STATUTORY INSTRUMENTS

1968 No. 990

INDUSTRIAL INVESTMENT

The Computers Merger Scheme 1968

Laid before Parliament in draft

Made - - - -	*24th June* 1968
Coming into Operation	*8th July* 1968

Whereas in the opinion of the Minister of Technology (hereinafter called "the Minister") the project to which the following industrial investment scheme relates is likely to benefit the economy of the United Kingdom as being calculated to improve the efficiency and profitability of the commercial and scientific computers section of the computer industry, and to promote technological improvements in the products thereof:

And whereas in the Minister's opinion the project would not be undertaken without such financial support as the scheme authorises the Minister to provide:

And whereas, for the purpose of providing such support, the Minister, subject to a draft of the scheme's being approved by the House of Commons, has entered into an agreement (hereinafter called "the Minister's support agreement") dated 13th May 1968 and made between International Computers and Tabulators Limited, International Computers (Holdings) Limited and the Minister, a copy of which is contained in Part 2 of the Schedule to the scheme:

And whereas a draft of the scheme has been laid before Parliament and approved by resolution of the House of Commons.

Now in pursuance of sections 1 and 2 of the Industrial Expansion Act 1968(a) the Minister, with the approval of the Treasury, hereby makes the following industrial investment scheme:——

1. This scheme may be cited as the Computers Merger Scheme 1968 and shall come into operation on 8th July 1968.

2. The Interpretation Act 1889(b) shall apply for the interpretation of this scheme as it applies for the interpretation of an Act of Parliament.

3.—(1) The Minister may, for the purposes of the computers merger project, and in accordance with the Minister's support agreement—

(*a*) make grants not exceeding £13,500,000 to International Computers (Holdings) Limited or any subsidiary thereof within the meaning of section 154 of the Companies Act 1948(c), and

(*b*) subscribe at par for 3,500,000 Ordinary Shares of £1 each in International Computers (Holdings) Limited.

(a) 1968 c. 32. (b) 1889 c. 63. (c) 1948 c. 38.

(2) In the foregoing sub-paragraph "the computers merger project" means the project short particulars whereof are contained in Part 1 of the Schedule hereto; being a project for bringing together, through the medium of a holding company (International Computers (Holdings) Limited) and with the participation of the Minister, certain undertakings engaged in the manufacture of commercial and scientific computers, namely, the undertakings of International Computers and Tabulators Limited and of English Electric Computers Limited, a wholly-owned subsidiary of The English Electric Company, Limited, and for associating with those undertakings The Plessey Company Limited, a manufacturer of telecommunications equipment.

4. The aggregate amount of expenditure which may be incurred by the Minister under this scheme is £17 million.

Anthony Wedgwood Benn,
Minister of Technology.

24th June 1968.

Approved by the Treasury.

Joseph Harper,
J. McCann,
Two of the Lords Commissioners of Her Majesty's Treasury.

24th June 1968.

SCHEDULE

PART 1

SHORT PARTICULARS OF THE PROJECT

1. International Computers (Holdings) Limited ("IC (Holdings)"), which has been constituted as the holding company for the purposes of the project, will acquire in exchange for shares and cash all the issued share capital of International Computers and Tabulators Limited and will issue debenture stocks in place of outstanding debenture stocks of that company (which will change its name to International Computers Limited).

2. IC (Holdings) will acquire all the share capital of English Electric Computers Limited, from its parent company The English Electric Company, Limited, in exchange for shares, convertible loan capital and cash.

3. The Plessey Company Limited will subscribe for shares in IC (Holdings) for cash.

4. The Plessey Company Limited and International Computers Limited will form a joint development company (in which the former company will own 60 per cent. and the latter 40 per cent. of the share capital) for the purpose of studying and developing the convergence between computer and communications activities.

5. The Minister (in accordance with the Minister's support agreement) will make grants for research and development purposes to IC (Holdings) or any subsidiary thereof and will subscribe for shares in IC (Holdings) for cash.

6. As a result of the above measures, the issued share capital of IC (Holdings) Limited will be held by the parties to the project as follows:—

	Percentage of total issued capital
Former Ordinary shareholders of International Computers and Tabulators Limited	53·55
The English Electric Company, Limited	17·98
The Plessey Company Limited	17·98
The Minister	10·49
	100·00

PART 2

THE MINISTER'S SUPPORT AGREEMENT

THIS AGREEMENT is made the thirteenth day of May 1968 between INTERNATIONAL COMPUTERS AND TABULATORS LIMITED (hereinafter called "the Operating Company") of I.C.T. House, Putney, London, S.W.15, INTERNATIONAL COMPUTERS (HOLDINGS) LIMITED (hereinafter called "IC (Holdings)") of I.C.T. House, Putney, London, S.W.15 And THE MINISTER OF TECHNOLOGY (hereinafter called "the Minister")

WHEREAS

(A) IC (Holdings) is a public company with a nominal capital of 7,500,207 Shares of £1 each divided into

(i) 7 Ordinary Shares, all of which have been issued and are fully paid

(ii) 100 "A" Ordinary Shares, 4,000,000 "B" Ordinary Shares, 3,500,000 "C" Ordinary Shares and 100 Unclassified Shares, all of £1 each, none of which have been issued, such shares having the rights and being subject to the restrictions contained in the Articles of Association of IC (Holdings).

(B) Subject to the terms of this Agreement the parties intend *inter alia* that

(1) By a Scheme of Arrangement (such Scheme being subject *inter alia* to the fulfilment of the conditions specified in Clause 2(*a*) hereof)

(*a*) the holders of the Ordinary Shares of the Operating Company shall exchange their shares on a one for one basis for Ordinary Shares of IC (Holdings)

(*b*) IC (Holdings) shall pay to the holders of the Preference Shares of the Operating Company the sum of £1 in cash for each of the Preference Shares

(*c*) the holders of all the Debenture Stocks of the Operating Company shall exchange their Stock on a £1 for £1 basis for new Debenture Stock to be issued by IC (Holdings).

(2) The Operating Company shall change its name to International Computers Limited.

(3) IC (Holdings) shall issue to the Minister 3,500,000 "C" Ordinary Shares of £1 each of IC (Holdings) for cash at par.

IT IS AGREED as follows:—

1. The Operating Company and IC (Holdings) shall use their best endeavours

(*a*) to procure the carrying into effect of the Scheme of Arrangement in the terms set out in the document ("the Scheme Document") dated 22nd May 1968 addressed to the Shareholders and Debenture Stockholders of the Operating Company, a proof print of which has been signed for identification by Messrs. Linklaters & Paines

(*b*) to procure the passing of the Resolution set out on page 36 of the Scheme Document.

2. The obligations of the Minister under this Agreement are subject to

(*a*) the enactment of the Industrial Expansion Bill and approval by the House of Commons of an industrial investment scheme thereunder authorising provision by the Minister of financial support in the manner hereinafter appearing

(*b*) the said Scheme of Arrangement becoming effective in accordance with the terms thereof.

3. The day after the said Scheme of Arrangement shall have become effective in accordance with the terms thereof (with no modification or amendments other than as are provided for in Clause 16 thereof) shall be known as "vesting day".

4. If vesting day shall not occur on or before 31st December 1968 this Agreement shall no longer be of any force or effect, and no party hereto shall have any claim against the other or others for any costs, claims, compensation, damages, or otherwise. In that event the parties shall not disclose or use and each of them shall use its best endeavours to prevent the disclosure or use of any information relating to the others of them, which may have come to its knowledge as a result of its participating in the negotiations leading to the execution of this Agreement or between the date of this Agreement and the date upon which this Agreement shall cease to be of any force or effect.

5. IC (Holdings) shall convene an Extraordinary General Meeting before vesting day and shall use its best endeavours to procure the passing of the Resolutions set out in the proof print Notice of Meeting signed for identification by Messrs. Linklaters & Paines.

6. IC (Holdings) shall not before vesting day alter its Memorandum and Articles of Association other than as set out in the proof print Notice of Meeting referred to in Clause 5 hereof.

7. On vesting day the Minister shall apply for 3,500,000 "C" Ordinary Shares of £1 each in the capital of IC (Holdings) at a price of 20/- for each such share payable in

cash, of which 2/- shall be payable on application, and 18/- shall be payable on 28th September 1972. IC (Holdings) shall on receipt of such application together with the application moneys allot and issue the said 3,500,000 "C" Ordinary Shares to the Minister.

8. IC (Holdings) shall forthwith upon the said "C" Ordinary Shares being converted into Ordinary Shares of IC (Holdings) in accordance with Article 3 (B) (iii) of the Articles of Association of IC (Holdings) apply to the Council of The Stock Exchange, London and to any other Stock Exchange on which the Ordinary Shares of IC (Holdings) may at that time be quoted for and use its best endeavours to obtain permission to deal in and for quotation for such Ordinary Shares.

9. (*a*) For the purposes of this Agreement:—

"subsidiary" shall mean a subsidiary as defined in Section 154 of the Companies Act, 1948

"IC (Holdings) Group" shall mean IC (Holdings) and its subsidiaries

"R. & D. expenditure" shall have the meaning set out in the Schedule hereto

"the 1968 amount" shall mean the amount which has been agreed between IC (Holdings) and the Minister to represent the level of R. & D. expenditure of the Operating Company and of the interests comprised in English Electric Computers Limited in respect of the year ending 25th September 1968

"the turnover of the IC (Holdings) Group" shall have the meaning set out in the Schedule hereto

(*b*) The Minister shall (subject to the provisions of Clause 10 hereof), if IC (Holdings) shall so request, pay to one or more of IC (Holdings), the Operating Company, English Electric Computers Limited or, with the consent of the Minister, any other subsidiary of IC (Holdings) and in such proportions as IC (Holdings) shall request the following total amounts on the dates indicated by way of contribution towards the R. & D. expenditure of the IC (Holdings) Group:—

£4,000,000 on 31st August 1968 or on the day after vesting day, whichever shall be the later, in respect of the year ending 25th September 1968

£4,000,000 on 10th April 1969 in respect of the year ending 24th September, 1969

£3,250,000 on 10th April 1970 in respect of the year ending 30th September 1970

£2,250,000 on 10th April 1971 in respect of the year ending 29th September 1971

provided that

(i) the Auditors of IC (Holdings) shall within 4 months of the end of each of the above financial years ending in September 1969, 1970 and 1971 certify the total R. & D. expenditure of the IC (Holdings) Group for the preceding year in order to determine the extent, if any, to which

(A) such R. & D. expenditure for the year ending 24th September 1969 falls short of 110 per cent. of the 1968 amount or 10 per cent. of the turnover of the IC (Holdings) Group for that year, whichever is the less

(B) such R. & D. expenditure for the two years ending 30th September 1970 falls short of 231 per cent. of the 1968 amount or 10 per cent. of the turnover of the IC (Holdings) Group for those two years, whichever is the less

(C) such R. & D. expenditure for the three years ending 29th September 1971 falls short of 364 per cent. of the 1968 amount or 10 per cent. of the turnover of the IC (Holdings) Group for those three years, whichever is the less

(ii) within 28 days of each such Auditors' Certificate there shall be such adjusting payment between the Minister and the relevant company as shall result in there having been refunded to the Minister such sum as shall equal (taking account of any refunds previously made to the Minister

and any repayments previously made by the Minister) 25 per cent. of any shortfall in respect of the relevant year or years as determined in accordance with sub-paragraph (i) above.

10. The Minister shall, by serving notice on IC (Holdings) to that effect specifying the circumstances relied on, have the right to be released from his obligation to make future annual payments referred to in Clause 9 hereof if at any time after vesting day—

(*a*) the consent of the Minister, which shall not be unreasonably withheld, shall not have been obtained

(i) to the appointment or removal from office of the Chairman of IC (Holdings) or of the Chief Executive of IC (Holdings) if he be not the Chairman

(ii) to any major change in the share capital structure of IC (Holdings), provided that consent shall not be required for the issue of shares offered only to the then existing shareholders of IC (Holdings) and to the holders of the 7% Convertible Unsecured Loan Stock of IC (Holdings) in proportion to their then existing shareholdings or stockholdings or for issues of shares for a consideration other than cash

(*b*) the Minister shall not receive the following documents before the expiry of one month after a notification by the Minister to IC (Holdings) that it has failed to procure delivery by the relevant date referred to below:—

(i) a report on the current Research and Development activities of the IC (Holdings) Group as at the day (hereinafter called "the base date") three months after vesting day, to be supplied by 31st December 1968 or at the end of five months after vesting day, whichever is the earlier

(ii) an outline (in a form reasonably satisfactory to the Minister) of the Research and Development programme of the IC (Holdings) Group together with an estimate of the costs thereof under main headings for each six months period subsequent to the base date and a general description of the continuation of such programme, to be supplied within two months after the start of each such period

(iii) a progress report in outline (in a form reasonably satisfactory to the Minister) of Research and Development undertaken by the IC (Holdings) Group during each 6 months period subsequent to the base date, to be supplied within 2 months after the end of each such period.

11. During the period from vesting day until 29th September 1971 (provided that the Minister shall not have been released from his obligation in accordance with Clause 10 hereof), the IC (Holdings) Group will allow the servants and agents of the Minister reasonable access to its premises for the purpose of examining the Reseach and Development activities being undertaken. IC (Holdings) will appoint a Liaison Officer for the purpose of organising such access. In framing its Research and Development programme for this period the IC (Holdings) Group will give due weight to the views of the Minister and his servants and agents and in this connection the Minister will make available to the IC (Holdings) Group the expertise (not including confidential information) of Her Majesty's Government in commercial and scientific data processing. It is the intention of the IC (Holdings) Group to

(*a*) develop and exploit the commercial possibilities of both the 1900 Series and the System 4 computer range, with enhancements

(*b*) go ahead with the development of a large computer system of such reasonable specification and cost as may be appropriate to meet orders that Her Majesty's Government intends to place for such a system and other expected demands at home and overseas

(*c*) pursue the development of a successor range to the 1900 Series and the System 4 range, which is intended to be fully competitive in world markets

(*d*) promote the study and development of the convergence between computer and communications activities by the formation of a joint development company with The Plessey Company Limited to be set up specifically for this purpose.

12. So long as the Minister shall continue beneficially to own not less than five per cent. of the Ordinary Shares of IC (Holdings) as defined in Article 85(B) of the Articles of Association of IC (Holdings)

(*a*) the approval of the Minister shall be required for

(i) any association by IC (Holdings) or the Operating Company with foreign companies or with foreign controlled companies in the United Kingdom (other than by trading, licensing or other agreements entered into in the ordinary course of business and not having a fundamental effect on the structure or business of IC (Holdings) or the Operating Company)

(ii) any major change in the nature of the business of IC (Holdings) or the Operating Company

(iii) any disposal of the assets or undertakings of a company in the IC (Holdings) Group which would require the consent of the Trustees according to the provisions of paragraph 7(A) of the Particulars of the Debenture Stock of IC (Holdings) set out in Appendix IX to the Scheme Document

(*b*) the dividend policy of IC (Holdings) shall be consistent with whatever recommendations are made known by Her Majesty's Government to industrial companies generally

(*c*) the Minister shall be consulted before the appointment or removal from office of the Chairman of IC (Holdings) and of the Chief Executive of IC (Holdings), if he be not the Chairman.

13. The Minister undertakes to consult the Board of IC (Holdings) before varying his holding of Ordinary Shares in IC (Holdings).

SCHEDULE

"R. & D. expenditure" shall mean net expenditure properly incurred on research and development in respect of hardware and software, including *inter alia*,

(*a*) wages, salaries and related payments for the employees engaged on research and development (including employees engaged on product planning);

(*b*) payments for equipment (or if capitalised the annual depreciation thereon), materials and services directly used for the purposes of such research and development;

(*c*) payments for research and development work under sub-contracts placed with third parties;

(*d*) overhead charges;

(*e*) a proportion of the research and development expenditure of the joint development company to be formed with The Plessey Company Limited (within the principal aims and objects of that company as referred to in paragraph 6(*a*) of Schedule 1 to the Agreement between the Operating Company, IC (Holdings) and The Plessey Company Limited executed contemporaneously herewith) equal to the proportion of the equity share capital of such development company held by the IC (Holdings) Group.

Such expenditure shall be arrived at in accordance with the costing and accounting principles and procedures of the Operating Company and the interests now comprised in English Electric Computers Limited used in arriving at the 1968 amount provided that for the purpose of this Schedule no substantial change shall be made in these

costing and accounting principles and procedures which affects to a material extent the computation of the net amount of research and development expenditure without the approval of the Minister, such approval not being unreasonably withheld.

"the turnover of the IC (Holdings) Group" shall mean the turnover of the IC (Holdings) Group as published in the Annual Report and Accounts of IC (Holdings) less such amount of turnover as is certified by the Auditors of IC (Holdings) to be attributable to

(*a*) maintenance of data processing equipment

(*b*) supply of office equipment

provided that if for commercial reasons it shall be desired to vary the basis of charging for maintenance of data processing equipment, IC (Holdings) may propose to the Minister a change to the definition of turnover to take account of such variation and the Minister will give sympathetic consideration to such proposal.

SIGNED by SIR ALAN WILSON on behalf of INTERNATIONAL COMPUTERS AND TABULATORS LIMITED in the presence of:–
J. H. FIELD, Solicitor.

A. H. WILSON
6d. Stamp

SIGNED by A. T. MAXWELL on behalf of INTERNATIONAL COMPUTERS (HOLDINGS) LIMITED in the presence of:–
J. H. FIELD

A. TERENCE MAXWELL
6d. Stamp

SIGNED by SIR RICHARD CLARKE on behalf of the MINISTER OF TECHNOLOGY in the presence of:–
J. H. FIELD

R. W. B. CLARKE
6d. Stamp

EXPLANATORY NOTE

(This Note is not part of the Scheme.)

This scheme, made under the Industrial Expansion Act 1968, authorises the Minister of Technology to subscribe at par for 3,500,000 £1 shares in International Computers (Holdings) Limited, and to make grants not exceeding £13,500,000 to that company or any subsidiary thereof, for the purposes of a project for bringing together, with the Minister's participation, certain undertakings in the computer industry and for associating with them a manufacturer of telecommunications equipment.