



PATHWAY GROUP LIMITED
MINUTES OF A DIRECTORS MEETING

HELD AT

ICL HOUSE, 1 HIGH STREET, PUTNEY, LONDON SW15 1SW

ON

15TH JUNE 1995

PRESENT: Sir Michael Butler (In the Chair)
Mr J H Bennett
Mr S S Jones
Mr A E Oppenheim (From item 9)
Mr T K Todd
Mr J White

IN
ATTENDANCE Mr R F Scott (Secretary)

ACTION

95/8 **THE BOARD**

Sir Michael took the Chair and welcomed all present to the meeting. Mr Todd reported, following the action given him by the Board Resolutions dated 9 June, under which the Chairman and Directors had been appointed, that discussions continued with Sir Michael over the terms of his appointment.

It was agreed that Mr T Reynolds of An Post should be appointed to the Board and accordingly

IT WAS RESOLVED

THAT Mr T Reynolds be and he is hereby appointed a Director from a date to be determined.

Mr Todd

It was understood Mr Reynolds Director's remuneration might be payable to An Post. Mr Todd was asked to arrange the terms of appointment, including the timing.

Mr Bennett made recommendations on appointment of executives to the Board, which were agreed. Consequently Mr Oppenheim would be appointed to the Board immediately but the proposed Business Development Director board appointment would not be made for the time being until the candidate (Mr S Hodgkins) was better known to the Chairman and the other Directors.

IT WAS RESOLVED

THAT Mr A E Oppenheim be and he is hereby appointed a Director.

It was noted that a vacancy remained for a Non-Executive Director in order to bring up the Board to the strength originally expected. This matter was deferred for the time being possibly until an approach to another potential shareholder was under consideration.

(Mr Oppenheim joined the meeting and was congratulated on his appointment.)

95/9 CORPORATE MATTERS PRIOR TO THIS MEETING

The Secretary reported on the business of the first meeting of the Board on 12 April 1995, and on the resolutions signed on 9 and 15 June 1995, particularly mentioning appointments of the Chairman and Directors and issue of shares to ICL (now 49% of the equity), Girobank (now 36%) and De La Rue (now 15%).

95/10 MANAGING DIRECTOR'S REPORT

Mr Bennett reported and the following points were noted:

Mr Bennett

- a) The Board noted that 16 copies of the POCL/BA Bid proposal were submitted on time on Thursday 8 June and so far as could be ascertained, had been well received. The Board discussed information available so far about the Bids and Bidders. The Chairman advised that Mr Bennett should prepare some likely questions and proposed answers for the Board so that Directors would be briefed.

The Board expressed their appreciation for the efforts of Mr Bennett and his team in submitting the proposal and asked him to convey their thanks and appreciation to all concerned in Pathway and the sub-contractors.

- b) Illustrative prices from sub-contractors had been obtained before the proposal submission, but Mr Bennett and his team were moving quickly to establish a much more competitive position. A suppliers conference would be held in July.

- c) The proposed date for the announcement of the short-list was 21 July and the Board discussed a possible launch plan for Pathway around that date. It was agreed in order to maximise press interest in particular that the launch would be better during the week of 10 July. Mr Bennett would make plans accordingly.

Mr Bennett

d) Mr Bennett referred to security measures (including electronic ones) being taken regarding flow of information from and within Pathway. Referring to security of financial information, Mr Todd said Pathway should work progressively to cut down the number of banks with which serious discussions were held in order to reach firm proposals with only one group of financiers before the final bid. Mr Oppenheim would pursue this strategy.

Mr Oppenheim

e) Mr Bennett referred to the competitive advantage which he believed Pathway had obtained by proposing the An Post solution based on Escher software. This advantage was balanced by the difficulties of the relationship with Escher, although a tripartite "teaming" agreement had been concluded and the future was now much more secure.

It was noted that Mr J Dicks, who has been appointed Technical Director will, with Mr. Oppenheim on commercial matters, be responsible for managing the relationship with Escher.

f) The continued successful implementation of the ALPS Project to instal a PC based electronic stop notice system (ESNS) into Post Offices within the M25 area was noted. However, the more difficult part of the rollout was about to start involving the Crown offices, the difference being that an additional Post Office supplied software application is to be installed into these post offices, with risk that this application could interfere with ESNS. Some technical problems with the new ICL Ergopro PCs had caused delay although the problems had been quickly resolved. Mr Todd said ICL's Information Technology experience would, he believed, be very beneficial to the project but nevertheless he insisted that competitive quotations for all subcontract work including for PCs, for the project should be vigorously sought.

g) The Chairman asked that work begin to establish opportunities outside of the UK for sale of the Company's solution for POCL/BA. ICL and De La Rue would be happy to help with contacts overseas and Mr Bennett would follow this up. Mr Bennett added that he knew of ten countries whose Post Office or Benefit Authorities were already interested in what the Company was doing. Possible conflicts of interest might arise with POCL's own enterprise arm. Management was seeking to agree with An Post and Escher an extension to the teaming agreement which will limit any conflict as between the

Mr Bennett

Company and themselves. It was felt that Escher are favourably disposed to such an arrangement. The Chairman added it was important to look at other uses for the Pathway solution, particularly because of the effect this might have on the Private Finance Initiative pricing of the final bid.

h) Mr Bennett It was agreed Mr Bennett's future MD's Report would cover the situation on the "top five risks" facing the company.

95/10 **FINANCIAL DIRECTOR'S REPORT**

Mr Oppenheim Mr Oppenheim referred to discussions with Hambros on the financing of the Company. Meetings had also been held with other banks. Discussions would continue on financial strategy, for example whether the future capital structure should be based on ordinary shares or preference shares and the extent to which lease finance would be used.

In answer to the Chairman, Mr Todd said there had been no discussions as yet on the possibility of listing Pathway shares in the future, or other means of shareholder exit.

Chairman It was agreed Mr Webster of Hambros would be asked to brief the Chairman fortnightly on progress with financing issues.

Mr Oppenheim On choice of Auditors for the Company, Mr Oppenheim had received a quotation from Price Waterhouse, who so far seemed very suitable. He would progress the alternative quotation from KPMG as soon as possible, to enable a choice to be made.

95/11 **DELEGATION OF AUTHORITY**

Mr Bennett/
Mr Oppenheim Mr Bennett and Mr Oppenheim would discuss delegation of authority proposals for the Company but this was unlikely to be put in place until success in the bid.

Mr Oppenheim said it was likely that only accounting and legal fees would accrue to the Company in the meantime and he would make proposals on how these should be authorised.

95/12 **BOARD COMMITTEES**

It was agreed no Board Committees would be established at present.

95/13 DIRECTORS AND OFFICERS LIABILITY INSURANCE

Secretary

The Secretary would investigate the situation in regard to the Directors and others engaged on Pathway business at present.

95/14 PRESS STRATEGY

The Board discussed how to maximise media comment on Pathway and our proposed solution for POCL/BA. This would include exposure in the UK of the An Post experience. Other exercises, for example, comment on the Green Paper on Identity Cards could all help to increase interest in the general background.

95/15 DATES OF NEXT MEETINGS

The following were agreed:

17 July at 5 p.m. at De La Rue, Agar Street
(Prior to the pre-arranged dinner)
3 August at 3 p.m. at ICL Feltham
7 September at 3 p.m. at ICL Feltham
28 September at 4.30 p.m. at Hambros' offices.

The following meetings, at frequency of one per month, have been arranged by the Secretary.

26 October at ICL Feltham at 2.30 p.m.
23 November at ICL Putney at 4.30 p.m.
(5th Floor Conference Room)
14 December at ICL Feltham at 2.30 p.m.
17 January at ICL Feltham at 2.30 p.m.
21 February at ICL Feltham at 2.30 p.m.

Mr Bennett

It was agreed that the Board would receive briefings on the Proposal, split over the meetings on 17 July and 3 August, with Mr Dicks present to cover the technical details at one of these meetings and Mr Hodgkins to cover business development at the other.

GRO