



Fujitsu UK and Ireland Contracts Update June 2010

Roger Gilbert

HNGX R1 Programme

- Branch Router roll-out – deployed 11,394 (99.4% of estate, remainder are “tail management” non-penalties)
- 26/03/10 - High Volume Pilot suspended due to system instability issues – root cause traced to Oracle Branch Database bugs and tuning issues not identified in testing
- 31/03/10 - Red Alert initiated, High Volume pilot resumed 08/06/10, downgraded to Amber Alert 21/06/10
- No major incidents in live for 7 weeks
- 29/06/10 - High Volume pilot completed, Post office approved to commence Rollout.
- 30/06/10 - Rollout started, with 96% success rate*
 - *Note: Post Office continuing to cancel 5–10% of scheduled migrations for their operational reasons (branches in early rollout had insufficient notice). If this continues, will increase tail – estimated to complete in September.
- 6/07/10 – HNGX deployed to estate = 2,241 Branches (19.5%) and 7,969 counters (26.3%)
- Completion of HNGX rollout now end August = 12 week slippage vs Q4 and Q1 Budget assumption
- Significance of slippage: Post Office will claim £1.2m per month for the last delay. FJ will offset this by claiming Post Office cannot meet planned beat rate
- Actions to minimise delays and/or budget overruns:
 - Propose increase in migration daily beat rate in second half of rollout to bring forward completion
- Provision has been made at the Account level for a Post Office claim of up to £2m. The Programme R1 latest forecast indicates an overrun of £200k on a baseline cost that was approved 12 months ago

Summary:

- There is now a high level of confidence that the technical beat rate can be met and that the solution can cope with high branch volumes
- There is less confidence in Post Office’s ability to schedule and support the planned beat rate
- Account is trying to contain impact of cost overrun from HVP delay – negotiations underway at Account level.

HNGX - Financials

- HNGX Programme – Q2 Budget unchanged from MTP
- Issues above will deteriorate forecast by circa £0.2m (from forecast which has held steady at £92.3m for 12 months)
- Account level:
 - 09/10 result showed overall improvement on Q4 Budget (£4.8m) due to significant New Business being closed which more than offset £2m provision to cover risk of POL compensation claim based on September 2009 CCN (i.e. £1m per month delay)
 - 10/11 forecast shows overall improvement of £8.2m against MTP due to significant cost saving opportunities identified
 - However, additional Programme delays noted above create significant risk to this forecast as follows:
 - An additional £1m to cover the risk of further POL compensation claims based on rollout completion date of end August 2010
 - Delays to implementation of cost saving initiatives

HNGX Financial update - Programme

	To March 2009	2009/10	2010/11	To go	Lifetime
	Actual	Actual	Q2 Budget	Latest Forecast	Latest Forecast
	£m	£m	£m	£m	£m
Revenue	71.9	7.5	0.5	0	79.8
Gross Margin	-0.2	-11.2	-0.4	0	-11.7
GM%	-0.3%	-150.1%	-77.1%	0.0%	-14.7%
Contract overhead	0.0	0.0	0.0	0.0	0.0
Contract Margin	-0.2	-11.2	-0.4	0.0	-11.7
CM%	-0.3%	-150.1%	-77.1%	0.0%	-14.7%
Q4 Budget Contract Margin	-0.2	-11.4	-0.1	0	-11.7
Increase / (Decrease)	0.0	0.2	-0.3	0.0	0.0

HNGX Financial update – Total Account

	2009/10	2010/11
	Actual	Q2 Budget
	£m	£m
Revenue	47.4	60.0
Gross Margin	-2.0	8.8
GM%	-4.3%	14.7%
Opex	-0.8	-0.5
Operating Profit	-2.8	8.3
Oppl %	-6.0%	13.8%
Q4 Budget Contract Margin	-7.6	-0.1
Increase / (Decrease)	4.8	8.4