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ICL

MEMORANDUM

COMPANY SECRETARY'S
DEPARTMENT

COMPANY SECRET

TO : TK Todd
M Naruto
K Kitazato
H Watanabe
R Christou
H Sakai
K Fukagawa
T Furukawa

+ Minute Action for WJD/JHB.

CC : S Riesenfeld
Y Sumida

POH-1673D

FROM : RF Scott

TEL : GRO

DATE : 21 April 1997

INVESTMENT & STRATEGY COMMITTEE: 3 March 1997

Please find attached, for your records, a copy of the Minutes of the above meeting.

GRO

GRO

RF Scott
Company Secretary

Enc

investrat/mins.issue

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 Monday, 3rd March 1997 at 8.30 a.m.

PRESENT:	Mr T K Todd	(In the Chair)
	Mr M Naruto	
	Mr K Kitazato	
	Mr H Watanabe	
	Mr R Christou	
	Mr H Sakai	
IN ATTENDANCE:	Mr S Riesenfeld	
	Mr R F Scott	(Secretary)
	Mr T Yamada	
	Mr T Yurino	
	Mr N P D Eadie	(Items 8,9,10)
	Mr R Crooks	(Item 6)
	Mr M Pollitt	(Item 11)
	Mr R J Stokes	(Item 12)
	Mr J Norokorpi	(Item 16)
	Mr D J Teague	(Item 17)

Apologies for absence received from Mr K Fukagawa and Mr T Furukawa

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Mr Todd thanked Mr Kitazato, who was standing down from the Committee on his retirement from Fujitsu, for all his services over the last six years to the Committee and ICL. Mr Sakai, who would be rejoining the Board and the Committee, was welcomed to the meeting. Mr Christou, who was joining the Committee, was also welcomed. It was noted that Mr Livesey-Haworth was resigning from the Committee on his leaving the Board.

ACTION BY:

97/1 **MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 20 November 1996 were approved as a correct record and signed by the Chairman.

97/2 **CHIEF EXECUTIVES REPORT - FEBRUARY 1997**
PLC/97/2

Mr Todd expanded on some of the points covered in his paper. Points noted:-

a) He emphasised the work taking place on project management, and on purchasing where Mr Christou and he had addressed an internal conference of ICL's eighty purchasing managers who were being organised in a professional community. Mr Naruto and Mr Sakai welcomed this and Mr Naruto asked Mr Christou to continue to sharpen ICL purchasing and negotiating skills.

b) ICL's Breakthrough initiatives were discussed as was the work taking place on a clear road map for migration of ICL's UNIX customers. Mr Sakai would discuss the issue with Mr Christou and Mr Teague. **H SAKAI**

c) Mr Sakai said that as well as receiving information, ICL could put over its own messages about services and products in Customer Satisfaction Surveys, to customers and sales prospects. Mr Todd outlined work to improve ICL's selling.

d) Mr Todd referred to developments in the marketplace and in ICL's organisation, including recruitment of a new Personnel Director.

97/3 **FINANCIAL PERFORMANCE FEBRUARY 1997** PLC/97/3

Mr Riesenfeld gave a presentation. Points noted:-

a) The 1996 out-turn at loss before tax £2.5m was considerably better than expected in November although this had been achieved by the help of profits on disposals, Pension Fund surplus, and some write-back of 1995 provisions.

b) Performance of the individual businesses was reviewed in detail. Points noted included the relatively high price per MIP of the VME systems sold by High Performance Systems, lack of success so far of High Performance Systems' new business activities, continuing difficulties with TeamWARE (which nevertheless remained an exciting product with much potential), opportunities for Tplc through electronic commerce, disappointing performances in the Enterprise Group and ICL Sorbus, financing proposals for Pathway with the help of Fujitsu, ICL Retail in reaching budget in 1996.

c) The Committee noted ICL's cash outflow during 1996 and that pressure on the bank covenants, particularly on gearing, were to be expected towards the third quarter of 1997.

d) OPEX for 1997 was at present budgeted at £52.5m above 1996 and Mr Todd was reducing this difference, although £25m PbT budget would not change. The Committee noted the budgets for the businesses during 1997, that the year would be heavily dependent on Q4 profits, and the work which was taking place to reduce this "phasing" effect.

S RIESENFELD e) Mr Riesenfeld would report to the Committee at the next meeting or in July on Pathway funding and adjustments to ICL's banking covenants.

97/4 **<u>1996 DRAFT REPORTS & ACCOUNTS</u>** ISC/97/1

It was noted that the Boards of ICL PLC, International Computers Limited and ICL Global Investments Limited would after preliminary review of the draft accounts, delegate completion approval and signing of them, and convening the 1997 Annual General Meeting, to a committee of those Boards. The accounts were noted by this Committee.

97/5 **<u>USE OF FINANCIAL AUTHORITIES GRANTED BY THE BOARD ON 31 JULY 1996</u>** ISC/97/2

The paper was noted.

97/6 **<u>MANPOWER PLAN 1996/97</u>** ISC/97/3

Mr R Crooks presented. Points noted:-

a) Further work to understand and control manpower was needed. The 1996 year-end target had been bettered, to end the year on 19,035.

b) Beyond the present pipeline there would be no further manpower rationalisation as part of the 1995 restructuring plan and £6m of the 1995 provision had been released. Surplus human resource skills would be redeployed or retrained. The LinkWise project of ICL Enterprises was extending across all ICL in the UK (and similar initiatives were being considered outside the UK).

c) Only absolutely essential recruitment was allowed at present.

d) Budget 1997 paycost was at present £840m, but ICL intended to achieve £811m paycost, which was implied in the PbT budget of £25m.

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97/7 **PROPERTY UPDATE** ISC/97/4

Mr Christou explained progress. He was considering new proposals for the Putney HQ building and if he supported them, would discuss with Mr Todd. **R CHRISTOU**

For future meetings, the paper will include the amounts of excess space (square feet) and reductions achieved. **R CHRISTOU**

97/8 **FINNISH HQ BUILDING** ISC/97/5

Mr Eadie explained the proposal and after discussion it was agreed to continue ICL's plan to proceed with the purchase of this building. Mr Riesenfeld would give details of the financing proposal to the next meeting and Mr Ehrstedt would present on the business plan for ICL Finland, and how it would support the costs. **S RIESENFELD**

97/9 **SOUTH AFRICA** ISC/97/6

Mr Eadie reported, mentioning that the only likely offer for an ICL divestment was from FirstCorp based on a leveraged management buy-out where an earlier inadequate offer had been turned down. Mr Todd set a date, mid to end March, by which the new offer had to be received, failing which we may drop plans to divest in South Africa.

Mr Christou and Mr Eadie would continue with this project, with Mr Christou in sole charge when Mr Eadie retires.

97/10 **SPAIN & ASIA UPDATES** ISC/97/7 & 8

Mr Eadie reported that in addition to Spain, where the paper before the ISC gave details of the agreement, net asset values had now also been agreed in Hong Kong, Singapore and Malaysia.

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97/11

R CHRISTOU

GRO

97/12

97/13 **UPDATE ON MAJOR BIDS** ISC/97/11

The Committee noted and endorsed the Major Bids set out in the paper and authorised Mr Todd to sign or approve any contracts of more than £10m arising prior to the next meeting of the Committee whether from the bids listed on the paper or otherwise. GRO

GRO

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97/14

GRO

WJ DAVISON

97/15 **UPDATE ON PATHWAY CONTRACT** ISC/97/13

JH BENNETT

Progress on Pathway was noted, with the customer delaying implementation due to late delivery of CAFS. An update on this contract also, would be provided to Mr Naruto on each of his UK visits.

97/16 **TeamWARE WAY FORWARD PRESENTATION**

Mr Norokorpi presented and Mr Todd emphasised the potential of TeamWARE, particularly seen when it was properly assessed by competent purchasers, for example against Microsoft. The intensified marketing effort to increase our chances of success, and Mr Teague's role in this, was noted.

97/17 **PROJECT HAVANA**

TK TODD

Mr Teague presented on this subject and his paper was distributed. Havana involved transfer of 31 staff from HPS hardware design to Cadence Design Systems. The project was approved subject to discussion between Mr Todd and Mr Naruto subsequently and Mr Teague was authorised to complete the transaction on behalf of International Computers Limited.

97/18 **DIVESTMENT PROGRAMME - MANAGEMENT UPDATE**
ISC/97/15

Mr Christou reported and presented on the satisfactory out-turn of the divestment of the business of Design to Distribution Limited to Celestica. The Fujitsu/ICL obligation to place an amount of business with the new D2D for up to five years could be achieved as early as over two years, with additional benefit to ICL.

Regular divestment reports would cease for the time being but individual proposals requiring approval would go to this Committee or the EMC for approval as usual.

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97/19 **CHAIRMEN & MANAGING DIRECTORS OF TRADING SUBSIDIARIES** ISC/97/16

The paper was noted and changes since the last meeting ratified and approved. Mr Todd referred to Mr John Gardner's role as non-executive Chairman of the Sorbus company, to support Mr Palk.

97/20 **BOARD COMMITTEE MINUTES**

These were noted for discussion by the ICL PLC Board.

97/21 **DOCUMENTS SIGNED & SEALED** PLC/97/6 & 6a

These were noted for discussion by the ICL PLC Board.

97/22 **DATES OF NEXT MEETINGS**

Thursday, 15 May 1997
Tuesday, 22 July 1997
Thursday, 20 November 1997