COMPANY SECRET

ICL PLC

MEETING OF THE BOARD OF DIRECTORS

Held at

ICL House, 1 High Street, Putney, London SW15 1SW

on Friday, 16 May 1997

at 2.00 pm

PRESENT:	Mr M Naruto	(Chairman)
	Sir Peter Bonfield	(Deputy Chairman - In the Chair)
	Mr T K Todd	(Chief Executive)
	Mr T Furukawa	
	Mr S Gillibrand	
	Mr J C Monty	
	Mr J J Ollila	
	Mr H Sakai	
	Mr H Watanabe	
IN ATTENDANCE:	Mr S Riesenfeld	
	Mr R F Scott	(Secretary)
	Mr T Yurino	
	Mr Y Sumida	
	Mr T Vieth	(Item 16)
	Mr T Escudier	(Item 17)

Apologies for absence were received from Vicomte Davignon and Mr K Fukagawa.

Action by:

97/12 **BOARD & COMMITTEE MEMBERSHIP** - PLC/97/7

It was agreed Ms Colquhoun would join the Pension Policy Committee and accordingly

RESOLVED

THAT Ms F Colquhoun be and she is hereby appointed a member of the Pensions Policy Committee of the Board.

97/13 **MINUTES OF PREVIOUS BOARD MEETING**

The minutes of the meeting held on 4 March 1997 were approved as a correct record and signed by Sir Peter.

GRO

97/14 **CHIEF EXECUTIVES REPORT - MAY 1997** - PLC/97/8

FINANCIAL PERFORMANCE - PLC/97/9

Mr Todd amplified elements of his report then Mr Riesenfeld presented on the financial performance. Points arising:

a) Mr Todd said it was good to be above budget at this point in the year, but he was aware the Company was still losing money. Several good contracts including from EDS were helping to underpin a strong performance by High Performance Systems.

b) The TeamWARE loss forecast for the year was £9-10m compared to £15m last year. Following the CEBIT exhibition there were many sales leads and Mr Todd was working to have the business increase its brand recognition and image. There was much favourable reaction to TeamWare including an endorsement from Netscape and support from SUN. The business needed to grow in the USA.

c) The Sorbus maintenance business was causing considerable concern, with margins falling. Improvements were being planned with a new Europe wide service offering and improvements in the internal systems.

d) On the Pathway contract, a six week delay had arisen, mainly as a result of increasing complexity and cost in the total operating environment and infrastructure. The business case profit was now £80m over the life of the contract compared to £120m estimated previously, but efforts were in hand to try to remedy the situation. Sir Peter had been speaking to the Managing Director of the UK Post Office, who had said he had a good relationship with ICL and Pathway and understood the delay. However, the other customer, the Department of Social Security, seemed less flexible.

e) ICL had a challenge to improve the commercial parameters of the BBC contract and bring it to profit by the end of the three years. Further business might include delivering the BBC's public service offerings, and also replicating the service we were developing, elsewhere. Mr Todd would find out for Mr Monty, what marketing analysis can be done on Internet activity, through the servers used.

MR TODD

f) Mr Riesenfeld said for Q1, the Company had lost £15.5m before tax. This was £7.4m better than budget. By end April the Group had lost £30m but was still £4.5m ahead of budget at the PbT level.

g) Many units are behind PbT budget at this point in the year, but the Group result was being driven by a good performance by High Performance Systems. Revenue ahead of budget and cost control produced better than budgeted profit despite lower margin rates. Amongst other actions being taken, Mr Todd said he was deferring the build up of sales marketing and development, particularly on the Award product and also, particularly in North America, on the i500 and Dias products where the present plan was to defer the launch until 1998 (and if we did not proceed then, i500 and Dias might be sold).

h) Mr Riesenfeld referred to the performance of the other businesses including Enterprises, West & Central Europe where Mr Todd added that as far as we could ascertain the cost of retraining individuals in the LinkWise project was lower than the severance costs would be. ICL Retail was presently at a weak part of the cycle in terms of roll out of new systems. There were several expensive pilots in place but revenue and profit were behind budget. Nevertheless the strategy seemed right and our products were gaining considerable interest.

In the Services business, the traditional outsourcing unit, CFM was profitable although at lower margins than desired. While the businesses transferred to Services from Sorbus were growing, the aggressive targets in the budget were not being met.

i) The half year forecast was to hold the present loss of £30m but the Group remained on budget (£25m PbT) for the whole year. Mr Todd said that the business remained highly reliant on Q4 profits to achieve this. Although there had been considerable efforts to lessen the effect of this phasing, we had not yet succeeded with the goal of achieving quarterly then monthly profitability. Many cost saving measures including firm action on recruitment were in place. Actions were being taken on bids to price against price books for the businesses rather than on a cost up basis. Other matters that might help, such as sales force and other incentive schemes remained under review. Sir Peter expressed concern at the forecast margins at around 23% for the full year for ICL as a Systems and Services business.

GRO

97/15 **PREFERENCE SHARE DIVIDEND FOR FIRST HALF OF 1997**
PLC/97/10

RESOLVED

a) **THAT** a gross dividend of £ 3,877,952.75 inclusive of associated tax credit in respect of the period ending 30 June 1997 on the Company's 83,655,600 9.40% gross Cumulative Convertible Redeemable Preference shares be paid on 1 July 1997 to the holders of the said shares registered at the close of business on 16 June 1997.

b) **THAT** a gross dividend of £ 3,877,952.75 inclusive of associated tax credit in respect of the period ending 30 June 1997 on the Company's 83,655,600 9.40% gross Cumulative Redeemable Preference shares be paid on 1 July 1997 to the holders of the said shares registered at the close of business on 16 June 1997.

97/16 **PRESENTATION BY MR T VIETH ON ICL ENTERPRISES, NORTHERN EUROPE**

Much of the business in the unit was from sale of platforms where margins were coming down. Mr Vieth's principal task was to build up the added value systems and service activity.

97/17 **PRESENTATION BY MR T ESCUDIER ON FINANCIAL SERVICES & ON EMU**

Mr Escudier explained the progress he was making in turning round the business which last year lost £8.8m. Profit is forecast to improve by £11m year on year to achieve 2.5m profit in 1997. Revenue is forecast to grow by 15%.

It was estimated that the cost of the European Monetary Union in its effect on businesses, infrastructure etc would be £60 billion, around five times the cost of the Year 2000 issues. All companies, including ICL Group had much to do internally as the EMU was not just another currency to deal with. We were playing to ICLs strengths and had put forward an eight layer model which would take customers from a basic two day consultancy right through to the amount of work necessary for them to satisfactorily handle all EMU issues. One of our restraining factors was likely to be shortage of good consultants able to do the feasibility studies and initial work.

GRO

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97/18 **BOARD COMMITTEES**

The Board noted the minutes of the Pensions Policy Committee on the 11th April and the Audit Committee on 4 March. Mr Monty had previously enquired about the level of costs in various contracts and projects being capitalised on the balance sheet (referred to in the Audit Committee minutes). Mr Todd said this was mainly Pathway costs which would reduce under a different accounting treatment when the contract was under way.

97/19 **DOCUMENTS SIGNED & SEALED** - PLC/97/11a & 11b

The Board agreed:

The signing of the document dated 24th December 1996 set out in the Register of Documents signed Under Hand.

The sealing of the documents numbered 75356 to 75406 and execution of several deeds, noted in the Register of Documents sealed, between 14 February and the 4 April 1997.

97/20 **POTENTIAL ACQUISITIONS OR DISPOSALS**

Mr Todd referred to the possibility that a flotation would take place in Poland of some of the shares of the Softbank business, a successful software house there. Flotation would enable motivation of management and capital raising for new products.

In addition ICL had some years ago invested in a furniture factory in Poland, for reasons of currency exchange. This was profitable and Mr Todd was considering at the present time whether to take the opportunity to divest this non-strategic business.

97/21 **DATES OF NEXT MEETINGS**

Wednesday, 23 July 1997
Friday, 21 November 1997

GRO

23-7-97