

**In Strictest Confidence**

**POB(01)2nd  
POB01/13 to 24**

**POST OFFICE BOARD**

**Minutes of the meeting held at 148 Old Street  
on 12 February 2001**

**PRESENT**

Neville Bain	Chairman
John Roberts	Chief Executive
Marisa Cassoni	Group Finance Director
Jerry Cope	Group Managing Director Strategy & Business Development
Mike Kinski	Non-Executive Member (for POB01/13 to 19)
John Lloyd	Non-Executive Member (for POB01/13 to 19)
Rosemary Thorne	Non-Executive Member
Jonathan Evans	Secretary
Miranda Dodd	Notes

Richard Dykes	Group Managing Director, Mails Services
Stuart Sweetman	Group Managing Director, Customer and Banking Services
Kevin Williams	Group Managing Director, Distribution Services

**OTHERS  
ATTENDING**

Malcolm Kitchener, Group Managing Director, Business Services for PO01/13-24  
Mick Linsell, Managing Director Service Delivery, for PO01/18  
Alison White, Mergers and Acquisitions Director, Paul Bateson Managing Director Logistics and Contract Distribution, John Nicolson Strategy and Planning Director, Logistics and Contract Distribution, Robert Patterson Price WaterhouseCoopers, for POB01/19  
John Modd, Managing Director International Services and Dom McKenna, Director and General Manager Europe for POB01/20

**APOLOGIES** Miles Templeman was unable to attend.

**POB01/13 MINUTES OF PREVIOUS MEETING**

The Board approved the minutes of its 9 January 2001 meeting.

**POB01/14 MATTERS ARISING POB(01)08**

The Board noted the matters arising from its meeting held on 9 January 2001.

**POB01/15 CHAIRMAN'S BUSINESS**

- (i) The Chairman welcomed Marisa Cassoni to her first Board meeting. On behalf of the Board, the Chairman thanked Malcolm Kitchener for the significant contribution he had made over the previous ten months as acting Group Finance Director, and wished him well in his future role;

**GRO**

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- (ii) The Chairman informed the Board that he would shortly be discussing the strategic plan with Alan Johnson, DTI Minister, and Government officials;
- (iii) The Chairman congratulated the Chief Executive and his team for their efforts in successfully completing a programme of 71 communication workshops for senior managers to explain the challenges facing the Business.

POB01/16

**CHIEF EXECUTIVE'S REPORT POB(01)09**

The Board noted the Chief Executive's report, and in particular that:

**Irrelevant**

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# Irrelevant

- (vi) Major IS/IT projects: the Horizon and SPICE programmes were proceeding well in line with agreed timescales. However the main contractor in the Address Interpretation (AI) project, Lockheed Martin, had indicated that it had fallen eight months behind schedule in the software development for the programme. This delay would worsen the NPV of the project - set at £27million in the approved business case - by some £20million, with a further knock-on cost into the WAND project of £30million. Recent communication from Lockheed Martin had taken on a legalistic tone as the company attempted to protect itself from any possible legal action relating to a potential breach of contract. The Board was assured that all payments to Lockheed Martin had ceased while the contract was under review. A range of options for the future of the AI project was being explored. The Board requested further information to be made available at the following Board meeting on: The Post Office legal position, the impact on other projects of a slippage in AI, the proposed way forward, and the learning points from the slippage in this major programme.

**ACTION**  
Richard  
Dykes

POB01/17

## FINANCIAL OVERVIEW

The Board noted a presentation from Marisa Cassoni, in particular that:

- (i) performance in December had been encouraging with a small positive profit variance, made up of revenue performance in the market facing units just exceeding an overspend in the operational and support units - although in part this improved revenue performance was the result of budgetary calendarisation

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effects. Concern was expressed that the favourable revenue performance of December may be offset by weaker January results;

- (ii) it was forecast that the profit for the year end would fall in the range between £150-£185million, with £175m considered the most realistic outcome, in the light of December's results. These forecasts included a £17million benefit from the Executive Board's assessment of the extent of caution contained in individual business unit forecasts;
- (iii) the Board expressed its continuing disappointment at the business performance. To aid its understanding of the reasons for the poor performance, the Board sought more detailed information on income and cost variances from budget each month;
- (iv) the board was assured that there was no risk of a Parcelforce impairment in the accounts for the year 2000/2001;
- (v) the Board was informed that plans were in place to address the deteriorating cashflow position of the business. The cashflow position had been caused in part by the poor profit performance, but the Board nevertheless required the cash position to meet budget expectations;
- (vi) the Board agreed in principle that the full year Group post-tax profit forecast of £175 million be released to DTI, but only after validation by the Chairman, Chief Executive and Group Finance Director in the light of the January results, due one week after the meeting.

**ACTION**  
**Marisa**  
**Cassoni**

**Irrelevant**

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**Irrelevant**

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**Irrelevant**

**POB01/24**

**DATE OF NEXT MEETING**

The next meeting was scheduled for 13 March 2001.