COMPANY SECRET

ICL PLC

MEETING OF THE BOARD OF DIRECTORS

Held at

MILLENNIUM HOUSE, THAMES VALLEY PARK DRIVE, READING, BERKSHIRE RG6 1RB

on Thursday, 12 March 1998

at 2.00 p.m

PRESENT:	Mr M Naruto	(Chairman)
	Mr T K Todd	(Chief Executive)
	Mr W K Gardener	(alternate for Mr J C Monty)
	Mr S Gillibrand	
	Mr H Watanabe	
IN ATTENDANCE:	Mr S Riesenfeld	
	Mr R F Scott	(Secretary)
	Mr T Yurino	
	Mr Y Sumida	
	Mr A Gibson	(Item 6)

Apologies for absence were received from Sir Peter Bonfield, Vicomte Davignon, Mr T Furukawa, Mr K Fukagawa, Mr J C Monty, Mr J J Ollila.

Action by:

98/1 **MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 21 November 1997 were approved as a correct record and signed by the Chairman.

98/2 **MATTERS ARISING**

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98/3 **CHANGE OF REGISTERED OFFICE** PLC/98/1

It was noted that, with the decision to move the offices of Mr Todd and his functional direct reports and others, to Finsbury Square and to relocate most of the HQ operations at Slough, ICL would be vacating the Putney building after 34 years of occupation. Consequently the formal registered office of the Company and almost all of the UK subsidiaries would change to Finsbury Square and accordingly the Board

RESOLVED

THAT the Registered Office of the Company be changed with effect from 16 March 1998 to 26 Finsbury Square, London EC2A 1DS.

98/4 **CHANGE OF ACCOUNTING REFERENCE DATE** PLC/98/2

Mr Riesenfeld explained it was proposed to change the date for make up of the ICL accounts year to 31 March, to fall into line with the major shareholder, Fujitsu. The accounting period covering the change, was likely to be 1 January 1998 to 31 March 1999, 15 months. Mr Riesenfeld said that ICL believed it would be providing accurate figures to Fujitsu in time for Fujitsu's results announcements and accounts. Mr Todd added that ICL was working towards a more regular profile of profit earning, ie the high earnings in the last quarter of the year should lessen, so it was unlikely that the Company would earn such a large proportion of profit in March, as it had in December in the past.

98/5 **CHIEF EXECUTIVE'S REPORT AND** PLC/98/3
FINANCIAL PERFORMANCE PLC/98/4
1997 DRAFT REPORT AND ACCOUNTS PLC/98/5

The Chairman said that the Chief Executive's Report, Mr Riesenfeld's presentation on performance and the draft report and accounts would be taken as one item. He invited Mr Todd, then Mr Riesenfeld to comment. Points arising:

a) Mr Todd said profit before tax for 1997 would be £30m. The Board congratulated the executives on exceeding budget and meeting the commitment to the Board and the major shareholders. Mr Todd added ICL was driving for a better than forecast result for Q1 1998, which he intended to bring the first Q1 profit for some years and set a trend for profit in each quarter.

The budget for the 1998 year had been set at £40m, and for the new 15 month period, £45m. However for calendar 1998 Mr Todd intended that

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ICL should achieve £75m not £40m although he was not promising this to the Board or Shareholders at this time.

b) The TeamWare software business had been divested to Fujitsu with profit arising in Q1 1998.

c) The Pathway contract had been discussed at the Audit Committee and Mr Todd emphasised the approach ICL and the customers were taking including a Treasury review of the project. He believed it quite clear that ICL could be an alternative to EDS in the public finance initiative/Government outsourcing markets. (See also minute g) below.)

d)

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e)

f)

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1997 to £50m per annum within the next year or two and profit improvements must come from the new businesses. Much effort was aimed at developing the strategies of these businesses for the future and there was no reason why, for example, IRRELEVANT should not make a profit of around £25m per annum instead of a loss. The Chairman said that the kind of performance ICL was experiencing in the new business areas and the likely fall in mainframe profits was similar in competitors including Irrelevant

g) The Board considered the draft report and accounts for 1997, which would eventually go to the 1998 Annual General Meeting to be received by the Shareholders. It was noted that discussions continued with the auditors over the treatment of the Pathway contract in the accounts. Mr Todd said that he believed because of the uncertainty at present regarding the profitability of the contract (on the existing 5 year timescale the project would lose money significantly - although this was not realistic since renegotiation would take place) a note would be made in the accounts reflecting the uncertainty. The treatment of the Pathway contract, and any other outstanding matters including making changes regarded as necessary or desirable to the report and accounts document in draft before the Board would be dealt with by the Committee referred to below. Accordingly the Board

RESOLVED

THAT, pursuant to the Company's Articles of Association, a Committee of the Board consisting of T K Todd, S Riesenfeld and H Watanabe (with a quorum of any two of them always including Mr Watanabe) be appointed with full powers:

1) to amend where appropriate and then approve and authorise signature of the Company's Report and Accounts for the year ended 31st December 1997;

2) to authorise signature on behalf of the Board of a letter of representation to the auditor, Irrelevant in respect of the accounts for the year ended 31st December 1997, and of a letter of engagement from Irrelevant in respect of certain audit matters;

3) to convene the Company's Annual General Meeting for 1998;

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4) to take any necessary action and grant any necessary authorities to finalise the Company's Report and Accounts for 1997 and ensure their approval on behalf of the Board and their adoption by the Company's Shareholders.

98/6 **PRESENTATION BY MR A GIBSON ON THE PUBLIC FINANCE INITIATIVE STRATEGY**

Mr Gibson gave a presentation to update the Board on developments in ICL strategy in dealing with possibly its largest business opportunity with considerable implications for the future shape of the Company and floatation and other prospects.

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ICL's strengths and the position of the competition was considered.

Bid costs at around £9.4m in 1998 were very significant and obviously had a very large effect at present on the profitability of Mr Gibson's business. All the Irrelevant projects were being managed together within the ICL Enterprises business and what ICL hoped to be the winning themes had been identified. Customer relationships, the political environment and of course ICL's offerings were being given in depth consideration. It was planned as far as possible to re-use ICL's experience on other contracts such as Pathway and to achieve as much common development and other activity across the PFI bids. Partnering possibilities and methods of finance were discussed.

98/7 **BOARD COMMITTEES**

The Board noted the minutes of the Pension Policy Committee meeting held on 23 January 1998 and the Audit Committee meeting held on 21 November 1997.

98/8 **DOCUMENTS SIGNED AND SEALED** PLC/98/6a & b

The Board agreed:

The signing of the documents dated 1st July 1997 to 23rd January 1998 inclusive set out in the Register of Documents signed Under Hand.

The sealing of the documents numbered 75418 to 75429 and execution of several deeds, noted in the Register of Documents sealed, between 27 November 1997 to 22 January 1998 inclusive.

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98/9 **UPDATE ON ACQUISITIONS AND DIVESTMENTS**

Mr Todd referred to the successful sale of the repairs business in the last quarter of 1998, to the continuing plans to achieve flotation of the IRRELEVANT, which could result in a £5m profit for ICL whilst retaining a stake in the Company and he added that ICL was not intending now to sell Irrelevant.

He went on to describe a small acquisition of a smart-card related software business in the US and a potential venture with IRRELEVANT in Irrelevant with Fujitsu. A software integrator acquisition was proceeding in Irrelevant Irrelevant giving the Company a highly skilled work base for systems integration work not only in that country but elsewhere in Europe.

98/10 **LARGE BIDS/CONTRACTS**

In addition to the large public finance initiative contracts referred to above in minute 98/9, Mr Todd referred to the IRRELEVANT IRRELEVANT which was hoped to be signed in April and to a potential £20m order IRRELEVANT

ICL had been successful with IRRELEVANT obtaining country by country service contracts and support work in the UK and other countries. However we did not obtain the software integration contract hoped for. Nevertheless ICL had come from no relationship with this customer to substantial business over a very short space of time.

98/11 **DATE OF NEXT MEETINGS**

28 May 1998
23 July 1998
26 November 1998

GRO