

ICL PATHWAY LIMITED

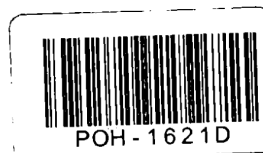
MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

HELD AT

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

ON THURSDAY, 30TH JANUARY 1997

Present: Sir Michael Butler (Chairman)
Mr T K Todd
Mr R Banks
Mr R Christou
Mr J H Bennett
Mr A E Oppenheim
Mr T Reynolds



In attendance: Mr R F Scott (Secretary)
Mr T Austin

Apologies for absence were received from Mr J White.

ACTION

97/1 **MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 25 November 1996 were approved as a correct record and signed by the Chairman.

97/2 **MATTERS ARISING**

96/71 h) - Briefing of HM Opposition - The Chairman, Mr Bennett and Mr Hall had called on Mrs Beckett and Mr Howells of the Labour Party and had been well received. Other briefings would take place in due course.

96/71 e) - Australian Post Office - Messrs Todd, Reynolds and Murphy were discussing this opportunity. Mr Todd said close cooperation would be needed and the Chairman emphasised the care needed to exploit this first international opportunity.

96/71 c) - BT and Energis - Energis were proving good to work with as prime contractor for the network service. BT's opposition had lessened, although they were unlikely ever to accept the company's point of view. Mr Todd said discussions were continuing between ICL and BT on the overall relationship.

GRO

97/3 MANAGING DIRECTOR'S REPORT

Mr Bennett reported and there were questions and discussion. Points noted:

- Mr Bennett**
- a) If Mr Bennett was using the Pathway Monthly Report as his Managing Director's Report for Board Meetings and the Monthly Report was getting out of date, he would consider a shorter note of important topical items, to be circulated to the Board immediately before the meeting.
 - b) ICL Pathway was negotiating with the customers (PDA) over the plans for 1997 in light of their delay in implementing CAPS. This was a complex matter because of the inter-dependence of almost all ICL Pathway's activities. However, a three phase plan was being proposed for the release 1 schedule namely OBCS implementation early (at the end of April) then the benefits payments system at the end of June, followed EPOSS in September. National rollout would not be until 3 November (and on child benefit only) compared to previous plan for national rollout in July. ICL Pathway had not yet agreed to this new plan as the commercial implications were still being worked out.
 - c) Mr Bennett raised the issue of continual modifications required by the customers and not covered by the contract. Under the PFI philosophy the customers expected such changes to be paid for by the contractors and of course this was causing concern. Mr Todd emphasised that a careful log should be kept of these miscellaneous items and their cost. It might be possible to make representations for the customers to be budgeted for such items in future. The Chairman suggested Mr Todd and Mr Bennett decide whether this issue needed to be raised above the level of the PDA team and whether, probably after the election, ICL Pathway should raise its experiences with the Ministers and officials concerned with the PFI process.
 - d) Mr Bennett referred to the problems the company's sub-contractors including Girobank and De La Rue would have with the programme delays occasioned (mainly by CAPS issues) by the customers. He was mindful of getting information to the sub-contractors as early as possible.
 - e) Mr Reynolds asked about introduction of EPOSS in sub Post Offices under the revised 1997 plan. Mr Austin said this was still planned although POCL were delaying matters as they prepared their own systems for the EPOSS introduction. Mr Oppenheim
- Mr Bennett**
- Mr Bennett**

said that until EPOSS and also advance payments systems were tested in the Post Offices, Pathway would not get full acceptance of the solution at the national rollout time of November 1997.

- f) **Mr Christou/
Mr Oppenheim** It was agreed Mr Christou, after input from Mr Oppenheim and Mr Spencer, would review the contract provisions, in the light of the following: programme delays occasioned principally by CAPS; damages to compensate ICL Pathway for delays; possible fee increases; contract administration including archiving and recording of everything that was taking place affecting the contract; where liability fell if there was not sufficient space in sub Post Offices for the equipment (see later); and whether Post Offices could use other equipment, particularly networks such as that of Camelot, or other terminals, to implement the solution.
- g) Mr Bennett confirmed that Pathway was involved in the Post Office Genesis initiative and also in the Government Direct Green Paper to explore how to connect citizens to services by digital communications.

97/4 **PROGRAMME UPDATE**

Mr Austin reported to the Board. Points noted:

- a) A significant milestone had been reached on the completion by ICL Pathway of the two datacentres and other infrastructure. After considerable efforts by all staff concerned the Wigan and Bootle datacentres were running and would be used in the testing phases of the solution as soon as possible. One datacentre would support the OBCS rollout in April.
- b) Difficulties were being experienced in testing computers functioning in the open systems environment (in contrast to the performance of mainframes which in Mr Austin's experience did not usually suffered such capacity problems).
- c) Proposals had been made to the PDA before Christmas to recover lost time on the programme but so far the PDA had not accepted these under the assessment that they were high risk activities. Mr Austin felt ICL Pathway was three to four weeks behind where it should be at present and so far there was no visibility of the Government review of the delays being caused by the CAPS problems. The Chairman said the proximity of the general election might be delaying the civil servants as they felt the need to obtain ministerial approval for their actions.

- d) Mr Todd emphasised ICL Pathway should explore the possibility of price increases for contract changes, and the possibility of advance payments. Such advance payments could be set off later against the revised budgeted payments and would help with ICL Pathway's cashflow.
- Mr Oppenheim
- e) Mr Austin emphasised two other items on the critical path, the Escher training mode facility which was critical before the go-live date and the need to demonstrate we can achieve connectivity for 20,000 Post Offices with the Riposte software well before all 20,000 offices were likely to be required to be online. Mr Austin said Mr Murphy was aware of this.
- f) The Board noted that many more sub Post Offices than we had previously been aware, would have space shortages such that it might be difficult if not impossible to fit in all of the equipment required under the solution (difficulties which might be compounded by the need for separate equipment to deal with debit cards). This was likely to resolve itself into design and cost issues and as noted above, Mr Christou would be examining the contract to ascertain where the costs would fall.
- g) Mr Todd asked Mr Bennett to circulate information to the Board on ICL Pathway's views of the implications of Year 2000 and single European currency issues.
- Mr Bennett

97/5 **FINANCE DIRECTOR'S REPORT**

Mr Oppenheim reported. Points noted:

- a) He emphasised the seriousness of ICL Pathway's cash situation if advance payments were not received from the customer now that the project was being delayed. He would be backing up Mr Bennett in the negotiations over the programme slippage.
- b) A satisfactory agreement over the process of new business development with POCL was, he thought, about to be reached. Mails was expected to be the first new business item and Mr Oppenheim assured Mr Reynolds that maintenance of the mail facilities was included on the ICL Pathway charging score card.
- c) He emphasised that the next major commercial issue would be the whole process of acceptance of the solution and he added several of the fraud risks may have been over estimated.

GRO

- d) The Chairman enquired of progress with discussions on financing the project and the company. Mr Todd and Mr Oppenheim said satisfactory discussions were being held with Fujitsu over project finance and as Finance Director, Mr Oppenheim said he believed that Fujitsu would agree to assist with the financing.

97/6 PROGRAMME PROGRESS

Mr Austin emphasised that although there had been slippage in elements of the programme, the fact that OBCS and benefit payments would begin in April rather than July meant that generally progress with the solution was being maintained at a satisfactory speed. This is the approach that would be used with press/public relations.

Mr Bennett

Mr Todd said that he had asked Mr Bennett to circulate the ICL Executive Management Committee with a note on programme progress.

Mr Bennett

97/7 MR FRANK FIELD MP

Mr Banks was having lunch with Mr Field and Mr Bennett would inform him about ICL Pathway related matters which could be raised.

Mr Bennett

97/8 REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996

It was noted that the ICL Group audit plan required that subsidiaries' (including the Company) Statutory Accounts should be approved by the relevant Boards of Directors prior to sign off of the Group Accounts. This was likely to mean that the Company's draft Statutory Accounts would be ready for Board approval prior to the next Board Meeting on 14 March. Accordingly, the Board

RESOLVED

THAT Mr T K Todd and Mr A E Oppenheim be and are hereby appointed a Committee of the Board for the purposes of considering and if thought fit approving the Reports and Accounts for 1996, and dealing with associated matters including arrangement of the audit and the 1997 Annual General Meeting.

DATES OF NEXT MEETINGS

Friday, 14 March 1997
Wednesday, 7 May 1997
Monday, 29 September 1997
Thursday, 13 November 1997

17. All at ICL in Putney, Room 1401/2, 10am - 12noon.

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