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ICL PLC

INTERNATIONAL COMPUTERS LIMITED

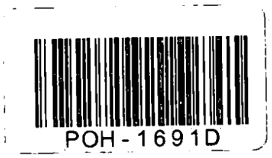
ICL GLOBAL INVESTMENTS LIMITED

Minutes of the ICL Executive Management Committee

held at 9.30am on Monday, 28 July 1997

at ICL House, Putney in the Board Room

Present:	Mr T K Todd	(Chairman)
	Mr A J Boswell	
	Mr R Christou	
	Ms F Colquhoun	
	Mr W J Davison	
	Mr T Escudier	
	Mr R M Hacking	
	Mr D B Palk	
	Mr R H E Powell	
	Mr S Riesenfeld	
	Ms M-A van Ingen	
	Mr T Vieth	
	Mr H Watanabe	
In attendance:	Mr R F Scott	
	Mr Y Sumida	
	Mr T Bennett	(Item 78)
	Mr A Davidson	(Item 78)
	Ms A Beaton	(Item 79)



Apologies for absence where received from Mr NR Hartnell, Mr DJ Teague and Mr TJ Gibson

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ACTION BY

97/78 **ACTUAL PERFORMANCE REVIEW - BUDGET & FORECAST**

Stefan, the business managing directors, Robin, Fiona and Richard presented. Points noted:-

a) June had been a very good month with £22m profit, well above forecast and budget. Year to date the loss was £8.8m better than budget.

However, Stefan said ICL now faced a crisis, for the second half of the year. After £8.8m PbT ahead of budget at the half year, cumulative Q3 was forecast to deteriorate to £3.9m worse than budget. The full year forecast was now £2.4m worse than the budget of £25m PbT.

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ALL MDs Keith said he did not accept the deterioration in the July forecast. All Managing Directors had to work on the problems being exposed firstly in the third then in the fourth quarter to take the necessary short term measures to recover the budget of £25m. In particular focus on short term revenue opportunities. There would be no "sacred cows" in investment terms and deferral to 1998 should be considered where necessary.

ALL MDS All Managing Directors would write to Stefan with a set of actions to improve the forecast
SR in their business for Q3 and Q4. Stefan would then report to Keith on the proposed actions. Keith added we must have control of the business and evolve forecasts which improved month by month.

b) Points on particular businesses:

DJT *High Performance Systems* - performing consistently above budget and bringing forward business satisfactorily. Asked to continue and exceed PbT budget by a least £5m.

TeamWARE - lost £8.9m in the half year and forecast to lose £13m in the full year, £11.5m worse than budget.

M-AvI *Tplc* - revenue well above budget, PbT slightly below budget year to date and forecast for Q3. Keith asked that Tplc recover to budget or better in Q3 and definitely get ahead for the full year. EDS had complained about service and performance of Tplc GRO, a review was taking place and meetings being held with EDS.

Enterprises, Northern Europe - down on PbT budget year to date by £1.4m and forecasting this through to the year end.

TV Finland and Holland had not done as well as expected in the first half but Denmark was improving. Tough action would be taken on Sweden from mid August and Torsten would brief Keith and Stefan around the end of August. It was Torsten's intention to reach budget for the full year.

TJG *ICL Enterprises (W&C Europe)* - loss better than budget year to date and forecasting to be on budget for Q3 and the full year. Keith said that we needed a simpler approach in France and Edgard Taureau would be asked to implement all elements of the strategy involving Retail and Sorbus in particular.

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Financial Services - just above PbT budget for the half year, forecast to fall below slightly at Q4 but recover to budget at full year. Tim said the business going into 1998 looked strong and he intended to make a profit in Q1.

ICL Interactive - slightly ahead of budget year to date and this would continue through the year. However, the forecast had fallen because of under performance of the Cyberskills programme.

ICL Retail - below budget on PbT at the half year and set to deteriorate further in Q3 and Q4. June had been a very good month with a GRO where there would be joint publicity. Orders were good but revenue was struggling because of low orders last year. The year would be back ended. Main problems France and US Retail.

ICL Services - below budget PbT for the first half, deteriorating into Q3 and recovering slightly for the full year. Cost of the ECRC network line from Germany to the US was affecting the figures.

Sorbus - down on budget year to date, deepening over Q3 and Q4. David had to proceed with his pan-European service offering to take out infrastructure costs.

DBP

SR

Keith asked Stefan to circulate a country analysis of the individual businesses ("the Country Book") showing profit and loss breakdown for the various countries in particular. Keith said individual country performances as well as UK cost containment were big issues for ICL.

South Africa - deteriorating significantly against budget and business under review. Stefan, Richard and Robin would look at it this week. However, the Trimetra launch in South Africa and in Australia had gone well and there were significant mainframe prospects.

SR/RC/RMH

ICL Pathway - Release 1C was being delayed from 18 August to 13 October, customer "as well as could be expected".

c) Robin reported on Fujitsu Espana, Fujitsu ICL Computers, ICIM, the Fujitsu businesses in Asia and Fujitsu Australia Limited. Robin and Stefan would work to develop a standard format reporting on the joint ventures and associates for the forecast book. Robin said Fujitsu Espana seemed to be turning round, FICL had in the year to end March lost less than budget (all those who had not met Winfried Hoffmann should arrange to do so), after the sale of a quarter

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of the software business and further disposals it was hoped ICIM could avoid the Indian equivalent of Chapter 11, the three ICL businesses Hong Kong, Singapore and Malaysia, which had gone into Fujitsu Asia were reasonably strong, and FAL, although a large business, was not yet making satisfactory profits. Nigel had visited to try to help out on outsourcing.

RMH/ALL TO NOTE Keith mentioned that we needed to keep visibility of these units and follow up actions where ICL could develop business with them. Support visits could be arranged but not too many and with the agreement of the relevant Managing Directors. Some of their managers could visit ICL. He was raising the issue with Fujitsu.

d) Robin reported on GRO we now thought we had a clear offer and were getting some successful sales but urged all MDs to make sure Client Managers took advantage of the opportunities to learn more about the GRO

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e) Fiona reported the expected pay costs for 1997 were marginally down at £820m compared to previous forecast. She mentioned work taking place on options under the Pension Plan and on reducing her HQ organisation in favour of functions working across the organisation. Keith emphasised that we needed to redouble our efforts to ensure that no additional recruitment took place without Fiona's approval on a case by case basis.

ALL TO NOTE

FC

f) Richard reported on purchasing including the launch of the Community and their training. He would circulate material on this and case studies of achievements of cost savings in purchasing. Richard's slide showed that we were forecasting a saving of 2% on the £1.6 Bn + purchasing spend. Richard was already embarked on discussions with Stefan and Keith Roberts on the way forward to measure savings more precisely. Keith said we were in the process, as with Manpower, of improving our records and figures on purchasing to facilitate this.

97/79 **IT - THE NEW DEAL**

Ailsa explained the disadvantages of ICL's internal IT systems at present and the many advantages of a programme to establish a coherent IT infrastructure which would sit alongside the Goldeneye improvement to the network infrastructure. With such improvements, Ailsa said ICL could make substantial savings. These would amount to £20m/year by the year 2000. In addition internal systems could be

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used as a showcase as well as helping employees by enabling them to have access to the information and systems they need to do their job through state of the art IT.

The net cost of the project was estimated to be £5-10m in 1998. An initial sum of £500k would be used to prove the concept would work for the whole of ICL through (inter alia) putting 1000-1500 users on a server farm based at Feltham. Keith said the initial £500k investment would be deferred until we had successfully met our 1997 budget. The new proposals would be extended first to the sales community, headquarters and one business unit, but

SR only after Stefan had reviewed the plans in detail to confirm that they would achieve what was hoped

ALL MDs and Managing Directors had written to Keith to succinctly state the advantages of their's being the first business unit to go into the new system.

FC The decision on which business unit would be taken by Keith, Fiona and Stefan.

97/80 **CHIEF EXECUTIVES PROGRAMME**

Fiona explained a new initiative to have senior managers "fix" business critical issues in ICL within a Development framework. It was proposed that the first Chief Executive's programme would be launched on 5, 6, 7 October 1997

Participants would be selected from the senior management population, from all businesses and functions. Projects would be "sponsored" by members of the EMC with Keith leading the programme.

The workshop briefing at the start of the programme would last two days (6/7 October). Teams would then work on the project for a 60-70 day period of time. They would be expected to use technology effectively in their project work. Participants would continue with all their normal duties and a programme like this would take up 20% additional time.

ALL EMC members were asked to give feedback on the participants list and on the proposed projects to Fiona.

97/81 **PROJECT OTHELLO**

Following comments by Keith and Mr Naruto on the proposal for the investment in Prospero/Fort Communications for the Telecomms business unit, Hideo confirmed that he believed this now to be

SR acceptable to Mr Naruto. Keith asked Stefan to check once more whether there was a positive impact on the P&L in 1997. If yes, the proposal was approved, if not, we would defer completion until after 31 December.

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97/82 **AMDHAL**

Robin and Keith referred to discussions taking place with Amdahl.

97/83 **DATE OF NEXT MEETING**

Monday, 1 September, **1pm**, LON11