



DEPARTMENT OF SOCIAL SECURITY

M.A.M.S.

Richmond House, 79 Whitehall, London SW1A 2NS
Telephone GRO

Strictly Private and Confidential

24 May 1999

Keith Todd
Chief Executive
ICL plc
26 Finsbury Square
London
EC2A 1DS

Dear Mr Todd,

POCL, ICL Pathway, ICL and DSS have been negotiating, with the assistance of HM Treasury, the withdrawal of DSS from further involvement in the Project and certain material amendments to the existing contracts between POCL and ICL Pathway. As a result of these negotiations, DSS and ICL have agreed that DSS will withdraw from further involvement in the Project on the basis that the claims of each party against the others will be settled on the following terms:

1. Subject to the transitional arrangements substantially set out in the Schedule to this letter (the "Transitional Arrangements"), the DSS Agreement is hereby terminated (thereby cancelling the Benefit Payment Card-related Services) and ICL Pathway and DSS release all obligations and waive all rights they have in respect of each other under the DSS Agreement, save that provisions in the DSS Agreement stipulated to survive in the event of termination or expiry shall continue in full force and effect. ICL Pathway agrees to assist with the transitional arrangements. The DSS shall pay ICL Pathway for such assistance, at its option to be irrevocably exercised within 14

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days from the date hereof, either:

- (a) ICL Pathway's auditable time and material charges (as set out in paragraph 20.1 of Schedule A6 of the Authorities' Agreement which shall be expanded to include ICL Pathway's rates for senior management and consultants and to clarify that all ICL Pathway's reasonable expenses connected to the Transitional Arrangements may be recovered); or
- (b) a fixed price of £10 million, which shall not be audited;

provided that the transition is carried out as speedily as reasonably practicable but in no event longer than 8 weeks and payment is made within thirty (30) days of receipt of invoice following the completion of the Transitional Arrangements. The parties shall co-operate in good faith with each other, and with POCL, to give effect to the principles set out in the Schedule to this letter.

2. DSS withdraws from the Authorities' Agreement with immediate effect. ICL Pathway and DSS release all obligations and waive all rights they have in respect of each other under the Authorities' Agreement, save that provisions in the Authorities' Agreement stipulated to survive in the event of such withdrawal shall continue in full force and effect. Where any Related Agreement requires that the consent, approval or agreement of DSS is obtained (whether in respect of a change or any other matter whatsoever) that requirement shall cease and be of no effect as from the date of this letter.
3. The terms of this letter shall be in full and final settlement of all claims and counterclaims which any of DSS, ICL and ICL Pathway (in this paragraph the "Parties") may have against any other of them under or in connection with the Related Agreements arising from or in connection with acts or events which occurred or should have occurred, or statements that were made on or prior to the date of this letter (whether or not such have been made the subject of a claim or counterclaim at the date hereof). Each of the Parties hereby waives any rights whatsoever which it might have against any other Party arising from or in connection with such acts, events or statements.

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4. Each party agrees to keep confidential and not to disclose to anyone else the existence or the terms of this letter or the negotiations relating thereto (together "Confidential Information"). Notwithstanding the foregoing, any party may disclose Confidential Information:
- (a) if and to the extent required by law;
 - (b) if and to the extent that the other parties have given prior written consent to this disclosure;
 - (c) to its professional advisers;
 - (d) to HM Government, the National Audit Office or Parliamentary Committees;
 - (e) if and to the extent that the Confidential Information is in the public domain or falls into the public domain without breach of any applicable confidentiality obligation (including this paragraph);
 - (f) to POCL;
 - (g) to Fujitsu;
 - (h) to potential arrangers of funding for the Project; or
 - (i) if and to the extent necessary to be disclosed for the purpose of arranging and maintaining funding generally for ICL and/or ICL Pathway.

In the event that Confidential Information is disclosed by any party to its professional advisers, that party shall procure that its professional advisers comply with the restrictions contained in this paragraph, mutatis mutandis.





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Words and expressions defined in the Related Agreements shall have the same meanings when used in this letter.

Yours sincerely

Signed for and on behalf of the
Secretary of State for Social Security

By: **GRO**
Name: PETER MATTHISON
Title: Chief Executive Benefits Agency
Date: 24/5/99

We hereby agree the terms of the above letter
For and on behalf of ICL Pathway Limited

By: **GRO**
Name: R. CHANCO
Title: Director
Date: 24/5/99

For and on behalf of ICL plc

By: **GRO**
Name: R. CHANCO GRO
Title: Authorized Signatory
Date: 24/5/99

