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LINES TO TAKE

Legal Preamble

- You will be aware that our conversation takes place in the context of contractual differences between ICL Pathway and the public sector parties.

- You will understand therefore that:
  * Our discussion must be without prejudice and confidential.
  * The public sector parties must reserve their rights and remedies under the existing contract.

Meeting with the Prime Minister

- I understand that Mr Naruto's meeting with the Prime Minister yesterday went well, but I would be interested to hear your account of it.

Progress on developing alternative way forward

- All parties have worked hard over the last month to develop and cost a more detailed specification for the alternative option identified during the discussions between Steve Robson and ICL (Option B1). Grateful to ICL for their co-operation in trying to find a way forward.

- Aware that intensive commercial negotiations on Option B1 continued over the weekend, and made good progress in a constructive atmosphere; and that a joint team of ICL/POCL lawyers are preparing draft heads of agreement.

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- However there are a number of very important issues still to be resolved, and we have to be satisfied that the new option is affordable and offers best value for money for the public sector.

- Very much hope that these issues can be resolved over the next few days, so that Ministers will be in a position to take a final decision between the options. If the decision is to proceed with the alternative approach, it will hopefully then be possible to reach non-binding heads of agreement, in time for Fujitsu's Board meeting on 23 April.

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Concern about length of time it has taken HMG to reach a decision whilst ICL has continued to incur substantial costs each month.

- Regret that it has taken this length of time. However, as you are well aware, the future of the project involves some very important issues for all the parties involved. The Government has been anxious to seek to facilitate an outcome which, against the background of the serious delays which the project has suffered, best meets the needs of all the parties involved.

Failure of the project would destroy the prospect of a succesful early flotation of ICL.

- Fully understand ICL's concerns, and hope very much that such an outcome can be avoided. That is what we are all working towards. However, ICL are not alone in suffering financial pain as a result of the delays to the project.

The Fujitsu Board will meet on 23 April to sign off the 1998-1999 consolidated Group accounts. Without a legally binding way forward on Horizon, the company auditors will insist on a provision of around £300 million in the ICL accounts - sufficient to make that company insolvent - which will flow through into the Fujitsu consolidated accounts and Fujitsu will withdraw from the project.

- Very much hope that it will be possible to reach an agreement which averts this undesirable outcome. Value ICL's contribution to the UK IT industry and your relationship with Government.