RL-H 6/9
- 96/210 SEKIZAWA-SAN'S VISIT
- Hideo mentioned Sekizawa-san would be visiting the UK, mainly to address the Fujitsu SuperComputer User Conference in Manchester. However, it seemed that David Mills might be arranging for Mr Sekizawa to meet the press and Hideo would advise Keith, as the Senior Fujitsu Group Executive in the UK, of what the proposals were.
- HW 6/9
- 96/211 'GOOD NEWS'
- Paul and Joe would ensure that EMC members got individual copies of the Good News circulars being issued by the Press Office since those who had suppressed 'junk mail' on their Officepower were not receiving it.
- PMW/JWG 6/9
- 96/212 IRRELEVANT
- Paul, who was visiting IRRELEVANT with David Teague and John Gardner would represent ICL collectively in discussions with this utility/outsourcer which was chaired by Derek Lewis. Several ICL units needed to be involved in the approach to this customer, including CFM and the next Account Review, would consider the situation and whether a new client manager needed to be appointed.
- TV 9/9
- 96/213 PURCHASING REBATE SCHEME
- Richard Christou mentioned the scheme had now been launched officially and requested that all Committee members support this opportunity to save money.
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96/214 **FUTURE MEETINGS**

**NPDE**

Keith referred to the objectives he wished the Committee to fulfil in its meetings including leadership in ICL towards profit and mobilising the common interests of the Committee members. In future members would receive the Technical Strategy Board minutes and a programme would be developed for handling key industry relationships.

There was some consensus among Committee members that the forecast reviews were evolving in to a more useful format with a main presentation by John and shorter more strictly relevant contributions by GEDs/MDs on the important changes/remedial actions in their businesses.

96/215 **DATE OF NEXT MEETING**

Date of next Account Review: Monday, 9th September 1996 at 2pm.

Date of next full EMC: Monday, 30th September 1996 at 2pm.

96/216 **CLAES HULTMAN**

The Committee received a presentation by Claes followed by discussion and dinner. Claes had now managed 9 corporate recovery situations and he advised on how ICL might handle some of its issues. He particularly mentioned price management which he thought had brought about 2/3 of the improvements in the numbers in the situations he had been involved in (1/3 from cost cutting), setting performance targets, reducing the headquarters functions dramatically and his proposition that if pre-tax profit was less than 10% of revenue then a business should not be allowed to grow, only improve profit.