

COMPANY SECRET

ICL PLC
MEETING OF THE BOARD OF DIRECTORS

Held at
ICL House, 1 High Street, Putney, London SW15 1SW
on Wednesday, 23 July 1997
at 2.00 pm

PRESENT: Mr M Naruto (Chairman)
Sir Peter Bonfield (Deputy Chairman
- In the Chair)
Mr TK Todd (Chief Executive)
Vicomte Davignon
Mr T Furukawa
Mr WK Gardener
Mr S Gillibrand
Mr JJ Ollila
Mr H Watanabe

IN
ATTENDANCE: Mr S Riesenfeld
Mr RF Scott (Secretary)
Mr T Yurino
Mr Y Sumida
Mr RHE Powell (Item 24)
Mr DB Palk (Item 25)

Apologies for absence were received from Mr K Fukagawa,
Mr J C Monty and Mr H Sakai

Action by:

97/22 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 16 May 1997
were approved as a correct record and signed by
Sir Peter.

97/23 CHIEF EXECUTIVES 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 we were ahead of budget and last
year. Aggressive action continued to deliver
£25m profit before tax budget for the year, with
short term revenue the main trading priority.

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- b) Mr Todd had said he had asked the BBC to re-invest more of its share of income, from our contract with them. We could also work with the BBC on public service broadcasting. Microsoft might partner ICL in these relationships with the BBC.
- 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 (up from £250m before the delay).
- d) ComputaCentre was a threat as a small systems integrator and as a hardware and service provider. Also, EDS seem now to perceive ICL as a direct threat to their British Government business.
- e) ICL had recently won a significant order from Marks & Spencer (referred to in the ICL Retail presentation below) and a major outsource contract with Transco (part of the former British Gas). Relations with Microsoft were very good and they had praised us as a partner.
- f) Mr Todd went on to say that ICL had bought, for around £10m, the holding of Malbak in the South African business. It was likely we would run other African subsidiaries from South Africa and agree that the black empowerment groups take a larger shareholding. In the meantime the business was being reviewed to improve performance.
- g) The recent UK budget had made changes on the payment of tax credits on dividends. This affected the UK Pension Plan (see minute 26 below) and also the Preference Shares in the Company held by the Fujitsu UK Finance company, which could no longer claim back a tax credit on the Preference share dividend paid. Mr Todd said discussion would take place to find an acceptable way forward.
- h) Changes had been made to the ICL Group banking covenants. Lending from Fujitsu is excluded from the covenants up to £100m, the quarter end gearing ratio is raised from 80% to 100% (with no interim monthly test) and the intangibles cap raised to 25% (ie intangibles are excluded from ICL's net worth only to the extent that they exceed 25% of the total value of net worth). The

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restrictions in regard to the covenants on project and facilities management indebtedness had been eased.

- i) 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. The Customer Satisfaction Interview Programme was important in fully restoring our credibility.
- j) Mr Riesenfeld said ICL had exceeded PbT budget by £8.8m at the half year and were 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. 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.
- k) 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. TeamWARE, which continued to cause concern, Services, Sorbus, South Africa and also ICL Retail were significantly down on budget. Strong sterling had the effect of reducing European profit, through currency translation.
- l) A considerable profit improvement (£18.2m loss in first half to £43.2m profit in second half) was needed to reach PbT budget for the year.
- m) The Board agreed the unaudited half year Profit & Loss Account and Balance Sheet and

RESOLVED

THAT the unaudited consolidated Profit and Loss Account for the six months ended 30th June 1997 and the unaudited consolidated Balance Sheet at 30th June 1997 be and are hereby approved and that any Director of the Company be and is hereby authorised to sign the same on behalf of the Company.

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COMPANY SECRET**97/24 PRESENTATION BY MR RHE POWELL ON ICL RETAIL**

ICL Retail's goal, with Fujitsu, was to be the "number one consumer centric technology partner in retailing" with \$2bn revenue by year 2000. Profit before tax in millions of dollars had been minus 37.6 in 1995, minus 8.7 in 1996 was expected to be around break-even in 1997, then go into profit from 1998 onwards.

ICL had an important new product "GlobalStore" developed on microsoft architecture and this had brought a significant order recently from Marks & Spencer who were going to roll it out through all their stores worldwide. However, the in-store systems market generally was not growing quickly and the business performance was below budget at present. One high growth area was Precision Retailing, basically "loyalty systems" where there was a considerable opportunity for ICL (since competitors were weaker) but some investment might be needed.

MR POWELL

Mr Powell would put together a list of those larger European retailers who were customers of competitors and who were opening up in new areas, for example in Eastern Europe. This could provide a sales opportunity for ICL Retail in Precision Retailing and Vicomte Davignon would assist with approaches to appropriate CEOs/Chairmen.

97/25 PRESENTATION BY MR DB PALK ON ICL SORBUS

ICL Sorbus had experienced a decline in customer satisfaction towards the end of last year so the business had been re-focused on break-fix maintenance with some elements of the former ICL Sorbus transferred to ICL Services. There had since been signs that quality of service and customer satisfaction were improving.

Mr Palk said the way forward was through a centralised support capability, which would enable infrastructure cost to be taken out in individual countries. Investment in a European infrastructure "Project DAWN" would bring this about. Thus ICL Sorbus should avoid having to leave individual European countries because of lack of critical mass. Mr Ollila said he felt the way forward was by a growth effort rather than cost cutting.

97/26 BOARD COMMITTEES

The Board noted the minutes of the Pension Policy Committee held on 4 July.

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The recent UK budget had stopped Pension Funds claiming a tax credit on dividend income from UK equities. By affecting valuations by the actuary, this change could significantly reduce the surplus existing on the main UK ICL Pension Plan and reduce the time during which ICL enjoyed a "holiday" from contributions to the Plan, with consequent Profit and Loss account effects.

Mr Todd drew the Board's attention to the remarks in the minutes about the investment performance of the managers of the UK Common Investment Fund. One manager, Mercury, had performed extremely well but the other, PDFM, rather badly although the net result was that the investment performance was meeting the Trustee target. The situation remained under review by ICL and the Pension Trustees.

97/27 DOCUMENTS SIGNED & SEALED PLC/97/15a & b

The Board agreed:

The signing of the documents dated between 23 April and 30 June 1997 set out in the Register of Documents signed Under Hand.

The sealing of the documents numbered 75404 to 75406 and execution of several deeds, noted in the Register of Documents sealed, between 5 April and the 17 June 1997.

97/28 UPDATE ON POTENTIAL ACQUISITIONS & DISPOSALS

Mr Todd said that the disposal of the business concerned with Powersolve and Prosper Financial Systems was proceeding. Also parts of the ICL Sorbus business which were regarded as non-core were being identified for possible sale or other action.

97/29 DATE OF NEXT MEETING

Friday, 21 November 1997

BOARD MEMBERS

The Secretary tabled a proposed 1998 schedule of dates and Board members were asked to reply to him regarding availability.

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