FUJ00077845

COMPANY SECRET

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 Tuesday, 22 July 1997 at 9.00 am

PRESENT:	Mr TK Todd	(In the Chair)
	Mr M Naruto	
	Mr H Watanabe	
	Mr R Christou	
	Mr T Furukawa	
IN ATTENDANCE:	Mr S Riesenfeld	
	Mr RF Scott	(Secretary)
	Mr T Yamada	
	Mr T Yurino	
	Mr Y Sumida	
	Ms F Colquhoun	(Item 43)
	Mr NR Hartnell	(Item 49)
	Mr DJ Teague	(Item 51-53)
	Mr J H Bennett	(Item 50)
	Mr J Norokorpi	(Item 51)
	Mr R MacColl	(Item 52)
	Mr R J Stokes	(Item 52)
	Mr T J Gibson	(Item 52)
	Mr R M Hacking	(Item 48)

POH-1545D

Apologies for absence received from Mr K Fukagawa and Mr H Sakai. Mr Naruto said Mr Sakai was recovering in hospital after an operation and sent best wishes to ICL.

ACTION BY:

97/41 **MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 15 May 1997 were approved as a correct record and signed by Mr Todd.

FUJ00077845

COMPANY SECRET

97/42 **CHIEF EXECUTIVE'S REPORT - JULY 1997** PLC/97/12

FINANCIAL PERFORMANCE PLC/97/13

HALF YEARLY ACCOUNTS PLC/19/14

Mr Todd and Mr Riesenfeld reported, points noted:-

a) Mr Todd said that although ICL was in loss at the half year PbT was ahead of budget and last year. Aggressive action continued to deliver £25m PbT budget for the year, with short term revenue the main trading priority.

Irrelevant

c) Progress had slowed on the Pathway contract with Release 1C slipping from 18 August to 13 October. Release 2 would now be March 1998. Reasons included complexity of the solution. ICL Project Management had been strengthened and after October 13 ICL would work on improving the commercial/financial position. Before this negotiation borrowing for the project would peak at £334m and total profit decline from £120m to £20m.

d) Mr Todd and Mr Naruto had attended the Bonn Ministerial conference on the Information Society. Mr Todd said Mrs Beckett, President of the Board of Trade, regarded inward investment into the UK and research and development as important and he had asked Messrs Boswell and Hall to summarise all Fujitsu research and development in the UK. Mr Naruto would arrange Fujitsu input to this. **MR NARUTO**

e) Irrelevant

f) ICL and Fujitsu needed greater utilisation and focus in the software portfolio. Mr Todd and Mr Naruto had met Dr Morrell, formerly of Oracle, who might join the Fujitsu family.

FUJ00077845

g) Mr Todd emphasised the actions needed to improve underlying profitability for the medium term (1998 - 2000), including elimination of loss making activities. (The businesses in France and Ireland, and TeamWARE were under review.) Mr Todd said ICL needed a step change in performance, not just an advance up our existing improvement curve. He emphasised the Customer Satisfaction Interview Programme.

h) Mr Riesenfeld said ICL had exceeded PbT budget by £8.8m at the half year and was forecasting to meet £25m budget for the full year. Customer revenue and margins were behind budget and the profit performance had been supported by cost savings and non-operating income such as the amortisation of the surplus in the Pensions scheme, which was in surplus. The "new" strategically important businesses were performing significantly better than last year but still not producing sufficient profit to offset declines in the traditional businesses and produce acceptable returns.

i) High Performance Systems, were above budget at the half year although less than last year. Trimetra (Sy) appeared to be a successful way forward for ICL's VME customers but sale of the UNIX system, Award, outside of the ICL base and marketing spend on this, was still under review. Mr Todd praised the West Gorton development engineers over Award.

MR CHRISTOU

irrelevant

ICL Services had won an outsourcing contract from Transco, worth up to £200m revenue.

j) A considerable total profit improvement (£18.2m loss in first half to £43.2m profit second half) was needed to reach PbT budget for the year, with the trading performance improvement even more marked.

k) The Committee noted and agreed the half yearly accounts for submission through the Audit Committee to the ICL PLC Board.

97/43 **HUMAN RESOURCES**

Ms Colquhoun presented her analysis of ICL including our considerable strengths and her plans for a "new deal" for ICL in HR terms, including a better internal infrastructure and accelerated transferability of knowledge through the Group. Management capability would be assessed, but not by consultants.

Mr Todd supported the plans and said he expected the "new ICL" within 15-18 months.

Manpower figures tabled by Ms Colquhoun, were noted.

97/44 **PROPERTY & PURCHASING UPDATES** ISC/97/31

MR CHRISTOU

Irrelevant

MR CHRISTOU

MR CHRISTOU

irrelevant

97/45 **TREASURY ITEMS**

Financial Authorities & Covenant Amendment ISC/97/33

Recapitalisation of Subsidiary Companies ISC/97/34

Mr Riesenfeld summarised changes to ICL's banking covenants and explained that ICL's bilateral lending facilities, which total £250m, were now extended to 31 May 2000. The covenant

FUJ00077845

SECRETARY

changes had enhanced ICL's position as borrower. The Committee approved establishing a new subsidiary company for use in facilities management financing including Transco.

The Committee also approved the statement in paper 33 "Financial Authorities" which is attached to these minutes, and which replaces the Committee's minute numbered 92/32 of 30 July 1992 (which is hereby cancelled except as regards the continuation of any obligations incurred under it and not covered in the statement in paper 33).

MR RIESENFELD

On recapitalisation of subsidiaries, approval was given to the change in Sweden and the French situation was noted. The French businesses were being reviewed and approval would be sought by the Committee in due course before capital commitments were actually made.

97/46 **SOUTH AFRICA** ISC/97/35

irrelevant

97/47 **DESIGN TO DISTRIBUTION**

Mr Christou said the initial two year commitment over ICL Group business with the Design to Distribution company (now in the Celestica Group) was likely to be met in large part within one year.

97/48 **ONGOING TRANSACTIONS** ISC/97/37

irrelevant

MR HACKING

irrelevant

97/49 **NETWORK SERVICES** ISC/97/38

irrelevant

Mr Hartnell said an investment proposal would be included in ICL's budget proposals for 1998, to invest in a Fujitsu ICL European backbone together with investment in electronic business service components which were reusable across industries, including directories, catalogues, payment and publishing. Through the investments we could develop our current market position and position ICL in the higher services value chain with the potential for higher margins. The investments would be a core component of the ICL's positioning as a key player in the Information Society. Mr Hartnell would ensure that his plans were discussed with Mr Sakai.

MR HARTNELL

97/50 **ICL PATHWAY UPDATE** ISC/97/39

Mr Bennett presented, amplifying the points made by Mr Todd earlier in his Chief Executive's Report (Minute 42c).

97/51 **TeamWARE**

irrelevant

MR TEAGUE/
MR NOROKORPI

MR TEAGUE/
MR NOROKORPI

FUJ00077845

97/52 **DSS ACCORD** ISC/97/41

Irrelevant

MR STOKES/
MR GIBSON

97/53 **SERVERS**

Mr Teague reported on the proposed way forward for ICL's VME customers to UNIX and the attractiveness of the Award product (including to customers outside the ICL base).

Mr Naruto reinforced that ICL was a Systems and Service Company and must think about technology from the customer view, starting with understanding the total solution installed base.

97/54 **UPDATE ON MAJOR BIDS** ISC/97/42

Irrelevant

97/55 **UPDATE ON DISPOSAL & INVESTMENTS** ISC/97/43

Irrelevant

MR RIESENFELD

irrelevant

FUJ00077845

97/56 **<u>CHAIRMAN & MANAGING DIRECTORS OF TRADING SUBSIDIARIES</u>** ISC/97/44

The list was approved.

97/57 **<u>BOARD COMMITTEE MINUTES - PENSION POLICY COMMITTEE</u>**

<u>DOCUMENTS SIGNED AND SEALED</u> ISC/97/15a & b

The Committee noted these papers which were going to the ICL PLC Board the following day.

97/58 **<u>DATE OF NEXT MEETING</u>**

Thursday, 20 November 1997