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THIS AGREEMENT is made the 28th day of July, 1999.

BETWEEN:

(1) Post Office Ltd whose registered office is situated at 80-86 Old Street, London EC1V 9NN (“Post Office”); and

(2) Fujitsu Services (Pathway) Limited whose registered office is at 26 Finsbury Square, London EC2A 1SL ("Fujitsu Services").

RECITALS

WHEREAS:

(a) On 15 May 1996, the Secretary of State for Social Security acting through and on behalf of the Department of Social Security and on behalf of the Department of Health and Social Services for Northern Ireland ("DSS") and Post Office (collectively "the Authorities") entered into certain agreements (the "Related Agreements") for the design, development, integration and establishment by ICL Pathway Limited of a computerised service infrastructure and for certain services to be provided thereon;

(b) Such agreements comprised:

(i) an agreement between DSS and ICL Pathway Limited for, inter alia, the provision by ICL Pathway Limited of services relating to a benefit payment card (the "DSS Agreement");

(ii) an agreement between Post Office Counters Ltd and ICL Pathway Limited for, inter alia, the provision by ICL Pathway Limited of the Horizon Service Infrastructure and for the services to be provided thereon (the "Post Office Agreement"); and

(iii) an agreement among DSS, Post Office Counters Ltd and ICL Pathway Limited for the supply of a service infrastructure and the provision of certain services which were of common interest to both DSS and Post Office Counters Ltd (the "Authorities Agreement");

(c) On 24 May 1999, DSS and ICL Pathway Limited entered into an agreement under which, inter alia, the DSS Agreement was terminated on that date;

(d) On 24 May 1999 Post Office Counters Ltd and ICL Pathway Limited entered into an agreement (the "Letter Agreement") under which they agreed that certain changes should be made to the Post Office Agreement and the Authorities Agreement with effect from that date;

(e) Under the Letter Agreement Post Office Counters Ltd and ICL Pathway Limited agreed, inter alia, to replace the Post Office Agreement and the Authorities Agreement (each as amended under change control procedures) with a single agreement (the "Codified

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Agreement") codifying the changes to those agreements agreed in the Letter Agreement;

(f) Pursuant to the Letter Agreement, the Codified Agreement came into effect on 28 July, 1999;

(g) Various changes have been made to the Codified Agreement since 28 July, 1999, pursuant to the Change Control Procedure contained therein, including, in particular, the change introduced by CCN 850 which introduced NBS and the implementation of PIN Pads.

(h) On 1 October 2001 Post Office Counters Ltd changed its name to Post Office Ltd;

(i) On 2 April 2002:

(i) ICL PLC (Company No: 142200) changed its name to Fujitsu Services Holdings Plc;

(ii) International Computers Limited (Company No: 96056) changed its name to Fujitsu Services Limited;

(iii) ICL Pathway Limited (Company No: 3011561) changed its name to Fujitsu Services (Pathway) Limited; and

(iv) ICL Pathway Asset Company Limited (Company No: 3011564) changed its name to Fujitsu Services (Pathway Asset Company) Limited;

(j) On 31 December 2002 the Parties signed CCN1100 to introduce and incorporate agreed changes on and with effect from the Amendment Date and agreed a timetable for additional work (set out in Schedule 12); and

(k) This agreement (the “Agreement”) is the Codified Agreement as amended by CCN 1100.

NOW THEREFORE IT IS HEREBY AGREED as follows:

1. PERFORMANCE OF SERVICES

1.1 Fujitsu Services shall perform the following Services in accordance with all applicable provisions hereof:

1.1.1 the Operational Services;

1.1.2 the Development Services;

1.1.3 the Business Continuity Services;

1.1.4 the Branch Hardware Implementation Services;

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1.1.5 the Banking Implementation Activities; and

1.1.6 the Transfer Services and the NBS Transfer Services.

1.2 Notwithstanding paragraph 1.1 above, Fujitsu Services shall not be required to deliver any element of a Service which is connected to or dependent upon:

1.2.1 NBS until the relevant derivative event(s) in the NB Project Plan shall have occurred; and

1.2.2 Debit Card in a Branch until all of Debit Card Conditions have been satisfied in respect of that Branch.

1.3 For illustration purposes only, a schematic overview of the Services is attached as Annex A to this Agreement.

2. INTRODUCTION OF SERVICES AND INFRASTRUCTURE TO BRANCHES

2.1 Subject to Clause 2.2, the Services and the Branch Infrastructure shall be capable of introduction in all Branches.

2.2 Where a network connection is required to deliver a Service and such network connection is unavailable at a Horizon Counter Position (due to characteristics particular to that Horizon Counter Position) Fujitsu Services shall not be obliged to deliver that Service at that Horizon Counter Position.

3. [NOT USED]

4. DOCUMENTATION

4.1 Fujitsu Services shall provide to Post Office one hard copy and one electronic copy of the Listed Documentation, Specially Written Documentation and Developed Documentation at no additional charge.

4.2 Fujitsu Services shall maintain and keep up to date the Core Document Set as part of the Charge for the Operational Services and SI Support Service.

5. CONSUMABLES

5.1 Post Office shall have the option of obtaining all or any of the Post Office Consumables in such quantities as may be reasonably required by Post Office by giving Fujitsu Services not less than thirty (30) days prior written notice thereof. The Post Office Consumables shall be supplied in accordance with all applicable provisions hereof including the provisions set out in Schedule 14.

5.2 Fujitsu Services shall deliver any Post Office Consumables to an authorised representative of Post Office at times and locations to be mutually agreed between Fujitsu Services and Post Office (such agreement not to be unreasonably withheld or delayed).

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5.3 Fujitsu Services shall provide all Fujitsu Services Consumables which are required for the performance of the Services.

6. CHANGES TO SERVICES

6.1 Subject to Clause 6.2, Fujitsu Services shall not introduce any product or service into the Horizon Service Infrastructure or Services, nor make any change to Services or the Horizon Service Infrastructure, without Post Office's prior written consent.

6.2 Fujitsu Services may issue further Releases of Software in accordance with the CCD entitled “Pathway Release Policy” (PA/STR/003) from time to time as necessary to remedy defects in the provision of the Services or for the purpose of maintenance of the Horizon Service Infrastructure or the Applications.

7. DEVELOPMENT OF NEW BUSINESS OPPORTUNITIES

7.1 Fujitsu Services shall, if so requested by Post Office, work with Post Office to identify and develop new business opportunities for Post Office and Fujitsu Services.

7.2 It is the shared vision of the Parties that the services provided by Fujitsu Services will be extended to support radical business change in Post Office back office operations, which shall promote cost efficiency through the elimination of redundant processing steps and boundaries between different suppliers’ systems, as far as practicable, cost effective and desirable to Post Office.

8. SECURITY

8.1 Fujitsu Services shall deliver and continue to provide a secure system in respect of all transactions which, as far as this Agreement requires, eliminates the potential for any fraud or unauthorised disclosure of data and provides detection procedures and significant barriers to attacks from internal conspiracy and collusion to defraud Post Office.

8.2 Notwithstanding any other provision of this Agreement to the contrary, Fujitsu Services' obligations regarding the application of electronic signatures to be applied to data transmitted and received across the link between the Data Centres and the NBE to ensure the authenticity and integrity of that data shall be limited to the use of MACs in accordance with paragraph 8.1.4.2 of the CCD entitled “NBS Definition” (BP/SPE/035).

8.3 Fujitsu Services shall use all reasonable endeavours to maintain the security of the Services and shall comply with the security requirements set out in Schedule 2.

8.4 Fujitsu Services shall offer all reasonable assistance to Post Office in preventing fraudulent use of the Services and Horizon Service Infrastructure by Post Office's employees and Agents.

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8.5 Notwithstanding any other provision of this Agreement to the contrary, in respect of:

8.5.1 data transmitted and received between the DC Authorisation Agent and the Merchant Acquirer;

8.5.2 data transmitted and received between the DCM and the Merchant Acquirer; and

8.5.3 Sensitive DC Data included in a BIMS Report (as that term is defined in paragraph 6.1.1 of Annex 3 to Schedule 15) submitted pursuant to paragraph 6.2 of Annex 3 to Schedule 15),

(individually and collectively "DC Data"),

the obligations of Fujitsu Services as to whether or not such DC Data are encrypted and, if so, the method of encryption used (the "DC Data Security Obligations"), shall be as specified in the CCD entitled "DC MoP Functional Description" (EF/SER/001) (in respect of the DC Data referred to in Clauses 8.5.1 and 8.5.2) and the CCD entitled "Network Banking Reconciliation and Incident Management" (NB/PRO/002) (in respect of the DC Data referred to in Clause 8.5.3).

8.6 The obligations of Fujitsu Services in this Agreement regarding the:

8.6.1 elimination of the potential for any fraud or unauthorised disclosure of data ;

8.6.2 provision of significant barriers to attacks from internal conspiracy and collusion to defraud Post Office;

8.6.3 prevention of corruption or loss of data; and

8.6.4 preservation and security of data,

shall, to the extent applicable to DC Data, be construed so as to be consistent with the level of security which is achieved by complying with and fulfilling the DC Data Security Obligations.

9. UNDERTAKINGS

9.1 Technical Standards

Fujitsu Services undertakes that:

9.1.1 the Services shall comply with, and be provided in accordance with, the policies and standards specified in Schedule 2 and all components and equipment used in the course of the provision of the Services shall operate in accordance with their technical specifications;

9.1.2 the provision of the Services shall not cause electrical interference beyond the limits laid down in the relevant standard specified in Schedule 2, provided that

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for the purpose of this Clause 9.1.2 the Services shall be deemed to include the operation of any testing and monitoring instruments used in connection with the provision of the Services;

9.1.3 the Horizon Service Infrastructure shall be provided in accordance with and comply with all relevant applicable industry standards, as these are listed in Schedule 2.

9.2 Performance of Services

Fujitsu Services undertakes that:

9.2.1 the Services shall be supplied and rendered by appropriately experienced, qualified and trained personnel with all due skill, care and diligence;

9.2.2 Fujitsu Services shall discharge its obligations under this Agreement with all due skill, care and diligence including but not limited to good industry practice and (without limiting the generality of this Clause) in accordance with the best of its own established internal procedures;

9.2.3 the Services shall be performed in compliance with all applicable laws, enactments, orders, regulations, and other similar instruments;

9.2.4 the Services shall be performed in accordance with all applicable service levels in this Agreement (and, for the avoidance of doubt, Fujitsu Services shall ensure migration of appropriate automated systems without any reduction in existing service or security levels to Post Office's clients and customers);

9.2.5 Fujitsu Services shall provide the Operational Services using the Applications functioning on the Horizon Service Infrastructure;

9.2.6 the interfaces to all external systems connected to the Horizon Service Infrastructure shall operate in accordance with the applicable AIS and TIS; and

9.2.7 the Services shall be performed in such a way as to cause a minimum of disruption to the business of Post Office and the End Users.

9.3 Products

Fujitsu Services undertakes that:

9.3.1 During the term of this Agreement all components of the Horizon Service Infrastructure shall operate in accordance with their respective specifications, except that, for the avoidance of doubt, it is agreed that Post Office shall have no remedy for breach of this undertaking in relation to errors or interruptions to Services which cause a failure of a SLT or an ARL;

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9.3.2 Post Office shall acquire title to the items in which it is to acquire title under Clause 12.1 free from all encumbrances and Post Office shall have the right to quiet possession of such items supplied hereunder;

9.3.3 all Post Office Consumables shall be compatible with the Horizon Service Infrastructure.

10. CHARGES

10.1 Post Office shall pay to Fujitsu Services, throughout the term of this Agreement, each of the following Charges:

10.1.1 the Operational Charges set out in paragraph 2 of Schedule 10 (as adjusted in accordance with paragraph 5 of Schedule 10);

10.1.2 the Availability Fees set out in paragraph 3 of Schedule 10;

10.1.3 the SI Commitment Fee and related charges set out in paragraph 4 of Schedule 10 (as adjusted in accordance with paragraph 6.1 of Schedule 10) and the Additional SI Charges described in paragraph 6.2 of Schedule 10;

10.1.4 the Implementation Charges set out in paragraph 7 of Schedule 10;

10.1.5 the Operational Business Change Charges set out in paragraph 8 of Schedule 10; and

10.1.6 the Network Banking Implementation Charges referred to in paragraph 11 of Schedule 10.

10.2 Fujitsu Services shall credit to Post Office each of the Special Discounts and Post Office shall pay to Fujitsu Services the Supplemental Charge set out in paragraph 9 of Schedule 10.

10.3 Post Office shall pay to Fujitsu Services the charges for the supply of any Post Office Consumables purchased by Post Office as calculated in accordance with Schedule 14.

10.4 All Fujitsu Services Consumables shall be supplied at the expense of Fujitsu Services.

10.5 Except as otherwise expressly agreed in this Agreement, or as generally provided for under the Change Control Procedure or in Work Orders, no other amounts shall be payable by Post Office to Fujitsu Services in consideration of the Services to be provided by Fujitsu Services under this Agreement.

11. PAYMENT

11.1 Payment of Charges in relation to the Services performed hereunder shall be made in accordance with the invoicing and payment procedure specified in Schedule 9.

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11.2 In the event that Fujitsu Services, in accordance with the terms of this Agreement, enters into a supply contract or a sub-contract in connection with this Agreement, Fujitsu Services shall ensure that a term is included in the supply contract or sub-contract which requires Fujitsu Services to pay all sums due thereunder to the relevant supplier or sub-contractor within a specified period, not to exceed thirty (30) days, from the date of receipt of a valid invoice as defined by the terms of the supply contract or sub-contract (as appropriate).

12. OWNERSHIP

12.1 Hardware

12.1.1 Subject to Clause 12.1.2, ownership of, and risk in, the Initial Infrastructure shall vest in Fujitsu Services. Ownership of any other hardware shall be determined in accordance with Schedule 23.

12.1.2 Ownership of Paypoles and risk in PIN Pads shall each be as specified in Schedule 24.

12.2 Post Office Consumables

Ownership of any Post Office Consumables supplied hereunder shall vest in Post Office upon delivery thereof in accordance with Clause 5.2.

12.3 [Not used]

12.4 Post Office Data

Fujitsu Services acknowledges that the Post Office Data is the property of Post Office and Post Office hereby reserves all Intellectual Property Rights which may subsist in the Post Office Data.

13. INTELLECTUAL PROPERTY RIGHTS

Listed Documentation

13.1 In consideration of the payment of the relevant Charges Fujitsu Services hereby grants, or shall procure that the owner of the Intellectual Property Rights in Listed Documentation grants, Post Office a perpetual, royalty-free, irrevocable (subject to Clause 13.12) and non-exclusive licence to use, copy and modify solely in connection with the Services the Listed Documentation.

13.2 The grant of rights contained in Clause 13.1 does not authorise any use or disclosure of the Listed Documentation in question which would constitute a breach of the obligations of confidentiality contained in Clause 50 or any other obligations of confidentiality which have been accepted by Post Office.

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Fujitsu Services' Software

13.3 Where Fujitsu Services uses any Fujitsu Services Software in connection with the provision of the Services Fujitsu Services shall grant to Post Office, or shall procure that Post Office is granted, a non-exclusive, royalty-free licence to Use such Fujitsu Services Software during the term of this Agreement for the purposes of receiving the Services.

Third Party Software

13.4 In respect of Third Party Software, Fujitsu Services shall in consideration of the payment of the relevant Charges:

13.4.1 use all reasonable efforts to procure the right to grant to Post Office a perpetual, royalty-free, irrevocable (subject to Clause 13.12) and non-exclusive sub-licence to Use such Third Party Software, subject to Clause 13.6 and Clause 13.7, and, by the entering into of this Agreement, shall grant such sub-licences; or

13.4.2 if Fujitsu Services is unable to procure the right to grant the sub-licence referred to in Clause 13.4.1 Fujitsu Services shall procure that the third party grants to Post Office a royalty-free and non-exclusive licence to Use the Third Party Software subject to Clause 13.6 and Clause 13.7, and shall use all reasonable endeavours to ensure that such licence is perpetual and (subject to Clause 13.12) irrevocable;

13.4.3 Post Office's licence or sub-licence to Use such Third Party Software shall be subject to any additional terms and conditions imposed by the licensor, provided that any terms of any sub-licence granted under Clause 13.4.1 or any licence granted under Clause 13.4.2 shall not detract from the rights granted to Post Office hereunder. Without prejudice to the generality of the foregoing, Post Office accepts the licence terms relating to the Escher Upgrade Software set out in Schedule 13.

Internal Code

13.5 In consideration of the payment of the relevant Charges Fujitsu Services hereby grants to Post Office or shall procure prior to the commencement of any use by Post Office that the relevant Third Party grants to Post Office a royalty-free non-exclusive licence to use the Internal Code in connection with the Hardware of which it forms an integral part. Such licence to use the Internal Code shall, subject to Clause 13.12, be perpetual and irrevocable. On the sale or transfer of an item of Hardware of which Internal Code is an integral part, licence to use such Internal Code in combination with the said item of Hardware shall pass to the purchaser or other transferee of the said item of Hardware. Post Office shall take all reasonable steps to ensure that the purchaser or transferee of the said item of Hardware agrees to comply with the licence to use the Internal Code that was previously enjoyed by Post Office.

13.6 Post Office shall be entitled to engage a third party to Use the Specially Written Software and to Use Fujitsu Services' Software, (and Fujitsu Services shall use all

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reasonable endeavours to enable a third party engaged by Post Office to use Internal Code and Third Party Software) subject to and in accordance with this Agreement on behalf of Post Office provided that such third party shall have entered into an appropriate Agreed Form NDA.

13.7 Post Office shall be entitled to copy the appropriate Fujitsu Services' Software, Internal Code and Third Party Software in order to create as many archival or back-up copies of the same as are necessary. When copying Software, Post Office shall include the original machine readable copyright notice, and a label affixed to the media identifying the Software and stating: "This medium contains an authorised copy of copyrighted software which is the property of [Fujitsu Services or the Third Party Software Owner]."

Deposited Software/Escrow Arrangements

13.8 Fujitsu Services shall place the Source Code of the Deposited Software in escrow with the NCC on the basis of the appropriate standard agreement or on such other terms as Post Office, Fujitsu Services, the Third Party Software Owner (if applicable) and the NCC shall agree.

13.9 Fujitsu Services hereby grants to Post Office a perpetual, royalty-free, irrevocable (subject to Clause 13.12) and non-exclusive licence to Use, reproduce, modify, adapt and enhance (and to authorise a third party to Use, reproduce, modify, adapt and enhance) the Source Code version of the Deposited Software. However, the foregoing licence shall only become effective if Post Office becomes entitled to obtain access to the Source Code version of the Deposited Software pursuant to the source code escrow agreement referred to in Clause 13.8 and the licence shall be subject to any restrictions contained herein in respect of the object code version of the Deposited Software.

13.10 Subject to any necessary consents (which Fujitsu Services shall use all reasonable endeavours to obtain) any licence or sub-licence granted by Fujitsu Services to Post Office hereunder shall be transferable in accordance with the provisions of Clause 47.4.

13.11 Subject to any necessary consents (which Fujitsu Services shall use all reasonable endeavours to obtain) any rights to Use Software or use Listed Documentation granted hereunder to Post Office are hereby granted to and are fully exercisable by members of the Post Office Group and End Users.

13.12 Fujitsu Services may at any time by notice in writing terminate any licence granted under Clause 13.1, Clause 13.3, Clause 13.4, Clause 13.5, Clause 13.9 or Clause 35.1.2 if Post Office is in Default of its obligations under the relevant Clause in relation to such licence and Post Office shall fail to remedy such Default within thirty (30) days of written notice to Post Office specifying the Default and requiring its remedy, provided that if the Default in question is caused by an Agent, such licence shall only be terminated in relation to Use by such Agent. Upon termination of the relevant licence to Post Office, Post Office shall cease to use the Software which is the subject matter of such licence and shall either return or destroy all copies of such Software, as directed by Fujitsu Services.

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13.13 Fujitsu Services warrants and represents that:

13.13.1 Post Office's use of the Horizon Service Infrastructure and the receipt of the Services shall not infringe any Intellectual Property Rights of any third party; and

13.13.2 Fujitsu Services has the full capacity and authority to grant the licences referred to in this Clause 13.

13.14 Specially Written Software and Specially Written Documentation

13.14.1 The Intellectual Property Rights in any Specially Written Software and Specially Written Documentation shall be vested in Post Office upon acceptance of the Specially Written Software and Fujitsu Services hereby assigns absolutely to Post Office (by way of present assignment of future Intellectual Property Rights) the Intellectual Property Rights in such Specially Written Software and Specially Written Documentation for the full term during which the rights in such Intellectual Property Rights and any renewals or extensions shall subsist. Fujitsu Services shall procure that its employees, sub-contractors and sub-contractors' employees shall waive absolutely and irrevocably in favour of Post Office their moral rights granted under the Copyright Designs and Patents Act 1988 or equivalent or analogous rights under laws of other jurisdictions in relation to such property.

13.14.2 Post Office hereby grants to Fujitsu Services a perpetual, irrevocable, non-exclusive, royalty-free licence for each member of the Fujitsu Services Group to use, operate, copy, modify and merge with (in the case of software) other computer programs and (in the case of documents) other documents the Specially Written Software and Specially Written Documentation:

13.14.2.1 for the purpose of providing the Services; and

13.14.2.2 for any other purpose subject to obtaining the prior written consent of Post Office, such consent not to be unreasonably withheld or delayed.

13.14.3 The licences granted in Clause 13.4.2 include a right to grant sub-licences to sub-contractors of a member of Fujitsu Services Group subject to the relevant member of Fujitsu Services Group imposing obligations of confidentiality on those sub-contractors similar to those set out in Clause 50. Where the sub-licence only permits use by the sub-contractor in question for the purpose of providing, or in connection with the provision of, the Services, no prior consent of Post Office to the sub-licence shall be required. In any other case the prior written consent of Post Office, such consent not to be unreasonably withheld or delayed, shall be required.

13.15 Developed Documentation

13.15.1 Subject to Clause 13.16, where Developed Documentation:

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13.15.1.1 consists wholly of original work (that is, it does not incorporate any pre-existing material in which the Intellectual Property Rights are owned by the Fujitsu Services Group); or

13.15.1.2 is a derivative work based predominantly on material in which the Intellectual Property Rights are owned by a member of the Royal Mail Group or have been licensed to Fujitsu Services by Post Office or under a licence procured by and at the cost of Post Office;

then, as between Post Office and Fujitsu Services, the Intellectual Property Rights in such Developed Documentation shall be vested in Post Office upon acceptance of the Developed Documentation and Fujitsu Services hereby assigns absolutely (by way of present assignment of future Intellectual Property Rights) to Post Office the Intellectual Property Rights in such Developed Documentation for the full term during which the rights in such Intellectual Property Rights and any renewals or extensions shall subsist. Fujitsu Services shall procure that its employees, sub-contractors and sub-contractors' employees shall waive absolutely and irrevocably in favour of Post Office their moral rights granted under the Copyright Designs and Patents Act 1988 or equivalent or analogous rights under laws of other jurisdictions in relation to such property.

13.15.2 Post Office hereby grants to Fujitsu Services a perpetual, irrevocable, non-exclusive, royalty-free licence for each member of the Fujitsu Services Group to use, copy, modify and merge with other documents Developed Documentation:

13.15.2.1 for the purpose of providing the Services; and

13.15.2.2 for any other purpose subject to obtaining the prior written consent of Post Office, such consent not to be unreasonably withheld or delayed.

13.15.3 The licences granted in Clause 13.15.2 include a right to grant sub-licences to sub-contractors of a member of Fujitsu Services Group subject to the relevant member of Fujitsu Services Group imposing obligations of confidentiality on those sub-contractors similar to those set out in Clause 50. Where the sub-licence only permits use by the sub-contractor in question for the purpose of providing, or in connection with the provision of, the Services no prior consent of Post Office to the sub-licence shall be required. In any other case the prior written consent of Post Office, such consent not to be unreasonably withheld or delayed, shall be required.

13.15.4 Where Developed Documentation does not fall within Clause 13.15.1 the Intellectual Property Rights in such Developed Documentation shall, as between Post Office and Fujitsu Services, be vested in Fujitsu Services or its licensors but Fujitsu Services shall grant to Post Office, or shall procure that Post Office is granted, a perpetual, irrevocable, non-exclusive, royalty-free

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licence for Post Office and its sub-contractors to Use such Developed Documentation, subject to Clause 13.16.2.

13.16 Use of Internal Design Documentation and Specially Commissioned Design Documentation

13.16.1 Post Office and, subject to Clause 13.16.2, a third party engaged by Post Office, shall be entitled to use Horizon Design Documentation:

13.16.1.1 to support the evaluation, selection or procurement of third party Applications or Branch Hardware for integration into Horizon;

13.16.1.2 to assist a third party in its development of an Application or Branch Hardware for integration into the Horizon Service Infrastructure;

13.16.1.3 to assist with integration of Horizon Service Infrastructure with other systems; and

13.16.1.4 to understand how to replace the Horizon Service Infrastructure and the Applications in the long term, including interfaces with software to be retained beyond the life of this Agreement,

each a "Purpose".

13.16.2 Post Office agrees that (irrespective of ownership of the Intellectual Property Rights in Developed Documentation) it will not use any Horizon Design Documentation for any purpose other than the Purpose nor disclose Horizon Design Documentation to any third party save where such disclosure is required for the Purpose and the third party to whom it is disclosed has delivered a written undertaking to Fujitsu Services that it will use such Horizon Design Documentation solely for the Purpose. As regards disclosure to third parties all Horizon Design Documentation shall be treated as Confidential Information of Fujitsu Services and shall be subject to the provisions of Clause 50.

13.17 Other Intellectual Property Rights

13.17.1 Ownership of the Intellectual Property Rights in all materials created by or on behalf of Fujitsu Services for the purposes of this Agreement (other than Specially Written Software, Specially Written Documentation and such Developed Documentation as is referred to in Clause 13.15.1) shall, as between Post Office and Fujitsu Services (subject always to express agreement to the contrary in any Work Order or CCN and subject also to the licences contained in this Agreement), vest in Fujitsu Services or its licensors.

13.17.2 Except as explicitly stated herein, nothing in this Agreement shall transfer ownership of or grant licences (including rights under patents) under any pre-existing or independently developed intellectual property of either Party.

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14. LICENCES FOR FUJITSU SERVICES TO USE INTELLECTUAL PROPERTY RIGHTS

14.1 Post Office hereby grants to Fujitsu Services a non-exclusive licence to use for the term of this Agreement any software, documentation, logos, designs or other material (referred to in this Clause as "material"), which are reasonably required by Fujitsu Services for the purpose of performing the Services (and in which the Intellectual Property Rights vest in Post Office) solely for the purposes of performing the Services. Post Office hereby grants to Fujitsu a non-exclusive sub-licence to use any software listed in the table in paragraph 1.2 of Schedule 13 for the term of this Agreement solely for the purposes of performing the Services.

14.2 Upon termination of this Agreement or upon Fujitsu Services ceasing to use such material referred to in Clause 14.1, Fujitsu Services shall either return or destroy all copies of such material as directed by Post Office. As part of the licence and sub licence referred to in Clause 14.1, Fujitsu Services shall be entitled to copy such material provided any Post Office copyright markings and security markings are preserved and adhered to, and subject to Clause 45.4, Fujitsu Services shall be entitled to incorporate parts of such material into a document subject to the source of the material being acknowledged in the receiving document.

14.3 Neither Fujitsu Services nor any sub-contractor, nor any other person, shall have a lien on any item owned by or leased to Post Office for any sum due to Fujitsu Services, sub-contractor or other person, and Fujitsu Services shall take all reasonable steps to ensure that the title of Post Office and the exclusion of any such lien are brought to the notice of all sub-contractors and other persons dealing with such items.

15. DATABASES

Post Office shall have the right to use the Services and the Horizon Service Infrastructure to capture, develop and use databases containing information in relation to its customers. Any assistance provided by Fujitsu Services pursuant to this Clause over and above the performance of its other obligations hereunder shall be treated as Development Services and shall be subject to agreement of a Work Order under Schedule 9 and Schedule 20.

16. RIPOSTE 32 & WEBRIPOSTE SOFTWARE

16.1 Fujitsu Services has deposited a copy of the source code of the Riposte 32 and WebRiposte Software at Fujitsu Services' offices in Feltham.

16.2 Fujitsu Services has provided to Post Office certificates signed by Fujitsu Services' Managing Director confirming that the actions described in Clause 16.1 have occurred, and has provided to Post Office a copy of the relevant contractual documentation confirming Fujitsu Services' right of access to such source code and confirming that Fujitsu Services has all other rights to such source code necessary for the performance of its obligations under this Agreement.

16.3 Post Office agrees that upon the Riposte 32 and WebRiposte Software becoming Deposited Software and the relevant source code being deposited with NCC in

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accordance with Clause 13.8, Fujitsu Services shall no longer be obliged to retain a copy of the source code at its offices in Feltham and Fujitsu Services and each officer of Fujitsu Services shall be released from any liability arising from the certificates referred to in Clause 16.2.

17. DATA

17.1 Post Office Data

17.1.1 Fujitsu Services shall not delete or remove any copyright notices contained within or relating to the Post Office Data.

17.1.2 Fujitsu Services shall preserve the integrity of the Post Office Data once Fujitsu Services has received such Post Office Data, shall prevent any corruption or loss of the Post Office Data and shall comply with the validation procedures set out in the applicable CCDs referred to in Schedule 18 as such procedures may be updated and amended from time to time. Fujitsu Services shall not be liable for any loss or corruption of Post Office Data nor for any failure to perform the Services if it can prove that such loss or corruption or failure to perform the Services was caused by Post Office Data which was lost or corrupted before Fujitsu Services received it, and Fujitsu Services has complied with the validation rules in relation to such Post Office Data.

17.1.3 In the event that the Post Office Data is altered, corrupted or lost in the course of performing the Services Post Office shall have the option, in addition to any other remedies that may be available to it either under this Agreement or otherwise, to elect either of the following remedies:

17.1.3.1 Post Office may require Fujitsu Services at its own expense to restore or procure the restoration of the Post Office Data; or

17.1.3.2 Post Office may itself restore or procure restoration of the Post Office Data, and shall be repaid by Fujitsu Services any reasonable expenses so incurred.

17.1.4 For the purposes of Clauses 17.1.2 and 17.1.3, the term "Post Office Data" shall include the data of Post Office's clients.

17.1.5 Post Office Data constitutes Confidential Information, and may not be reproduced without the prior written consent of Post Office except as necessary to perform the Services.

17.2 Personal Data

Both Parties warrant that if and to the extent they have obligations under the Data Protection Act 1998 which arise in connection with any personal data (as referred to in that Act) processed under this Agreement, they will duly observe all such obligations.

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18. INTELLECTUAL PROPERTY RIGHTS INDEMNITY

18.1 Subject always to Post Office's proper observance of its obligations under this Clause, Fujitsu Services shall indemnify Post Office against all claims, demands, actions, costs, expenses (including but not limited to legal costs and disbursements on a solicitor and client basis), losses and damages arising from or incurred by reason of any infringement or alleged infringement (including but not limited to the defence of such alleged infringement) in the United Kingdom of any Intellectual Property Right by the use or possession of the Horizon Service Infrastructure, the Listed Documentation, Horizon Design Documentation and any documents provided pursuant to paragraph 9 of Schedule 20 (for the purposes of this paragraph 18 together "documentation") by or on behalf of Post Office or in connection with the Services.

18.2 Fujitsu Services shall promptly notify Post Office if any claim or demand is made or action brought against Fujitsu Services to which this Clause applies.

18.3 Post Office shall promptly notify Fujitsu Services if any claim or demand is made or action brought against Post Office to which Clause 18.1 may apply. Fujitsu Services shall at its own expense conduct any litigation arising therefrom and all negotiations in connection therewith and Post Office hereby agrees to grant to Fujitsu Services exclusive control of any such litigation and such negotiations. Fujitsu Services shall consult with and pay due regard to the interests (including the commercial interests of the Post Office Group and the public interest) and views of Post Office in the conduct of any defence to any claim or demand hereunder, and shall, where it is reasonable to do so, comply with such interests and views.

18.4 Post Office shall at the request of Fujitsu Services afford to Fujitsu Services all reasonable assistance for the purpose of contesting any claim or demand made or action brought against Post Office to which Clause 18.1 may apply or any claim or demand made or action brought against Fujitsu Services to which Clause 18.2 may apply. Fujitsu Services shall reimburse Post Office for all costs and expenses (including but not limited to legal costs and disbursements on a solicitor and client basis) incurred in so doing.

18.5 Post Office shall not make any admissions which may be prejudicial to the defence or settlement of any claim, demand or action for infringement or alleged infringement of any Intellectual Property Right to which Clause 18.1 may apply or any claim or demand made or action brought against Fujitsu Services to which Clause 18.2 may apply.

18.6 If a claim or demand is made or action brought to which Clause 18.1 may apply or in the reasonable opinion of Fujitsu Services is likely to be made or brought, Fujitsu Services may at its own expense either:

18.6.1 modify any or all of the Horizon Service Infrastructure or the documentation or the Services (as the case may be) without reducing the performance and functionality of the same, or substitute alternative products or services of equivalent performance and functionality for any or all of the Horizon Service Infrastructure or the documentation or the Services (as the case may be), so as to avoid the infringement or the alleged infringement but without disrupting the

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performance of the Services, provided that the terms herein shall apply mutatis mutandis to such modified or substituted items or services and such modified or substituted items shall be acceptable to Post Office (whether by passing any form of acceptance testing or otherwise), such acceptance not to be unreasonably withheld or delayed, and shall reimburse Post Office all reasonable costs directly incurred by them; or

18.6.2 procure a licence to use the Horizon Service Infrastructure or the documentation or Services (as the case may be) on terms which afford to Post Office no more extensive rights than those originally applicable hereunder and which are acceptable to Post Office and shall reimburse Post Office all reasonable costs directly incurred by it.

18.7 The foregoing provisions of this Clause 18 shall not apply insofar as any such claim or demand or action is in respect of:

18.7.1 any use by or on behalf of Post Office of the Horizon Service Infrastructure or the documentation or Services (as the case may be) in combination with any item not supplied or approved (such approval not to be unreasonably withheld or delayed) by Fujitsu Services where such use of the Horizon Service Infrastructure or the Listed Documentation or Services (as the case may be) directly gives rise to the claim, demand or action; or

18.7.2 any modification carried out by or on behalf of Post Office to any item supplied by Fujitsu Services under this Agreement if such modification is not authorised by Fujitsu Services in writing; or

18.7.3 any use by Post Office of the Horizon Service Infrastructure or the documentation or Services (as the case may be) in a manner not reasonably to be inferred from the specification or requirements of Post Office.

18.8 If Fujitsu Services has availed itself of its rights to modify the Horizon Service Infrastructure or the documentation or the Services (as the case may be) or to supply substitute products or services pursuant to Clause 18.6.1 (or Post Office has unreasonably withheld its acceptance of such substitute products or services) or to procure a licence under Clause 18.6.2 and such exercise of the said rights has avoided any claim, demand or action for infringement or alleged infringement, or if Post Office has unreasonably withheld its acceptance of any items modified or substituted by Fujitsu Services in accordance with Clause 18.6, then Fujitsu Services shall have no further liability thereafter under this Clause 18 in respect of the said claim, demand or action.

18.9 If a modification or substitution in accordance with Clause 18.6.1 above is not possible so as to avoid the infringement and Fujitsu Services has been unable to procure a licence in accordance with Clause 18.6.2, Clause 18.1 shall apply.

18.10 Post Office hereby warrants and represents that any instructions given in relation to Fujitsu Services' use of any third party item supplied directly or indirectly by Post Office shall not cause Fujitsu Services to infringe any third party's Intellectual Property Rights

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in such item. Post Office shall, to the extent reasonably possible, assign to Fujitsu Services any indemnity in its favour in relation to the Intellectual Property Rights in such third party items.

18.11 The foregoing states the entire liability of Fujitsu Services with regard to the infringement of any Intellectual Property Right by the use or possession of the Horizon Service Infrastructure and the documentation by or on behalf of Post Office or in connection with the Services.

19. USE OF SERVICES AND HORIZON SERVICE INFRASTRUCTURE

19.1 Fujitsu Services shall not restrict Post Office from using the Services and the Horizon Service Infrastructure for its existing and future clients, Agents, customers, products and services.

19.2 Any use by Fujitsu Services of the overall design of the Horizon Service Architecture within the United Kingdom for purposes other than in connection with this Agreement shall be subject to the prior written agreement of Post Office on reasonable commercial terms (such agreement not to be unreasonably withheld or delayed).

19.3 The Horizon Service Infrastructure (other than any public service telecommunications networks) may not be used other than by Post Office without the prior written consent of Post Office to provide any services to:

19.3.1 Post Office's current clients in respect of current products and services;

19.3.2 Post Office's current clients in respect of new products and services;

19.3.3 new clients in respect of current products and services;

19.3.4 new clients in respect of new products and services; or

19.3.5 Post Office's current market domains (including:

19.3.5.1 personal cash and banking services - cash withdrawals and deposits, cashing cheques, benefit payments and postal orders;

19.3.5.2 communications - letter and parcel services including stationery and greetings products, other telecommunications retail products and services;

19.3.5.3 corporate cash services - cash management services for business customers, including business deposits, cash handling and processing;

19.3.5.4 entertainment and leisure services - lotteries, fishing licences, membership applications, TV licences and cable TV bill payment, tickets for events;

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19.3.5.5 personal savings and budgeting - savings and investment accounts, household bill payment and pre-payment, credit services, personal pensions, household insurance;

19.3.5.6 travel services - foreign exchange, international money transfer and documentation including passports, travel tickets and motor vehicle licences, car insurance and membership of motoring organisations, travel insurance;

19.3.5.7 insurance - other general risk insurance and life assurance products;

19.3.5.8 information services - about the products and services offered by Post Office and its clients;

19.3.5.9 benefit payment services).

20. DAMAGE TO PHYSICAL PROPERTY

20.1 Each Party will be responsible for loss or damage caused to the physical property of the other if such loss or damage is occasioned by the negligence or wilful acts or omissions of the first-named Party.

20.2 Subject to Clause 20.3, where damage occurs to hardware used by Fujitsu Services to provide the Services, Fujitsu Services shall repair or replace the affected items with all possible speed and (subject to any rights arising under Clause 20.1) at its own cost.

20.3 Risk in PIN Pads and Paypoles, liability for loss of or damage thereto and responsibility for the costs of making good such loss and damage shall be as set out in Schedule 24.

21. DAMAGE TO PLANT, TACKLE AND TOOLS

21.1 All plant, tackle and tools at the Post Office Premises provided by or on behalf of Fujitsu Services shall stand at the risk and be in the sole charge of Fujitsu Services.

21.2 Fujitsu Services shall be required to remove all such plant, tackle and tools which it brings to the Post Office Premises.

21.3 Fujitsu Services shall ensure that all such plant, tackle and tools shall meet minimum safety standards required by law.

22. ACCESS TO POST OFFICE PREMISES

22.1 Any land or Post Office Premises (including temporary buildings) made available to Fujitsu Services by Post Office in connection with this Agreement shall be made available to Fujitsu Services on such terms and conditions as may be agreed between Fujitsu Services and Post Office. Fujitsu Services shall have the use of such land or Post Office Premises as licensee and shall vacate the same upon the termination or

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expiry of this Agreement or at such earlier date as Post Office may reasonably determine.

22.2 Post Office shall be responsible for maintaining the security of such land or Post Office Premises in accordance with its standard security requirements. Fujitsu Services shall comply with all reasonable security requirements of Post Office while on the Post Office Premises, and shall procure that all of its employees, agents and subcontractors shall likewise comply with such requirements. Post Office shall provide Fujitsu Services upon request copies of its written security procedures and shall afford Fujitsu Services upon request with an opportunity to inspect its physical security arrangements.

23. HEALTH AND SAFETY HAZARDS

23.1 Fujitsu Services shall notify Post Office of any health and safety hazards in relation to Post Office Premises owned by or leased to Post Office which may arise in connection with the performance of this Agreement.

23.2 Post Office shall notify Fujitsu Services of any known health and safety hazards which may exist or arise at the Post Office Premises owned by or leased to Post Office and which may affect Fujitsu Services. Fujitsu Services shall draw these hazards to the attention of its employees and sub-contractors or any persons engaged by Fujitsu Services in the performance of this Agreement at such Post Office Premises.

23.3 Fujitsu Services shall inform all persons engaged in the performance of this Agreement at the Post Office Premises owned by or leased to Post Office of all such hazards and shall instruct such persons in connection with any necessary associated safety measures.

24. GOVERNANCE

24.1 The day-to-day activities which form the subject matter of this Agreement shall be monitored, managed and regulated through the use of the following procedures:

24.1.1 the meetings set out in paragraph 1 of Schedule 4;

24.1.2 the management roles set out in paragraph 2 of Schedule 4;

24.1.3 the reserved matters set out in paragraph 3 of Schedule 4;

24.1.4 the escalation procedures set out in paragraph 4 of Schedule 4; and

24.1.5 the relationship management set out in paragraph 5 of Schedule 4.

24.2 In relation to activities connected to Work Orders the procedures to be followed are set out in Schedules 9, 20 and 23.

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25. MONITORING

Post Office shall be entitled to monitor the performance by Fujitsu Services of its obligations under this Agreement in accordance with the procedures set out in Schedule 19 and Schedule 4.

26. POST OFFICE RESPONSIBILITIES

26.1 Subject to the provisions of Clause 50 Post Office undertakes to provide at its own cost and expense to Fujitsu Services, all information, services, facilities and responses which it is expressed (which may be by cross reference to other provisions of this Agreement or CCDs) in Schedule 16 that Post Office will provide. Post Office shall use all reasonable endeavours to perform such Post Office Responsibilities in a timely fashion in accordance with Schedule 12 and any other agreed timetable specified in this Agreement. This Clause 26.1 is subject to the specific rules set out or referred to in Schedule 16 in respect of the NBS or Debit Card.

26.2 Without limitation to Clause 26.1, Post Office shall use all reasonable endeavours to ensure that its Agents co-operate with Fujitsu Services to the extent reasonably necessary to permit Fujitsu Services to perform the Services. In the event that any Agent fails to provide such co-operation, and Post Office is unable to secure such co-operation within six (6) months after receiving written notice thereof from Fujitsu Services, Fujitsu Services shall be relieved of liability for any failure or delay to perform the Services which is directly caused by the Agent's failure to provide such co-operation and shall be entitled to any reasonable additional costs and expenses which Fujitsu Services can show were directly incurred by it as a result of the Agent's failure to provide such co-operation.

26.3 Fujitsu Services shall not be liable to Post Office for any failure to perform or delay in performing its obligations hereunder where Fujitsu Services proves that such failure or delay has been directly caused by the failure of Post Office to perform any of its obligations or responsibilities under this Agreement or any CCDs. This sub-Clause shall not apply to Clause 31.2, which shall be governed by the specific rule stated in Clause 31.2.

27. FUJITSU SERVICES' PERSONNEL

27.1 Post Office reserves the right under this Agreement to refuse to admit to any premises occupied by or on behalf of any member of the Post Office Group (which expression shall in this Clause 27 include all persons employed or engaged by the Post Office Group and all persons other than Fujitsu Services and its sub-contractors providing services to the Post Office Group), or to any Branch any person employed or engaged by Fujitsu Services, or by a sub-contractor, whose admission would be, in the reasonable opinion of Post Office undesirable.

27.2 If and when directed by Post Office, Fujitsu Services shall provide a list of the names and addresses of all persons who it is expected may require admission in connection with the performance of this Agreement to any premises occupied by or on behalf any member of the Post Office Group or to any Branch, specifying the capacities in which

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they are concerned with this Agreement and giving such other particulars as Post Office may reasonably require. Fujitsu Services shall comply with any reasonable directions issued by the designated representative of Post Office as to which persons may be admitted to such premises and at what times.

27.3 If and when directed by Post Office, Fujitsu Services shall secure that any person employed or engaged by Fujitsu Services or by a sub-contractor, who is specified in the direction or is one of a class of persons who may be so specified, shall sign a statement that he understands that the Official Secrets Acts 1911 to 1989 apply to him both during the term of and after the expiry or termination of this Agreement.

27.4 Fujitsu Services' representatives, engaged within the boundaries of a Post Office Group establishment or Branch, shall comply with such rules, regulations and requirements (including those relating to security arrangements) as may be in force from time to time for the conduct of personnel when at that establishment or Branch and when outside that establishment or Branch.

27.5 The decision of Post Office as to whether any person is to be refused admission to any premises occupied by or on behalf of the Post Office Group or to a Branch shall be final and conclusive.

28. FUJITSU SERVICES' KEY PERSONNEL

28.1 The Parties acknowledge that the Key Personnel are essential to the fulfilment of Fujitsu Services' obligations hereunder.

28.2 Notwithstanding anything to the contrary in Clause 50, Post Office shall keep the CCD entitled "Fujitsu Services Key Personnel" (HR/CON/001) confidential in accordance with the provision of Schedule 6.

28.3 Fujitsu Services undertakes to use all reasonable endeavours to ensure that the Key Personnel are not removed or replaced for the duration of the activities relevant to them (described as "Tasks" in the CCD entitled "Fujitsu Services Key Personnel" (HR/CON/001). However, in the event that any of the Key Personnel become unavailable for any reason (including without limitation death, injury, sickness, promotion or resignation), Fujitsu Services shall have the right upon giving thirty (30) days' notice in writing (or such shorter period of notice as may be reasonably practicable) to Post Office to replace such an individual with another individual whose abilities and qualifications are appropriate for the services to be performed by such individual.

28.4 The Parties acknowledge and agree that in order for Fujitsu Services to successfully complete its obligations under this Agreement, additional key personnel may be identified after the date of this Agreement. It shall be a responsibility of the Forums to identify and agree any such additional key personnel (together with any activities which are relevant to them).

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29. LIQUIDATED DAMAGES AND POST OFFICE ADDITIONAL COST

29.1 In the event that the Services fail to meet the Service Levels contained in Schedule 15, Fujitsu Services shall pay Post Office liquidated damages and Post Office Additional Costs (such payment to be in the form of credit notes unless Post Office directs otherwise) calculated or determined in accordance with Schedule 15 and paid pursuant to Schedule 9.

29.2 Fujitsu Services shall pay Post Office the liquidated damages referred to in Clause 29.1 within thirty (30) days of the date on which Fujitsu Services is due to deliver the Service Management Report for the period to which the liquidated damages relate and Post Office Additional Costs within thirty (30) days of the Parties agreeing the amount of the same.

29.3 The Parties acknowledge that the liquidated damages referred to in this Clause are a reasonable and genuine pre-estimate of the loss likely to be suffered by Post Office.

29.4 Without prejudice to Clause 34.2 and paragraph 7 of Schedule 15:

29.4.1 liquidated damages payable in respect of any LDT failure (which is not an ARL failure to which paragraph 2.5.2 applies), whether that LDT failure occurs at, above or below the corresponding SLT, shall be Post Office's exclusive remedy in respect of any failure of that LDT and/or SLT; and

29.4.2 Post Office's Additional Costs or liquidated damages payable in respect of any ARL failure shall be Post Office's exclusive remedy in respect of that failure.

30. INJURY TO PERSONS; LOSS OF PROPERTY

30.1 Subject always to Post Office's proper observance of its obligations under this Clause, Fujitsu Services shall fully indemnify Post Office in respect of any personal injury or loss of or damage to Property incurred by Post Office, its contractors or their respective employees and authorised agents to the extent that such personal injury or loss of Property is caused by any Default of Fujitsu Services, its employees or agents in connection with the performance or purported performance of this Agreement.

30.2 In the event of any claim or demand being made or action brought to which Clause 30.1 applies, Fujitsu Services shall be promptly notified thereof and Fujitsu Services shall at its own expense conduct all negotiations for settlement of the same and any legal proceedings that may arise therefrom. Fujitsu Services shall consult with and pay due regard to the interests (including the commercial interests of the Post Office Group and the public interest) and views of Post Office in the conduct of any defence to any claim or demand hereunder, and shall, where it is reasonable to do so, comply with such interests and views. Post Office, its employees and agents, shall at the request of Fujitsu Services afford all reasonable assistance for the purpose of contesting any such claim or demand or action and shall be repaid any reasonable expense incurred in so doing and shall not make any admissions which may be prejudicial to the defence of such claim or demand or action.

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30.3 Notwithstanding Clause 30.2, Post Office shall have the option to take over the conduct over any claim, demand or action to which this Clause applies. Should Post Office exercise the aforementioned option it shall indemnify Fujitsu Services against any loss, damage, cost or expense which it incurs in respect of that claim, demand or action over and above the monetary amount (which Fujitsu Services shall have notified to Post Office prior to Post Office exercising its option) at which Fujitsu Services was prepared to settle said claim, demand or action.

31. LIABILITY

31.1 Subject to the remaining sub-clauses of this Clause 31, Fujitsu Services shall be liable for all losses and shall indemnify Post Office against all costs, expenses, losses and damages incurred, including any legal costs (together referred to in this Clause 31 only as “Losses”), as a result of:

31.1.1 any unauthorised third party access to the Horizon Service Infrastructure;

31.1.2 any unauthorised third party access to the Post Office Service Environment which is gained through the Horizon Service Infrastructure;

31.1.3 any "hacking" into the systems used by Fujitsu Services to provide the Services (whether or not constituting an offence under the Computer Misuse Act 1990);

31.1.4 any other form of fraud.

31.2 If and to the extent that Fujitsu Services proves that any of the matters referred to in Clause 31.1 have been caused by Post Office's non-performance of any of its obligations or responsibilities under this Agreement upon the performance of which Fujitsu Services' obligations depend the provisions of Clause 31.1 shall not apply. The foregoing is in place of the general rule stated in Clause 26.3.

31.3 [Not used]

31.4 In the case of NBS or in relation to the operation of the NBS, Clause 31.1.4 shall not apply unless the fraud in question was perpetrated by a person who was at the time in question:

31.4.1 an employee, agent or sub-contractor of Fujitsu Services (such agents or subcontractors being together referred to as, "Current NBS Participants");

31.4.2 a former employee, agent or sub-contractor of Fujitsu Services, who was an employee, agent or sub-contractor (as the case may be) of Fujitsu Services at any time on or after 14 April 2001 (such agents or subcontractors being together referred to as, "Former NBS Participants") and who satisfies the Information Condition;

31.4.3 an employee, agent or sub-contractor of the Current NBS Participants who satisfies the Information Condition;

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31.4.4 a former employee, agent or sub-contractor of a Current NBS Participant who was an employee, agent or sub contractor (as the case may be) of that Current NBS Participant at any time on or after 14 April 2001 and who satisfies the Information Condition; or

31.4.5 a former employee, agent or sub-contractor of a Former NBS Participant who was an employee, agent or sub-contractor (as the case may be) of such Former NBS Participant while that Former NBS Participant was a Current NBS Participant and who satisfies the Information Condition.

31.5 Fujitsu Services shall not be liable for or indemnify Post Office in respect of any Losses:

31.5.1 where the Losses incurred by Post Office relate solely to the NBS or the operation of NBS.

31.5.2 where such Losses were incurred as a result of any unauthorised access or hacking referred to therein into an element or elements (used solely for the operation of the NBS) of either the Post Office Service Architecture or the NB System (excluding elements of the Post Office Service Architecture or the NB System located at Branches).

31.5.3 where the unauthorised access, hacking or fraud was perpetrated through or by use of, the NBE or elements of the Horizon Service Infrastructure at NBE premises other than by the persons referred to in Clause 31.4.

31.6 Post Office shall not have any right of action against Fujitsu Services in respect of any costs, expenses, losses or damages arising as a result of the loss, theft or compromise of a MAC Key or a password/passphrase shared between the Merchant Acquirer and the Data Centres or the subsequent use of such MAC Key or such password/passphrase (as the case may be) except to the extent that such loss, theft or compromise or such costs, expenses, losses, or damages arise as a result of the fraud or Default of Fujitsu Services or of its employees, agents or subcontractors.

31.7 In this Clause 31, the "Information Condition" means that the person concerned either:

31.7.1 is or has been entitled to have access in the course of fulfilling their duties or obligations as employee, agent or sub-contractor (as the case may be) to information concerning the design or performance of security measures used by or in the NB System; or

31.7.2 is not or was not entitled to have access to information concerning the design or performance of security measures used by or in the NB System, but:

31.7.2.1 used such information obtained as a result of their relationship with Fujitsu Services in perpetrating the fraud in question; and

31.7.2.2 Fujitsu Services fails to show that it had taken all reasonable steps and precautions to prevent that information being obtained.

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31.8 In the case of Debit Card, Fujitsu Services shall not be liable for and Post Office shall not have any right of action against Fujitsu Services in respect of any costs, expenses, losses or damages arising as a result of:

31.8.1 fraud in connection with or unauthorised disclosure of;

31.8.2 loss or corruption of; or

31.8.3 hacking in connection with,

DC Data, irrespective or whether such DC Data are inside or outside the Horizon Service Infrastructure unless and to the extent that such arises from a Default of Fujitsu Services.

31.9 In the case of NBS or Debit Card, Fujitsu Services shall not be liable for any costs, expenses, losses or damages suffered or incurred by Post Office in relation to:

31.9.1 Banking Transactions falsely or incorrectly authorised unless and to the extent caused by a failure of the NB System or of the NBS which is (in either case) a Default;

31.9.2 DC Transactions falsely or incorrectly authorised unless and to the extent caused by a failure of Debit Card which is a Default; and

31.9.3 Fraudulent use of an NB Token by any person, unless and to the extent that such use is carried out by or involves collusion with Fujitsu Services' employees, or otherwise arises from a Default or fraud of Fujitsu Services.

31.10 If, after the Amendment Date, Post Office accepts a Design Proposal which includes a third party interface or third party application which was either not selected by Fujitsu Services or was selected by Fujitsu Services subject to clearly disclosed limitations notified to Post Office, Fujitsu Services shall not, under Clause 31.1, be liable for or indemnify Post Office against any Losses incurred by Post Office resulting from unauthorised access to the Horizon Service Infrastructure, "hacking" and other fraudulent and criminal activities provided Fujitsu Services has operated such interfaces or applications in accordance with the technical and operational specifications agreed between Post Office and Fujitsu Services in respect of such interfaces or applications and has exercised reasonable care and skill in implementing such interfaces and carrying out the integration of such applications.

31.11 In relation to data processing (involving either automated or manual processing or both) under this Agreement, Fujitsu Services shall not be in breach and shall not be liable to Post Office for any failure to perform its obligations, or delay in performing such obligations, to the extent it can demonstrate to Post Office's satisfaction (Post Office acting reasonably) that such failure or delay occurred as a result of a Design Limit being exceeded.

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32. LIMITATION OF LIABILITY

32.1 Neither Party hereto excludes or limits its liability to any other Party for death or personal injury or any breach of any obligations implied by Section 12 of the Sale of Goods Act 1979 or Section 2 of the Supply of Goods and Services Act 1982.

32.2 Subject always to Clause 32.1 and Clause 32.3, the liability of each Party for Defaults shall be subject to the financial limits set out in this Clause 32.2.

32.2.1 The aggregate liability in relation to any Default arising during the period 15 May 2002 to 31 March 2003 (inclusive) or in any Financial Year thereafter which results in direct loss of or damage to the Property of the other Party shall in no event exceed:

32.2.1.1 one and a half million pounds (£1,500,000) per period in the case of Post Office; and

32.2.1.2 ten million pounds (£10,000,000) per period in the case of Fujitsu Services.

32.2.2 The aggregate liability of Post Office for all Defaults (other than a Default governed by Clause 32.2.1) arising during the period 15 May 2002 to 31 March 2003 (inclusive) or in any Financial Year thereafter shall in no event exceed four million five hundred thousand pounds (£4,500,000) per period.

32.2.3 The aggregate liability under this Agreement of Fujitsu Services for all Defaults (other than a Default governed by Clauses 32.2.1, 32.2.4 or 32.2.5):

32.2.3.1 for the period from 1 January 2002 to 31 March 2003 (inclusive) shall not exceed £1,729,000;

32.2.3.2 for the Financial Year ending on 31 March 2004 shall not exceed £7,139,000; and

32.2.3.3 in any Financial Year thereafter shall not exceed 10% of the Operational Charges for the previous Financial Year.

32.2.4 Subject to Clause 32.2.5 the aggregate liability of Fujitsu Services for all Defaults (other than a Default governed by Clause 32.2.1) relating to a particular Work Order shall not exceed 100% of the Charges payable pursuant to that Work Order.

32.2.5 Where Fujitsu Services is engaged under a series of related Work Orders covering two or more of the following Development Process Stages:

32.2.5.1 Solution Specification Stage;

32.2.5.2 Solution Build and Text Stage; and

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32.2.5.3 Implementation Stage,

the aggregate liability of Fujitsu Services for all Defaults (other than a Default governed by Clause 32.2.1) relating to such Work Orders shall not exceed 100% of the aggregate Charge for all such Work Orders and this limit shall apply in lieu of the limit in Clause 32.2.4.

32.2.6 The aggregate liability of Fujitsu Services for all Defaults (other than a Default governed by Clause 32.2.1) relating to NBS prior to NBS Acceptance shall not exceed 100% of the Network Banking Implementation Charges.

32.3 The liability of Fujitsu Services under this Agreement for the fraud or other criminal activities of Fujitsu Services, its employees or subcontractors shall be limited to fifteen million pounds (£15,000,000) per Fraud Event. Such sum shall be increased in line with increases to the Retail Prices Index.

32.4 Subject to Clause 32.5, the financial limits specified in Clause 32.2 shall (notwithstanding the reference to Defaults) apply to the aggregate of all claims for monetary relief which either Party may have against the other either under this Agreement or otherwise in relation to the subject matter of this Agreement, including as well as claims arising from defaults all claims for liquidated damages and Post Office Additional Cost pursuant to Clause 29 and Schedule 15, all claims to be indemnified pursuant to Clauses 18, 30 or 31 and all other claims or costs which are compensatable in money or money's worth.

32.5 The financial limits applicable to Post Office under Clause 32.2 shall be exclusive of and additional to any liability of Post Office to pay any Charges, the Transfer Payment, NBS Transfer Payment or any Termination Charges or NBS Termination Charges which may become properly due and payable to Fujitsu Services in accordance with the provisions hereof or any sum by way of interest thereon that a court may award.

32.6 Subject always to Clause 32.1, in no event shall any Party be liable to the other Party for indirect or consequential loss or damage. For the avoidance of doubt, this Clause shall not be deemed or construed to affect Fujitsu Services' liability under Clause 31.

32.7 The provisions of Clause 32.6 shall not be taken as limiting the right of Post Office to claim from Fujitsu Services for:

32.7.1 additional operational and administrative costs and expenses; and/or

32.7.2 expenditure or charges rendered unnecessary as a result of any Default by Fujitsu Services.

32.8 The Parties expressly agree that should any limitation or provision contained in this Clause be held to be invalid under any applicable statute or rule of law it shall to that extent be deemed omitted but if any Party thereby becomes liable for loss or damage which would otherwise have been excluded such liability shall be subject to the other limitations and provisions set out herein.

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32.9 For the avoidance of doubt, it is acknowledged that nothing in this Agreement shall be deemed or construed to relieve either Party of its common law duty to the other Party against which a claim may be made to mitigate any loss which is the subject of such claim. In applying Fujitsu Services' common law and contractual obligations to mitigate (whether for the purpose of calculating the Termination Payment or otherwise) no regard shall be paid to the manner in which the Roll Out Payment is stated to be apportioned in the definition of the term "Roll Out Payment" as it appeared in versions of this Agreement prior to introduction of CCN 1100.

33. TERM AND TERMINATION

33.1 Term

The term of this Agreement shall, unless terminated earlier in accordance with the provisions of Clause 34 or extended at the option of Post Office in accordance with the provisions of Clause 33.2, be for a period commencing on 28 July, 1999 and ending on 31 March 2010.

33.2 Post Office Term Extension Option

33.2.1 If Post Office wishes to consider extending the term of this Agreement beyond the period referred to in Clause 33.1, not less than 18 months prior to expiry of this Agreement it shall notify Fujitsu Services in writing of its wish to do so. In addition to any provision set out in Schedule 22, within 20 Business Days of the delivery of such notice Fujitsu Services shall meet with Post Office and in good faith discuss and explore the basis on which it would propose extending the term of this Agreement.

33.2.2 Such basis shall be based upon the following high-level principles:

33.2.2.1 a Branch Hardware refresh (including full or partial replacement and/or refurbishment) shall be undertaken by Fujitsu Services on a funding basis to be agreed;

33.2.2.2 Operational Charges will be reduced to take account of the new Branch Hardware;

33.2.2.3 Operational Charges will otherwise be increased or reduced to take account of actual costs relative to those contemplated in this Agreement as at the Amendment Date;

34. TERMINATION OF AGREEMENT

34.1 Post Office may at any time by notice in writing terminate this Agreement with effect from the date of service of such notice or such later date as may be specified therein if:

34.1.1 there is a change of control, as defined by Section 416 of the Income and Corporation Taxes Act 1988, in Fujitsu Services or the Guarantor; or

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34.1.2 Fujitsu Services or the Guarantor, being an individual, or where Fujitsu Services or the Guarantor is a firm, any partner or partners in that firm who together are able to exercise direct or indirect control, as defined by Section 416 of the Income and Corporation Taxes Act 1988, shall at any time become bankrupt or shall have a receiving order or administration order made against him or shall make any composition or arrangement with or for the benefit of his creditors, or shall make any conveyance or assignment for the benefit of his creditors, or shall purport to do so, or appears unable to pay or to have no reasonable prospect of being able to pay a debt within the meaning of Section 268 of the Insolvency Act 1986 or he shall become apparently insolvent within the meaning of the Bankruptcy (Scotland) Act 1985 as amended by the Bankruptcy (Scotland) Act 1993 or any application shall be made under any bankruptcy or insolvency act for the time being in force for sequestration of his estate, or a trust deed shall be granted by him for the benefit of his creditors; or any similar event occurs under the law of any other jurisdiction; or

34.1.3 Fujitsu Services or the Guarantor, being a company, passes a resolution, or the Court makes an order that Fujitsu Services or the Guarantor be wound up otherwise than for the purpose of a bona fide reconstruction or amalgamation, or a receiver, manager or administrator on behalf of a creditor is appointed in respect of the business or any part thereof (which for the avoidance of doubt shall not include any subsidiary company of Fujitsu Services or of the Guarantor) of Fujitsu Services or the Guarantor, or circumstances arise which entitle the Court or a creditor to appoint a receiver, manager or administrator or which entitle the Court otherwise than for the purpose of a bona fide reconstruction or amalgamation to make a winding-up order, or Fujitsu Services or the Guarantor is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 or any similar event occurs under the law of any other jurisdiction; or

34.1.4 any provision hereof other than Clause 34 expressly entitles Post Office to terminate this Agreement; or

34.1.5 the circumstances in Clause 49.5 arise and either the obligation in question is not capable of being performed again, or, if it is so capable, is not so performed again within thirty (30) days of written notice to Fujitsu Services specifying the obligation in question and requiring it to be performed or within such other period as may be requested by Fujitsu Services and agreed by Post Office, such agreement not to be unreasonably withheld or delayed.

34.2 Subject to paragraph 9.3 of Schedule 24, Post Office may at any time by notice in writing terminate this Agreement with effect from the date of service of such notice or such later date as may be specified therein, if Fujitsu Services is in material or persistent Default of any obligation under this Agreement and:

34.2.1 such Default is capable of remedy and Fujitsu Services shall have failed to remedy the Default within thirty (30) days of written notice to Fujitsu Services specifying the Default and requiring its remedy or within such other period as

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may be requested by Fujitsu Services and agreed by Post Office, such agreement not to be unreasonably withheld or delayed; or

34.2.2 such Default is not capable of remedy (and for the purposes of this Clause, failure to comply with a timescale shall not of itself be considered a Default not capable of remedy).

34.3 Fujitsu Services may at any time by notice in writing to Post Office terminate this Agreement with effect from the date of service of such notice or such later date as may be specified therein, in the event of the material or persistent failure by Post Office to pay Charges which have not been disputed by Post Office and Post Office shall have failed to remedy such failure to pay within thirty (30) days of written notice to Post Office specifying such failure to pay and requiring its remedy or within such other period as may be requested by Post Office and agreed by Fujitsu Services, such agreement not to be unreasonably withheld or delayed.

34.4 In the event of any termination of this Agreement pursuant to Clause 34.1.1 or Clause 34.2 or Clause 34.3 Post Office shall return the Horizon Service Infrastructure or any part thereof (other than any part in relation to which it has exercised the option to acquire under Clause 35), in which case Fujitsu Services shall at no additional cost to Post Office, remove such parts of the Horizon Service Infrastructure and shall make good any damage to the Post Office Premises occasioned by such removal.

34.5 Post Office shall only be permitted to exercise its rights pursuant to Clause 34.1.1 for three (3) months after each such change of control and shall not be permitted to exercise such rights where Post Office has agreed in advance in writing to the particular change of control and such change of control takes place as proposed. Fujitsu Services shall notify Post Office in advance of any change of control taking place, if legally possible, or if not so possible as soon as reasonably practicable, and in any event no later than one (1) month after such change of control taking place.

34.6 Post Office may terminate this Agreement by giving Fujitsu Services not less than twelve (12) months' notice. In the event of such notice being given, Post Office shall on termination hereof pay to Fujitsu Services the Termination Charge calculated in accordance with Schedule 22.

34.7 Post Office may at its discretion (without being obliged to give any reasons) raise a Change Request to terminate any service or Application introduced through the Change Control Procedure after the approval of CCN 1100 provided that:

34.7.1 such service or Application was, at the time of introduction, a wholly new service or Application and not merely a variation of an existing service;

34.7.2 where such service or Application has been developed by Fujitsu Services, it has been developed at Post Office's cost;

34.7.3 the termination of such service or Application shall not involve the termination of any infrastructure or service on which any other service or Application is dependent; and

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34.7.4 the impact of terminating such service or Application has been agreed and described in the CCN introducing the same.

34.8 Termination shall not prejudice or affect any right of action or remedy which shall have accrued or shall thereafter accrue to either Party.

34.9 The provisions of Clauses 1.1.6, 13, 17.2, 18, 26.3, 31, 32, 34, 35, 37, 39, 45, 50, 57, 58, 61, the provisions of Schedules 1, 3, 10, 22 and 24 and paragraphs 2.2.3.4 and 2.4 of Schedule 13 shall survive the termination of this Agreement by Post Office or Fujitsu Services or the expiry of this Agreement.

35. RIGHTS ON EXPIRY OR TERMINATION OF AGREEMENT

35.1 In the event of termination or expiry of this Agreement, Post Office shall, without prejudice to Post Office's other rights and remedies but subject to payment of all sums due and payable to Fujitsu Services up to the date of termination, have the option, exercisable at any time within one month after notice of termination, to acquire from Fujitsu Services or to require Fujitsu Services to permit the Next Supplier to acquire from it, in consideration of the Transfer Payment the Project Assets, which shall comprise:

35.1.1 any or all of the hardware that is comprised within the Horizon Service Infrastructure and/or that:

35.1.1.1 is being used; or

35.1.1.2 had previously been used in Branches and is no longer being used (other than any such hardware that is no longer being used because it was replaced by spare, upgraded or alternative equipment),

in each case in connection with the performance of the Services (other than where such hardware is not owned by Fujitsu Services or any of its subsidiary companies);

35.1.2 subject to Clause 35.7, copies of and a non-exclusive licence to use for the purpose of making continued provision of services equivalent to the Services, all Software (other than Specially Written Software) and all other software (in Source Code (where Fujitsu Services has the right to such Source Code) and object code format (and including up to date copies of archive and back-up versions of such software)), data, tools, utilities, documentation and any other item necessary to provide the Services including, without limitation, all software and other items used for production, development, training and testing in relation to the Services;

35.1.3 to the extent not licensed pursuant to Clause 35.1.2, a non-exclusive licence (and copies of relevant materials) of all necessary Intellectual Property Rights which are owned by Fujitsu Services and used in connection with the performance of this Agreement; and

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35.1.4 the right to require that Fujitsu Services shall assign or novate, or (if assignment or novation is not possible) arrange for the benefit thereof to be transferred, in favour of Post Office or to any person as may be designated for the purpose by Post Office any sub contracts, equipment rental or lease agreements and all other (non-employment) agreements entered into by Fujitsu Services which are necessary to the performance of the Services as Post Office may designate.

35.2 The Licences referred to in Clause 35.1.2 and 35.1.3:

35.2.1 shall not be subject to payment other than the Transfer Payment;

35.2.2 shall, in the case of third party licences granted pursuant to Clause 35.1.2, be subject to any applicable licence terms, provided that Fujitsu Services shall procure that such terms shall not detract from Post Office's or the Next Suppliers' ability to provide services equivalent to the Services;

35.2.3 without limiting the generality of the foregoing, shall permit Post Office and the Next Supplier to Use such software, and use such documentation and other materials; and in the case of Fujitsu Services Software and documentation, modify, adapt, enhance and develop the same and in the case of third party software, modify, adapt, enhance and develop the same where Fujitsu Services has such rights available to it;

35.2.4 shall be perpetual and irrevocable, subject to Clause 13.12 and (in the case of any third party licences granted pursuant to Clause 35.1.2) subject to termination in accordance with the applicable licence terms referred to in paragraph 35.2.2 above;

35.2.5 without limiting the generality of the foregoing, shall permit use by members of the Post Office Group and End Users; and

35.2.6 subject to Clause 35.7, shall pertain to the versions of all software, data, tools, utilities, documentation and other materials then in use by Fujitsu Services in the provision of the Services, provided that where Fujitsu Services is unable to provide any such version of software, tools or utilities it shall provide Post Office with the then commercially available version of such software, tools and utilities.

35.3 Notwithstanding the generality of Clauses 35.1.1 to Clause 35.2 Post Office agrees:

35.3.1 only to exercise its rights under such Clauses to the extent that the relevant Project Assets apply to, and are required for the operation of the Horizon Service Infrastructure and the Applications or are otherwise to be provided pursuant to Schedule 22 (including, for the avoidance of doubt, the Exit Plan);

35.3.2 in the case of Escher Upgrade Software the provisions of paragraph 2 of Schedule 13 shall apply in lieu thereof.

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35.4 In the event that Post Office exercises any of the options in Clause 35.1, Post Office shall pay to Fujitsu Services on completion of such option a sum equal to the Transfer Payment.

35.5 In the event that this Agreement is terminated as provided for herein:

35.5.1 Fujitsu Services shall return to Post Office all Post Office Group Property in its possession;

35.5.2 Fujitsu Services shall render all practicable assistance to Post Office, if requested, to the extent necessary to effect an orderly assumption by Post Office or a replacement contractor of the services theretofore performed by Fujitsu Services under this Agreement and Post Office shall reimburse Fujitsu Services for such assistance at the rates then prevailing for customers of Fujitsu Services for the same or similar services;

35.5.3 Post Office shall be entitled on termination to offer any employee or sub-contractor (being an individual) of Fujitsu Services who has during the six (6) months prior to such offer been involved for at least seventy five per cent (75%) of his contracted working time in performing Fujitsu Services' obligations under this Agreement employment or an agreement for services with Post Office and Fujitsu Services agrees that if such person accepts such offer Fujitsu Services shall release such person from any breach of contract with it (other than in relation to such person's obligations of confidentiality and notice of termination) which such acceptance may otherwise involve; and

35.5.3.1 as soon as possible following any notice of termination being given (in the case of an early termination of this Agreement) and no later than three (3) months prior to the expiry of this Agreement (in the case of the termination of this Agreement through the effluxion of time) Fujitsu Services shall at the request of Post Office provide to Post Office or to the Next Supplier nominated by Post Office details of the terms of employment of all Fujitsu Services personnel who are then employed in the performance of the Services as reasonably required by Post Office in order to permit compliance with the Transfer of Undertakings (Protection of Employment) Regulations 1981 by Post Office or a replacement contractor;

35.5.3.2 subject always to Post Office's proper observance of its obligations under Clause 35.5.3.3, Fujitsu Services shall fully indemnify Post Office from and against any and all liabilities which Post Office may incur in connection with or as a result of any claim or demand whatsoever by any employee or former employee of Fujitsu Services or of any of Fujitsu Services' subcontractors or agents in respect of his employment with Fujitsu Services or such sub-contractor or agent (or, pursuant to the application of the Transfer of Undertakings (Protection of Employment) Regulations 1981, with Post Office or the Next Supplier and/or its termination save to the extent such claim or demand both (i) is made by an employee

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identified within the relevant employment details referred to in Clause 35.5.3.1 as transferring pursuant to the Regulations and (ii) relates to employer's obligations accruing after the said transfer of employment which are clearly identified within the relevant employment details;

35.5.3.3 in the event of any claim or demand being made or action brought to which Clause 35.5.3.2 applies, Fujitsu Services shall be promptly notified thereof and Fujitsu Services shall at its own expense conduct all negotiations for settlement of the same and any legal proceedings that may arise therefrom. Post Office, its sub-contractors, agents and employees shall at the request of Fujitsu Services afford all reasonable assistance for the purpose of contesting any such claim or demand or action and shall be repaid any reasonable expense incurred in so doing and shall not make any admissions which may be prejudicial to the defence of any such claim or demand or action.

35.6 All the assets to be acquired pursuant to the exercise by Post Office of its option under Clause 35.1 shall be acquired "as is", but free from encumbrances and the Parties agree that all express and implied warranties and conditions relating to such assets are excluded to the full extent permitted by law.

35.7 The Parties have agreed to populate the CCD entitled “Transfer Asset Register” with details of all Software data, tools, utilities, documentation and other items necessary to perform the Services and run the Applications, and to agree, in accordance with the guidance contained in that CCD, the most appropriate treatment of such item. Notwithstanding any other provision of this Agreement, the categorisation and proposed treatment of such items agreed in that CCD shall take precedence over Clauses 35.1.2 and 35.2.6 which shall be deemed superseded by such CCD when agreed by the Parties.

36. [NOT USED]

37. AUDIT

37.1 Fujitsu Services shall keep or cause to be kept the Records.

37.2 Fujitsu Services shall grant or procure the grant to Post Office, any statutory or regulatory auditors of Post Office and their respective authorised agents the right of reasonable access to the Records and shall provide all reasonable assistance at all times for six (6) years after the creation of the relevant Records for the purposes of carrying out an audit of Fujitsu Services' compliance with this Agreement including all activities, Charges, performance, security and integrity in connection therewith. Each Party shall bear its own expenses incurred pursuant to this Clause. On termination, Fujitsu Services shall within a reasonable time to be agreed by the Parties, transfer the Records to Post Office or a Next Supplier, as instructed by Post Office. Following settlement of all Charges due and payable under this Agreement, Fujitsu Services shall be released from any further liabilities under this Clause in relation to such Records.

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37.3 Without prejudice to the foregoing, in the event of an investigation into suspected fraudulent activity or other impropriety by Fujitsu Services or any third party Post Office reserves for itself, any statutory or regulatory auditors of Post Office and their respective authorised agents the right of immediate access to the Records described in Clause 37.1 and Clause 37.2 above and Fujitsu Services agrees to render all necessary assistance to the conduct of such investigation at all times during the currency of this Agreement or at any time thereafter.

37.4 Fujitsu Services shall provide Post Office at no additional cost with copies of the annual and interim audited accounts of Fujitsu Services and its approved subcontractors within fourteen (14) days of such accounts having been lodged at Companies House or its local equivalent to Companies House.

37.5 All information obtained by Post Office pursuant to this Clause and Schedule 3 shall be treated as Confidential Information.

37.6 The Parties shall comply with the provisions of Schedule 3.

37.7 Notwithstanding the provisions of this Clause 37 and anything else to the contrary in this Agreement, all access to the audit trail of Transactions held by Fujitsu Services in respect of Transaction data created on or after the date of commencement of NB Pilot (Soft Launch) shall be conducted as Audit Record Queries or as Old Format Queries and shall be subject to the limits set out in the Information retrieval and audit section of the CCD entitled “Service Description for the Security Management Service” (CS/SER/016).

38. ADDITIONAL RESOURCES

In the event that the Services are not provided in accordance with all applicable provisions hereof as a result of the Default of Fujitsu Services, Fujitsu Services shall, at the request of Post Office and without prejudice to Post Office's other rights and remedies, arrange all such additional resources as are reasonably necessary to correct the said failure as early as practicable thereafter and at no additional charge to Post Office.

39. RECOVERY OF SUMS DUE

If any sum of money shall be due from Fujitsu Services under this Agreement, the same may be deducted from any sum then due or which at any time thereafter may become due to Fujitsu Services under this Agreement. There shall be no other right of set-off or deduction in respect of sums due to Fujitsu Services under this Agreement.

40. AUTHORITY AND APPROVAL

Fujitsu Services warrants and represents that it has full capacity and authority and all necessary consents (including but not limited to, where its procedures so require, the consent of its Parent Company) to enter into and to perform this Agreement and that this Agreement is executed by a duly authorised representative of Fujitsu Services.

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41. STATEMENTS AND REPRESENTATIONS

Fujitsu Services warrants and represents that all statements and representations made to Post Office in connection with tendering for and entering into this Agreement, the Post Office Agreement and the Authorities Agreement were, to the best of its knowledge, information and belief, true and accurate at the time of making such statements and representations and that, from the date of execution hereof, it will advise Post Office of any fact, matter or circumstance of which it may become aware which would render any such statement or representation to be false or misleading.

42. DISCLAIMER OF IMPLIED TERMS

Except as expressly stated in this Agreement, all terms, warranties and conditions, whether express or implied by statute, common law or otherwise (including but not limited to satisfactory quality and fitness for purpose) are hereby excluded to the extent permitted by law.

43. WAIVER

No forbearance or delay by any Party in enforcing its rights will prejudice or restrict the rights of that Party, subject to the express timescales set out herein, and no waiver of any such rights or of any breach of any contractual term will be deemed to be a waiver of any other right or of any later breach.

44. RELATIONSHIP OF PARTIES

44.1 Post Office shall control the rights for using and marketing the Services provided in Branches. Fujitsu Services shall have no control over the use or marketing of the Services.

44.2 Except as otherwise agreed from time to time between Post Office and Fujitsu Services, Post Office will retain control itself of its critical business processes and relationships, such as:

44.2.1 customer interface, including quality of service (such as queuing time and other customer charter measures) to its customers, network format, location of offices and service standards;

44.2.2 contractual relationships with Agents;

44.2.3 contractual relationships with its clients;

44.2.4 policy control of its network;

44.2.5 its reconciliation, settlement and key infrastructure support processes;

44.2.6 its relationship with its suppliers; and

44.2.7 its product and service design.

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44.3 Fujitsu Services' and its subcontractors' contacts with Agents shall be arranged via Post Office.

45. PUBLICITY

45.1 No public announcement or public circular (including a media release) relating to the subject matter of this Agreement will be made unless it has first been agreed between the Parties in writing. This restriction shall not apply to any announcement intended solely for internal distribution by the Party in question or any disclosure required by any legal, accounting or regulatory requirement.

45.2 Each Party shall take all reasonable steps to ensure the observance of the provisions of Clause 45.1 by all its servants, employees, agents, consultants and sub-contractors.

45.3 Fujitsu Services shall have no right to use the brand or logo of any Royal Mail Group member without Post Office's prior written consent. Fujitsu Services shall have no right to use the brand or logo of any part of Post Office without Post Office's prior written consent.

45.4 Fujitsu Services shall do nothing to injure such logos and brands or the reputation of Post Office and, if it uses such brands or logos, it shall take all reasonable steps to enable Post Office to protect such logos and brands and the reputation of Post Office but in no event less than the steps it would take in relation to its own logos, brands and reputation.

45.5 Post Office shall have no right to use the brands or logo of Fujitsu Services or its sub-contractors without Fujitsu Services' prior written consent. Post Office shall do nothing to injure such logo and brands or the reputation of Fujitsu Services or its sub-contractors and, if it uses such brands or logos, it shall take all reasonable steps to enable Fujitsu Services and its sub-contractors to protect such logo and brands and the reputation of Fujitsu Services and its sub-contractors, but in no event less than the steps it would take in relation to its own logos, brands and reputation.

46. COMMUNICATIONS & NOTICES

46.1 Except where expressly stated otherwise, a notice under this Agreement shall only be effective if it is in writing and sent to a Party at its address or number and for the attention of the individual set out below:

PARTY AND TITLE OF INDIVIDUAL	ADDRESS	FACSIMILE NO.	TELEPHONE NO.
Post Office Limited <u>For the attention of:</u> Contract Manager (FS)	Calthorpe House, 15-20 Phoenix Place, London, WC1X 0DG	020 7841 6286	020 7841 6240

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Fujitsu Services (Pathway) Limited	Forest Road, Feltham, Middlesex, TW13 7EJ	020 8730 4124	020 8730 4100
For the attention of: Business Unit Director of Fujitsu Services (Pathway) Limited			

Provided that a Party may change its notice details on giving notice to the other Party of the change in accordance with this Clause.

46.2 Any notice given under this Agreement in accordance with Clause 46.1 shall, in the absence of earlier receipt, be deemed to have been duly given as follows:

46.2.1 if delivered personally, on delivery;

46.2.2 if sent by first class post, two clear Working Days after the date of posting; and

46.2.3 if sent by facsimile, at the expiration of four hours after the time it was transmitted,

provided that in each case where delivery by hand or by facsimile occurs after 6.00 p.m. on a Business Day or on a day which is not a Working Day, service shall be deemed to occur at 9.00 a.m. on the next following Working Day.

47. TRANSFER AND SUB-CONTRACTING

47.1 This Agreement is personal to Fujitsu Services. Fujitsu Services shall not assign, novate, sub-contract or otherwise dispose of this Agreement or any part thereof without the previous written consent of Post Office.

47.2 Subject to Clause 47.6 Post Office hereby consents to Fujitsu Services having subcontracted its obligations specified in Schedule 7 to the respective sub-contractors specified therein. Additional or substitute sub-contractors may be approved from time to time in accordance with Clause 47.1 after the date hereof, in which case Schedule 7 shall be amended accordingly. Notwithstanding any sub-contracting permitted in this Agreement, Fujitsu Services shall remain primarily responsible for the acts and omissions of its sub-contractors committed by them in the course of performing or purporting to perform any of the Services on Fujitsu Services' behalf as though such acts or omissions were its own.

47.3 Post Office hereby agrees that, subject to it having given Fujitsu Services the relevant confirmation referred to in the table of work and events in Schedule 12, if so requested by Fujitsu Services (Pathway) Limited, it will enter into a deed of novation (subject to agreement on the precise terms of such deed (such agreement not to be unreasonably withheld)) under which the entire benefit and burden of Fujitsu Services (Pathway) Limited's rights and obligations under this Agreement is transferred to Fujitsu Services Limited (Company number 96056) and Post Office accepts the covenant of Fujitsu

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Services Limited in lieu of the covenant of Fujitsu Services (Pathway) Limited (as though Fujitsu Services had always been party to this Agreement in place of Fujitsu Services (Pathway) Limited).

47.4 Post Office shall be entitled to assign, novate or otherwise dispose of its rights and obligations under this Agreement or any part thereof (including, where appropriate, requiring the grant by Fujitsu Services or its licensors of a direct licence of any Software other than Third Party Software, and requiring Fujitsu Services to use all reasonable endeavours to procure the grant of a direct licence of any Third Party Software) to any other body which performs any of the functions that previously had been performed by Post Office, provided that any such assignment, novation or other disposal shall not increase the burden of Fujitsu Services' obligations pursuant to this Agreement.

47.5 Post Office shall be entitled to disclose, to the extent necessary for the purposes of this Agreement, to any transferee any Confidential Information of Fujitsu Services which relates to the performance of the Services by Fujitsu Services. In such circumstances Post Office shall authorise the transferee to use such Confidential Information only for purposes relating to the performance of the Services and for no other purposes and, for the avoidance of doubt, the transferee shall be bound by the confidentiality undertaking contained herein in relation to such Confidential Information.

47.6 The consent referred to in Clause 47.2 and any approval which may be granted in respect of additional or substitute sub-contractors pursuant to Clause 47.2 is provided, and shall be granted (as the case may be), on the understanding that Fujitsu Services shall keep Post Office informed of the general nature and scope of the work to be sub-contracted and the duration of the relevant sub-contracts (such information to be recorded in Schedule 7) and shall consult with Post Office prior to amending or supplementing such arrangements or commitments and shall take account of all reasonable requests and comments that Post Office shall make in connection therewith.

48. [NOT USED]

49. FORCE MAJEURE

49.1 For the purposes of this Agreement the expression "Force Majeure" shall mean any cause affecting the performance by a Party hereto of its obligations arising from acts, events, omissions, happenings or non-happenings beyond its reasonable control including (but without limiting the generality thereof) (i) Governmental Regulations (subject to Clause 49.7), (ii) fire, (iii) flood, or (iv) any disaster or an industrial dispute affecting a third party. Any act, event, omission, happening or non-happening will only be considered Force Majeure if it is not attributable to the wilful act, neglect or failure to take reasonable precautions of the affected Party, its agents or employees, and only if a substitute third party is not reasonably available (having regard, without limitation, to the cost and quality of such substitute) to perform the affected obligation. In no event shall any fraudulent act or omission by any third party or Party in relation to the Services for which Fujitsu Services is liable under Clause 31.1 constitute a force majeure event.

49.2 Neither Party hereto shall in any circumstances be liable to the other Party hereto for any loss of any kind whatsoever including but not limited to any damages or abatement

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of Charges whether directly or indirectly caused to or incurred by the other Party by reason of any failure or delay in the performance of its obligations under this Agreement which is due to Force Majeure. Notwithstanding the foregoing, each Party shall use all reasonable endeavours to continue to perform, or resume performance of, such obligations under this Agreement for the duration of such Force Majeure event. In the case of Fujitsu Services, the Parties shall agree an orderly process for such continuation or resumption of performance (such consent not to be unreasonably withheld or delayed), and Fujitsu Services shall comply with such process. Fujitsu Services shall remain liable to perform the Business Continuity Services, save where such Business Continuity Services are themselves also affected by Force Majeure, in which case Fujitsu Services shall be required to use all reasonable endeavours to perform such Business Continuity Services.

49.3 If Fujitsu Services shall become aware of circumstances of Force Majeure which give rise to or which are likely to give rise to any such failure or delay on its part it shall forthwith notify Post Office within one (1) Working Day and shall inform Post Office of the period which it is estimated that such failure or delay shall continue. If Post Office shall become aware of circumstances of Force Majeure which give rise to any such failure or delay on its part, it shall forthwith notify Fujitsu Services within one (1) Working Day and shall inform Fujitsu Services of the period which it is estimated that such failure or delay shall continue.

49.4 It is expressly agreed that any failure by Fujitsu Services to perform, or any delay by Fujitsu Services in performing, its obligations under this Agreement which results from any failure or delay in the performance of its obligations by any person, firm or company with which Fujitsu Services shall have entered into any contract, supply arrangement or sub-contract or otherwise shall be regarded as a failure or delay due to Force Majeure only in the event that such person firm or company shall itself be prevented from or delayed in complying with its obligations under such contract, supply arrangement or sub-contract or otherwise as a result of circumstances of Force Majeure and there is no substitute person, firm or company reasonably available (having regard, without limitation, to the cost and quality of such substitute) to perform the affected obligation.

49.5 If any Force Majeure event prevents any Party from performing its obligations hereunder for a period in excess of ninety (90) consecutive days, Post Office may after consulting with Fujitsu Services and taking into account Fujitsu Services' views, terminate this Agreement in accordance with Clause 34.1.5.

49.6 Extension of Time

If the performance of this Agreement by either Party be delayed by reason of any Force Majeure event (as defined in Clause 49.1), both Parties shall be entitled to a reasonable extension of time subject to there being no entitlement to any additional costs or expenses incurred as a result of the delay. The Party so delayed shall notify the other Party in writing within one (1) Working Day of becoming aware of the Force Majeure event.

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49.7 Political Risk

Notwithstanding the provisions of Clauses 49.1 to 49.5, a change of, or new, Governmental Regulation:

49.7.1 shall not entitle Post Office to terminate this Agreement under Clause 49.5, and any such purported termination shall be treated as a termination for convenience in accordance with Clause 34.6; and

49.7.2 shall not require Fujitsu Services to perform any additional obligations, or any reduced or modified obligations resulting in increased cost to Fujitsu Services, without its agreement in accordance with the Change Control Procedure.

50. CONFIDENTIALITY

50.1 Without prejudice to the application of the Official Secrets Acts 1911 to 1989 (where relevant) to any Confidential Information Fujitsu Services acknowledges that any Confidential Information (other than its own Confidential Information) obtained from or relating to Post Office, or its servants or agents, is the property of Post Office.

50.2 Each Party agrees to keep confidential, and not to disclose to anyone else, Confidential Information.

Notwithstanding the above, any Party may disclose Confidential Information:

50.2.1 if and to the extent required by law;

50.2.2 if and to the extent that the other Party has given prior written consent to the disclosure;

50.2.3 to its professional advisers;

50.2.4 to the extent requested by H.M. Government;

50.2.5 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 clause);

50.2.6 to Royal Mail Group;

50.2.7 to Fujitsu Services Holdings Plc, Fujitsu Services Limited or its Parent Companies;

50.2.8 to Fujitsu Services' approved sub contractors as listed in Schedule 7;

50.2.9 to potential arrangers of funding for the investment required in connection with this Agreement;

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50.2.10 if and to the extent reasonably necessary to be disclosed for the purpose of arranging and maintaining funding generally for Fujitsu Services Holdings Plc or Fujitsu Services;

50.2.11 which is in the possession of the receiving Party without restriction in relation to disclosure before the date of receipt from the disclosing Party;

50.2.12 which is received from a third party who lawfully acquired it and who is under no obligation restricting its disclosure; or

50.2.13 which is independently developed without access to the Confidential Information.

50.3 From the earlier of 1 October 2008 and the date on which Post Office serves notice on Fujitsu Services of its intention to terminate this Agreement, Post Office shall be entitled to disclose Confidential Information to bona fide potential Next Suppliers of the Services to the extent that such disclosure is reasonably required to enable any potential Next Supplier to prepare a reasonably detailed tender proposal to Post Office in relation to the provision of services equivalent to the Services. Post Office shall ensure that prior to any Confidential Information being disclosed to any such potential Next Supplier, such potential Next Supplier shall enter into an Agreed Form NDA and shall immediately inform Fujitsu Services if it has reason to believe that the potential Next Supplier is in breach of the undertakings contained in that confidentiality agreement.

50.4 Fujitsu Services hereby agrees that (other than as required by law):

50.4.1 Fujitsu Services (and any person employed or engaged by Fujitsu Services in connection with this Agreement in the course of such employment or engagement) shall only use Confidential Information of Post Office for the purposes of this Agreement;

50.4.2 Fujitsu Services shall take all necessary precautions to ensure that no Confidential Information of Post Office is used other than for the purposes of this Agreement by Fujitsu Services' employees, servants, agents or sub-contractors including, without limitation, obtaining from any such agent or sub-contractor a signed confidentiality undertaking on substantially the same terms as are contained in this Clause; and

50.4.3 without prejudice to the generality of the foregoing neither Fujitsu Services nor any person engaged by Fujitsu Services whether as a servant or a consultant or otherwise shall use the Confidential Information of Post Office for the solicitation of business from Post Office or from any third party by Fujitsu Services or by such servant or consultant or by any third party.

50.5 [Not used]

50.6 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 Clause, mutatis mutandis.

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50.7 Nothing in this Clause 50 shall prevent Fujitsu Services or Post Office from using data-processing techniques, ideas and know-how gained during the performance of this Agreement in the furtherance of its normal business, to the extent that this does not relate to a disclosure of Confidential Information or an infringement by Post Office or Fujitsu Services of any Intellectual Property Right.

51. REMEDIES CUMULATIVE

Except as otherwise expressly provided in this Agreement, all remedies available to Fujitsu Services or to Post Office for breach of this Agreement are cumulative and may be exercised concurrently or separately and the exercise of any one remedy shall not be deemed an election of such remedy to the exclusion of other remedies.

52. DISCRIMINATION

52.1 Fujitsu Services shall not unlawfully discriminate within the meaning and scope of any law, enactment, order, regulation or other similar instrument relating to discrimination (whether in relation to race, gender, religion or otherwise) in employment.

52.2 Fujitsu Services shall take all reasonable steps to ensure the observance of the provisions of Clause 52.1 by all servants, employees, agents and consultants of Fujitsu Services and all sub-contractors.

53. EXPORT

For the purpose of this Agreement only, Post Office confirms that no hardware, software or documentation provided to Post Office pursuant to this Agreement nor their direct product(s) will be exported by Post Office unless in accordance with any appropriate UK Government export licensing controls.

54. VAT

All sums payable under this Agreement are stated exclusive of VAT. Where VAT is properly chargeable by either party in respect of any taxable supply, the other party shall pay to the first-mentioned party an amount equal to the amount of any VAT chargeable in respect of the supply in question (subject to the production by the first-mentioned party of a valid tax invoice giving the requisite details of the taxable supply).

55. GUARANTEE

55.1 Fujitsu Services shall procure that simultaneously with the execution of this Agreement:

55.1.1 Fujitsu Services Holdings plc shall execute and deliver to Post Office a guarantee in the form set out in Part A of Schedule 8; and

55.1.2 Fujitsu Limited shall execute and deliver to Post Office a guarantee in the form set out in Part B of Schedule 8.

55.2 Breach of Clause 55.1 shall constitute a Default not capable of remedy.

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56. INSURANCE

Fujitsu Services shall to the extent reasonably possible insure or make provision for self-insurance against all losses and damages which are the result of its fault or negligence in performing the Services, including workman's compensation, public liability, product liability, property damage and professional indemnity. Fujitsu Services will, if requested in writing by Post Office, produce to Post Office a certificate of insurance showing the applicable coverage currently in force, and will also give Post Office prior written notice of (where possible), or written notice no later than thirty (30) days after, alteration or cancellation of such insurance.

57. INTERPRETATION

57.1 As used in this Agreement:

57.1.1 the terms and expressions set out in Schedule 1 shall have the meanings ascribed therein;

57.1.2 the masculine includes the feminine and the neuter; and

57.1.3 the singular includes the plural and vice versa.

57.2 A reference to any statute, enactment, order, regulation or other similar instrument shall be construed as a reference to the statute, enactment, order, regulation or instrument as amended by any subsequent statute, enactment, order, regulation or instrument or as contained in any subsequent re-enactment thereof. The preceding sentence shall be without prejudice to any rights under Clause 49.7 and any rights Fujitsu Services may have under Schedule 2 to charge Post Office for the cost of compliance with any such subsequent statute, enactment, order, regulation or instrument or subsequent re-enactment thereof.

57.3 Headings are included in this Agreement for ease of reference only and shall not affect the interpretation or construction of this Agreement.

57.4 References in this Agreement to Clauses, Annexes and Schedules are, unless otherwise provided, references to the clauses of, and annexes and schedules to, this Agreement (and the Schedules and Annexes form part of this Agreement). References to CCDs and CRDs are to the documents agreed as such from time to time.

57.5 Subject to Clauses 57.6 and 57.7, in the event and to the extent only of any conflict or inconsistency between provisions of this Agreement, the following order of precedence shall apply:

57.5.1 the Clauses and Schedule 1;

57.5.2 all other Schedules;

57.5.3 CCDs subject to Hard Change Control;

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57.5.4 all other CCDs and (subject to Clause 57.7) all Work Orders; and

57.5.5 CRDs.

57.6 Working Documents do not affect or introduce any contractual obligations between any of the Parties.

57.7 To the extent that a Work Order purports to describe the terms on which a particular Work Package will be performed it shall govern the terms on which the particular Work Package will be performed and shall take precedence over any provision of this Agreement in conflict with those terms. To the extent that a Work Order purports to make other amendments to the terms of this Agreement it shall have the precedence priority stated in Clause 57.5.

57.8 The Recitals are not legally binding, but are intended as a guide to the history, interpretation and construction of this Agreement.

57.9 References in CCDs and CRDs to items, services or matters affected by subsequent agreements between the Parties shall be construed to reflect most appropriately the effect of such subsequent agreements.

58. AMENDMENTS TO CLAUSES, SCHEDULES AND ANNEXES OF THIS AGREEMENT AND CCDS

Unless expressly provided otherwise in the provisions of this Agreement, the provisions of this Agreement (being its Clauses, Schedules and Annexes) and the CCDs shall only be amended in accordance with the Change Control Procedure.

59. SEVERABILITY

If any of the provisions of this Agreement is judged to be invalid, illegal or unenforceable, the continuation in full force and effect of the remainder of them will not be prejudiced but such provision shall be deemed modified to the extent necessary in the court's opinion to render such term or provision enforceable, and the rights and obligations of the Parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the Parties herein set forth.

60. DISPUTE RESOLUTION PROCEDURE

Any dispute arising out of or in connection with this agreement shall be resolved in accordance with the Dispute Resolution Procedure described in Annex 2 to Schedule 4.

61. LAW AND JURISDICTION

61.1 This Agreement shall be governed by and shall be interpreted in accordance with English Law and, subject to Clause 60, the Parties submit to the exclusive jurisdiction of the English Courts.

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61.2 This Agreement is binding on Post Office and its successors and permitted assignees and on Fujitsu Services and its successors and permitted assignees.

62. ENTIRE AGREEMENT

62.1 This Agreement constitutes the entire understanding between the Parties relating to the subject matter of this Agreement. Each of the Parties acknowledges that in entering into this Agreement it has not relied on any representation, warranty, promise or assurance, whether or not in writing, and whether or not negligent, given or made by any other Party as an inducement to enter into this Agreement. Accordingly no Party shall have any right of action (except in the case of fraud) against any other Party arising out of any such representation, warranty, promise or assurance.

62.2 This Agreement supersedes the Letter Agreement, the schedules to the Letter Agreement, the Heads of Agreement referred to in the Letter Agreement, the Post Office Agreement and the Authorities Agreement, each of which shall be of no further effect (but without prejudice to rights and liabilities of the Parties accruing under the Letter Agreement, the schedules thereto or the Heads of Agreement referred to in the Letter Agreement between 24 May, 1999 and 29 July, 1999).

62.3 The Parties acknowledge that the consent agreement (the "Consent Agreement") dated 16 September 1997 among DSS, Post Office, ICL plc, Fujitsu Services and ICL Pathway Asset Company Limited shall not be terminated by the execution of this Agreement and that references in the Consent Agreement to the "Post Office Agreement", the "Authorities Agreement" or the "Related Agreements" or any provisions thereof shall be references to this Agreement or (as the case may be) the equivalent provisions of this Agreement.

62.4 The Parties agree that:

62.4.1 to the extent that amendments were required to the provisions of the Clauses and Schedules of this Agreement in order to reflect the matters agreed in the CCNs listed in Part A and B of the CCD entitled “Application of CCNs to Contract Baseline” (POL/HOR/CON/002) those amendments have been made. Subject to Clauses 62.4.2, 62.4.3 and 62.4.4 below, the said CCNs have accordingly been superseded by this Agreement to that extent but this shall be without prejudice to the application of the said CCNs to matters other than the Clauses and Schedules of this Agreement (including their application to, or the introduction of, CCDs and CRDs and/or to any charges or credits specified in the said CCN which shall be due or which shall become due to be paid or allowed);

62.4.2 the following provisions of the Second Supplemental Agreement between the parties dated 24 September 1999 (CCN560) have been reflected by amendment to this Agreement:

62.4.2.1 Clause 5 and Schedule 3 thereof;

62.4.2.2 Clause 10 thereof;

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62.4.2.3 the amendments contained in Schedule 5 thereof as incorporated by Clause 11 thereof;

62.4.3 save to the extent referred to in Clause 62.4.2 above as having been reflected in this Agreement the provisions of the Second Supplemental Agreement (CCN560) and of the Side Agreement dated 24 September 1999 (CCN560) and of the Side Agreement dated 24 September 1999 (CCN561) have not been reflected by amendment to this Agreement and accordingly shall remain in effect insofar as applicable;

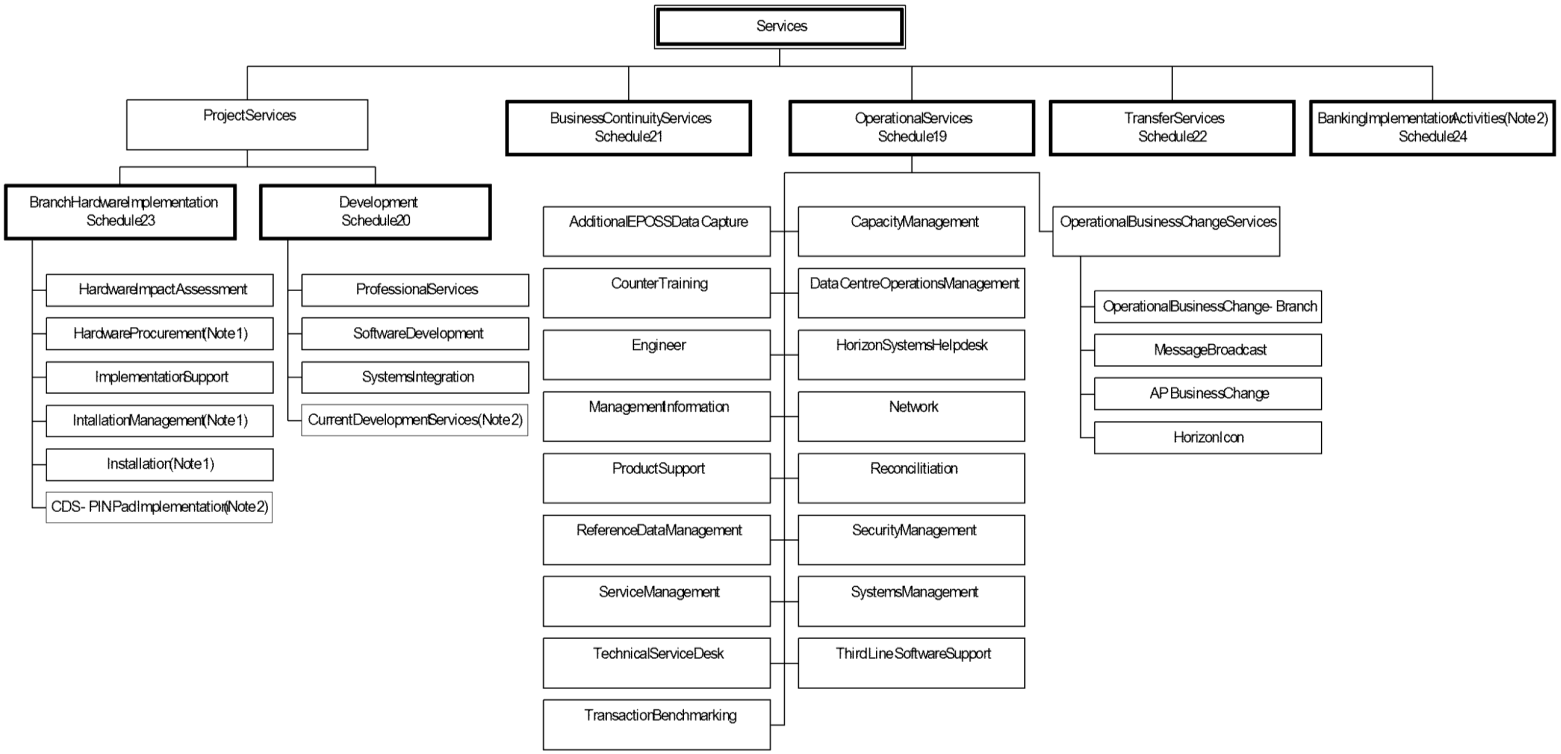
62.4.4 those CCNs and Change Requests formally submitted on or prior to 1 July 1999 and not listed in the CCD entitled "Application of CCNs to Contract Baseline" are not relevant to this Agreement and shall forthwith cease to have effect;

62.4.5 the provisions of the CCNs listed in Part C of the CCD entitled "Application of CCNs to Contract Baseline" (POL/HOR/CON/002) (including any provisions set out in any attachments to those CCNs) have not been reflected by amendment to this Agreement (save that the provisions in CCNs 754c and 829 relating to the payment of Charges by Post Office have been incorporated into Schedule 10 of this Agreement and such provisions contained in CCNs 754c and 829 are superseded with the effect that no payments of Charges shall be due under CCNs 754c and 829 to Fujitsu Services from Post Office, and further, save to the extent that any provisions of those CCNs are identified (in Part C of the CCD entitled "Application of CCNs to Contract Baseline" (POL/HOR/CON/002) as having been incorporated into and superseded by the provisions of this Agreement) and accordingly shall remain in effect insofar as applicable.

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Annex A
(Schematic Overview)



Note 1: Services in question may be provided by Fujitsu Services or others.

Note 2: Banking Implementation Activities are Current Development Services ("CDS") but are shown separately because identified separately in the definition of 'Services' and dealt with in Schedule 24 rather than Schedule 23 (in relation to PIN Pad Implementation) and Schedule 20 (in relation to all other Banking Implementation services).

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IN WITNESS WHEREOF this Agreement has been executed on behalf of the Parties as follows:

Signed by	)	
for and on behalf of	)	
POST OFFICE LTD	)	S.J. Sweetman
in the presence of:	)	(signed on 28th July, 1999)

Paul Lam-Po-Tang
Visiting Lawyer
Slaughter and May
35 Basinghall Street
London EC2V 5DB

Signed by	)	
for and on behalf of	)	R. Christou
FUJITSU SERVICES LIMITED	)	(signed on 28th July, 1999)
in the presence of:-	)	

Myles Blewett
Masons
30 Aylesbury Street
London EC1R 0ER

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SCHEDULE 1

INTERPRETATION

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON301.doc

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SCHEDULE 1
INTERPRETATION

DEFINITION OF TERMS

Terms having the same meaning which are separated by the word "or" in this Schedule represent alternative versions of equivalent terms and may be used interchangeably

As used in this Agreement, the following terms have the following meanings:

"Acceptance"	means acceptance of a Service or Release in accordance with the relevant acceptance procedure;
"Accounting Week"	means a period (of consecutive days) which is defined in Post Office Reference Data provided to Fujitsu Services and which begins and ends at midnight. For information only, such period will usually commence at midnight on Thursday and last for a period of seven days;
"Additional EPOSS Data Capture Service"	means the Services referred to in row 2 of Table C of Schedule 19;
"Additional Remedy Level" or "ARL"	shall have the meaning set out in paragraph 1.1.3 of Schedule 15;
"Additional Resources"	shall have the meaning set out in paragraph 10.3.1 of Schedule 20;
"Additional SI Charges"	means any charges payable by Post Office for Additional SI Services under paragraph 6.2 of Schedule 10;
"Admin Positions"	means all automated Counter Positions, mobile configurations (as described in row 7 of Annex A of Schedule 10) operational sets of Counter Equipment which are not Counter Positions;
"ADSL"	means asynchronous digital subscriber line;
"ADSL Connection"	means an ADSL network connection to a Branch which is intended to be established and held open between times to be agreed by the Parties;
"Agent"	means any person authorised to operate a franchise post office or sub-post office, including without limitation sub-post masters on a non-franchise contract, and franchisees of post offices or sub-post offices;

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"Agreed Form NDA"	means the agreed form non disclosure agreement to be agreed between the Parties (acting reasonably) by the date set out in row 18 of the Table of Work and Events in Schedule 12;
"**Agreed Form Terms & Conditions"**	means one of the sets of terms and conditions in the Agreed Form which are to be used as the basis of Commercial Terms and which are contained, or are to be contained, in the CCD entitled "Standard Terms and Conditions for Work Orders" (to be agreed by the date specified in Schedule 12);
"Amendment Date"	means 1 January 2003;
"AP"	means automated payment, effected by the Automated Payment Service;
"APACS"	means the Association for Payment and Clearing Services;
"AP Business Change CCDs"	means the CCDs entitled "Service Description for AP Client Take-On Service" (CS/SER/011), "Service Description for AP Client Delivery Agreement Change Service" (CS/SER/012) and "Service Description for AP Client File Re-send Service" (CS/SER/013);
"AP Business Change Services"	means the Services referred to in row 3 of Table B of Schedule 19;
"AP Client Specification"	means a document describing an APS Client Service Type;
"Applicable Services"	means the following Services and Applications: APS, Horizon System Help Desk Service, Message Broadcast Service, OBCS, LFS, NBS, Debit Card, Reconciliation Service, Reference Data Management Service, Transaction Processing Service, Management Information Service, Systems Management Service, Third Line Software Support Service, Data Centre Operations Service, Technical Service Desk and Operational Business Change Service – Branch Change;
"Application"	means software which performs or supports a specific business function at a Branch or in the Back Office and which operates on the Horizon Service infrastructure, including (without limitation) those applications listed in Schedule 18 or any applications of a similar nature;
"Application Development"	means those Services described in paragraph 3 of Schedule 20;

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"Application Interface Specification" or "AIS"	means a CCD describing an interface, including, but not limited to, the definition with which data transferred across that interface must comply;
"Approve"	means to approve in writing, and related terms shall be construed accordingly;
"APS Clients"	means Clients supported by the APS;
"APS Client Service Type"	each APS Client Service Type is a particular variant of APS characterised by a specific Token, specific processing rules and specific Client communication protocols. Each APS Client Service Type is documented in an AP Client Specification;
"Archive Server"	means the platform on which Fujitsu Services gathers and archives data for subsequent retrieval and/or analysis;
"Asset Manager"	means the Software referred to as such and identified in Schedule 13;
"Asset Register"	shall have the meaning given to it in paragraph 2.2.1.1 of Schedule 22;
"Associated Fee"	means a fee charged by Post Office to Customers on its own or a Client's behalf for a service or goods, that is collected when the service is performed or the goods are supplied;
"ATM"	means automated teller machine or asynchronous transfer mode as the context requires;
"Attachable Computer System"	means a computer system (provided either by Fujitsu Services under this Agreement, or by any other party authorised by Post Office and agreed with Fujitsu Services) authorised by Post Office for connection to the Horizon Service Infrastructure;
"Audit Record Query"	shall have the meaning ascribed to it in the CCD entitled "Service Description for the Security Management Services" (CS/SER/016);
"Authorised Official"	means a person authorised by Post Office to sanction alterations or modifications to Post Office Premises;
"Authorising Officer"	means a representative of Post Office who has authority to raise orders, authorise invoices, and may make decisions on specified areas on behalf of Post Office;
"Authorities' Agreement"	means the agreement referred to in Recital (b)(iii);

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"Automated Payment Service" or "APS"	means the Applications referred to in paragraph 2.2 of Schedule 18;
"Availability Fees"	means the charge described in paragraph 3 of Schedule 10;
"Back Office"	means applications and operations relating to Post Office Branch business related processing;
"Balance"	means the process of reconciling the cash and Stock on hand at the start and end of a period (which may be a Post Office Branch Accounting Period) with sales and receipts during the period;
"Balancing Period"	means the time between final Balances of a Stock Unit;
"Bank Holiday"	means a day on which banks in England are legally closed for business by statute or proclamation;
"Bank Interface Testing Stage"	shall have the meaning ascribed to it in paragraph 1.7 of Annex 1 to Schedule 24;
"Banking Implementation Activities"	means the obligations of Fujitsu Services set out in Schedule 24 other than the NBS Transfer Services;
"Banking Transaction"	means the transactions supported by the NBS set out in the CCD entitled "NBS Definition" (BP/SPE/035);
"Banks"	means the banks, building societies and/or other organisations for or on behalf of which Post Office provides banking services using NBS from time to time, as agreed by the Parties pursuant to the Operational Business Change procedure and/or the Change Control Procedure, as appropriate;
"Benchmarker"	shall have the meaning given to it in paragraph 2.6 at Schedule 11;
"Benchmarkable Service"	shall have the meaning given to it in paragraph 2.1.1 of Schedule 11;
"Benchmarking Criteria"	shall have the meaning given to it in paragraph 2.8 of Schedule 11;
"Beneficiary"	means a person entitled to receive one or more benefits;
"Branch"	means a post office or any other location where Post Office (whether directly or by means of Agents) transacts business with Customers;

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"Branch Balance"	means the aggregate balance across all the Stock Units in a Branch;
"Branch Hardware"	means hardware (together with any integral software) which is or is to be integrated into the Horizon Service Infrastructure together with any tools supplied with such hardware which are required to facilitate such installation, replacement or removal;
"Branch Hardware Implementation Services"	means the services to be supplied by Fujitsu Services described in Schedule 23;
"Branch Infrastructure"	means the Initial Branch Infrastructure and any equipment introduced in excess of the limits in Annex A to Schedule 10;
"Branch Manager"	means the person who has the necessary authority within Branches through whom arrangements for installation and implementation of the Horizon Service Infrastructure and Services at each Branch can be made;
"Bronze ISDN"	means an ISDN or VSAT dial up connection for on-line communications;
"Bronze Service Branch"	means a Branch that seeks to use a Dialled Connection 24 hours per day, 7 days per week;
"Business Continuity Plan"	means a document produced by Fujitsu Services setting out Fujitsu Services' contingency or continuity plan for ensuring the ongoing operation of any one or more of the Applicable Services in the event of an incident affecting business continuity;
"Business Continuity Services"	means Fujitsu Services obligations set out in Schedule 21 and the CCD entitled "Business Continuity Framework" (CS/SIP/002);
"Business Unit Director"	means the person designated in writing by Fujitsu Services to Post Office as holding the position for the purposes of this Agreement from time to time;
"C0 Confirmation"	means a confirmation message written by the NBS Counter Application during a Banking Transaction when that Banking Transaction has been Declined for a reason other than the receipt from the NBE of an NB Authorisation Declining the Banking Transaction;

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"C0 Confirmation Agent"	means the software application to be installed in each Data Centre and used to process C0 Confirmations transmitted between the Branch NB System elements and the NBE;
"C1 Confirmation"	means the software application to be installed in each Data Centre and used to process C0 Confirmations transmitted between the Branch NB System elements and the NBE;
"C1 Confirmation Agent"	means the software application to be installed in each Data Centre and used to process C1 Confirmations transmitted between the Branch NB System elements and the DRSH;
"C4 Confirmation"	means a NB Confirmation sent from the NBE containing, inter alia, the NBE's view of a Banking Transaction;
"Capacity Management Service"	means the Service referred to in row 1 of Table C of Schedule 19;
"CAPO"	means the Bank which supports Post Office account cards;
"Cash Account"	means the method by which the Transactions performed and the cash and Stock on hand at the end of a Post Office Branch Accounting Period are declared to Post Office main accounting offices;
"Cash Account Period"	shall have the meaning ascribed to it in the CCD entitled "Data Errors / Non-Data Errors – Contractual Definition" (CS/SER/017);
"Cash-Back"	means an EFTPOS arrangement which allows a Customer to draw cash as part of a normal Transaction;
"Cash Centre"	means a centre that manages and distributes value items for the Post Office network;
"Cash Flow Reporting"	means a reporting by a Branch to a counters remittance unit at the end of the Post Office Branch Accounting Period. Each such report consists of a summary over the Post Office Branch Accounting Period of the daily declarations made at close of business of its cash in hand, cash Remittances sent and cash Remittances received, by denomination, during that day;
"CCD"	means a Contract Controlled Document (q.v.);
"CCN"	means a Change Control Note (q.v.);
"Central Infrastructure"	means the Initial Central Infrastructure and any additional hardware and software which is introduced other than any

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	hardware or software introduced pursuant to paragraph 3.5 of Schedule 17;
"Central Network"	means network communications between the Data Centres and the switches used by Fujitsu Services or (Fujitsu Services' sub-contractor which operates that network) to answer ISDN calls from Branches;
"Change Control Note"	means a document used in the Change Control Procedure and defined in Schedule 5;
"Change Control Procedure"	the Hard Change Control Procedure and/or the Soft Change Control Procedure, as relevant to the particular change;
"Change Request"	shall have the meaning given to it in paragraph 4.1.1.2 of Schedule 5;
"Charges"	means the charges payable by Post Office under this Agreement as specified in Schedule 10 or elsewhere in this Agreement;
"Client"	means an organisation (in respect of NBS, other than a Bank and in respect of Debit Card, other than banks and building societies) on behalf of which Post Office provides a service to Customers at Branches;
"Client Service Type"	means a variant of a standard service with detailed aspects of that service customised to meet a specific Client's needs;
"Commercial Forum"	means the Forum referred to as such in Annex 1 to Schedule 4;
"**Commercial Terms**"	means the commercial terms (based upon Agreed Form Terms & Conditions) which form part, or are intended to form part, of a Work Order and describe the terms on which the Work Package Element described in the Statement of Work is to be carried out including: (a) the charges which are payable in respect thereof, and (b) any conditions which have to be fulfilled if a Commercial Terms Signature Sheet in relation to Work Package Element is to be valid (for example, conditions as to the time within which the Commercial Terms Signature Sheet and Purchase Order must be received);

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"Commercial Terms Signature Sheet"	means a signature sheet in the form of Annex 1 to Schedule 9;
"Commit"	means in relation to a Transaction, to execute a Transaction Committal for that Transaction. Related terms shall be construed accordingly;
"Compliant Branch"	means a Branch which allows sufficient operational space for the Horizon equipment to be installed and sufficient space for other Post Office equipment and transactions to be carried out. The space requirements for the Horizon equipment are given in Site Survey Requirements (IM/REQ/005). The minimum dimensions for a Counter Position are detailed by Post Office in their documents for refurbished offices and ISIS controlled schemes. Layouts agreed by Post Office shall be shown on any drawings presented in support of compliance, indicating which layout has been used and at which Counter Position. A dedicated live electrical circuit (or circuits) shall be provided at the Post Office Branch distribution board. The circuit(s) shall meet in force electrical regulations and the documented requirements of the Horizon system;
"Composite Product"	means a method of handling cash or Value Stock in which a number of Post Office Product lines are combined for handling;
"Conceptual Design"	means a Development Services related document produced by Post Office which shall describe Work Packages, as further described in paragraph 8 of Schedule 20;
"Confidential Information"	means all information (other than Escher Confidential Information defined in paragraph 2.4 of Schedule 13) designated as such by either Party hereto in writing together with the Source Code of Specially Written Software, the existence and terms of this Agreement, the negotiations relating thereto and all other information (whether in writing or not) which relates to the business, affairs, products, developments, trade secrets, know-how, personnel, customers and suppliers of either party or information which may reasonably be regarded as the confidential information of the disclosing Party;
"Consultancy Services"	means those Service described as such in Schedule 20 (Development Services);

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"Consumable" or "Consumables"	means the consumables to be supplied pursuant to Clause 5 and referred to in paragraph 1.1 of Schedule 14;
"Consumable CRD"	shall have the meaning given to it in paragraph 6.1 of Schedule 14;
"Consumable Notice"	shall have the meaning given to it in paragraph 4.1 of Schedule 14;
"Contract Controlled Document" or "CCD"	means a document which: a) is listed as a CCD in the CCD entitled *"Contract Controlled and Referenced Document List"* (reference SUP/CON/001; ICL Pathway reference BP/SPE/026); and b) is referred to (such reference being to that document itself or by reference to a class or group of documents which includes that document) in this Agreement or in a CCD; and c) may only be amended through the Change Control Procedure;
"Contract Referenced Document"	means a document which: a) is listed as a CRD in the CCD entitled *"Contract Controlled and Referenced Document List"* (reference SUP/CON/001; ICL Pathway reference BP/SPE/026); and b) is referred to in this Agreement; and c) may be amended other than through the Change Control Procedure;
"Contracted Transaction Time"	means the time set out in this Agreement against which a Transaction is measured for determining performance against Service Levels;
"Contracted Volume"	means each of the levels defined as a "Contracted Volume" in the CCD entitled *"Horizon Capacity Management and New Service Business Volumes"* (*PA/PER/033)* applicable to components of the Horizon Service Infrastructure as specified in that CCD;
"Core Document Set"	means the CCDs indicated to be within such set in the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/026);
"Core SI Services"	means those services provided by the Core SI Team except the SI Support Services;
"Core SI Team"	means the skilled Fujitsu Services resource to be used in carrying out Development Services, the make-up and parameters of which is further described in Paragraph 10 of Schedule 20;

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"Core System Release"	means the Release defined in the CCD entitled *"ICL Pathway Core System Release Contents Description"*;
"Counter Clerk"	means any person who serves Customers at a Counter Position in a post office;
"Counter Equipment"	means the PC's, printers, screens, local area network and other equipment installed by Fujitsu Services in Branches for the provision of the Services;
"Counter Position"	means a serving position automated (with workstation, screen, slip/receipt printer and keyboard/MSR/SCR) to receive Services in a Branch where a Customer transacts business with a counter clerk or a similarly automated back-office position in a Branch where a User carries out administration;
"Counter Processing Time Components"	means a system component of a Banking Transaction which occurs prior to the generation of a NB Request or after receipt at the Counter Position of the corresponding NB Authorisation;
"Counter Training Service"	means the Service referred to in row 3 of Table C of Schedule 19;
"CRD"	means Contract Referenced Document (q.v.);
"CSR"	means Core System Release (q.v.);
"CSR+"	means the Release defined in the CCD entitled *"ICL Pathway Core System Release Plus Contents Description"* as amended and/or supplemented by and in accordance with the CCDs entitled *"Supplement to Addendum B of the ICL Pathway Core System Release Plus Contents Description"* and *"PINICL Resolution Status for Release Authorisation Board for CSR+"*;
"Customer"	means a person transacting, or seeking to transact, business with Post Office through any of the Services;
"Customer Session"	means a set of contiguous Transactions recording business transacted by a single Customer;
"D Messages"	means a message transmitted by the NBE to the DRSH when the amount included in settlement of a Banking Transaction differs between the Bank and the Counter Position;

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"Data Centre"	means either or both (as the context requires) of the central computer systems comprising Hardware, Software and local networks used by Fujitsu Services in the provision of the Services;
"Data Centre Operations Service"	means the Service referred to in row 5 of Table A of Schedule 19;
"Data Controller"	means Post Office or any Bank, Client or other third party who is the Data Controller (within the meaning ascribed to that expression in the Data Protection Act 1998) of any Personal Data which are or are intended to be (on the date that the parties enter into the CCN which introduces the NBS) processed by Fujitsu Services under the applicable provisions of this Agreement;
"Data File"	means a set of electronic data, contained within a single file and held or used within, or transmitted over, any of the Services provided by Fujitsu Services;
"Data Processor"	has the meaning ascribed thereto in the Data Protection Act 1998;
"Data Reconciliation Service Host" or "DRSH"	means the server in a Data Centre used for processing and storing Banking Transaction and DC Transaction data for reconciliation and retrieval purposes;
"Data Warehouse"	means the data warehouse used by Fujitsu Services to provide management information to Post Office in connection with the Applications;
"DC Authorisation"	shall have the meaning ascribed to it in the CCD entitled "DC MoP Functional Description" (EF/SER/001);
"DC Authorisation Agent"	shall have the meaning ascribed to it in the CCD entitled "DC MoP Functional Description" (EF/SER/001);
"DC Confirmation"	shall have the meaning ascribed to it in the CCD entitled "DC MoP Functional Description" (EF/SER/001);
"DC Data"	shall have the meaning set out in Clause 8.5;
"DCM"	shall have the meaning ascribed to it in the CCD entitled "DC MoP Functional Description" (EF/SER/001);
"DC MoP"	means a Method of Payment where the form of payment is a DC Token;

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"DC Request"	shall have the meaning ascribed to it in the CCD entitled "DC MoP Functional Description" (EF/SER/001);
"DC Token"	shall have the meaning ascribed to it in the CCD entitled "DC MoP Functional Description" (EF/SER/001);
"DC Transaction"	shall have the meaning ascribed to it in the CCD entitled "DC MoP Functional Description" (EF/SER/001);
"Debit Card"	means the DC MoP element of EPOSS;
"Debit Card Conditions"	means: (a) NBS Acceptance; (b) receipt by Fujitsu Services of authority to release the Software relating to Debit Cards for operational use; and (c) the deployment by Fujitsu Services of such Software in the Branches in which Debit Card is to be introduced;
"Default"	means any breach of the obligations of either party (including but not limited to fundamental breach or breach of a fundamental term) or any default, act, omission, negligence or statement of either party, its employees, agents or sub-contractors in connection with or in relation to the subject matter of this Agreement and in respect of which such party is liable to the other;
"Deliverable"	means an item which Fujitsu Services is required to provide under the terms of this Agreement;
"Delivery Manager"	means the individual that manages a Work Package for Post Office;
"Demand Planning Forum"	means the Forum referred to as such in Annex 1 to Schedule 4;
"Deposited Software"	means all software designated as such in paragraph 4 of Schedule 13;
"Design Authority"	means the individual within Post Office that sets an initial development work requirements baseline and is tasked with assuring delivery aligns to the requirements;
"Design Limit"	means each of the levels defined as such in the CCD entitled "*Horizon Capacity Management and Business Volumes*"

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	(PA/PER/033);
"Design Proposal"	means a Work Package related development document, as further described in accordance with paragraph 8 of Schedule 20;
"Developed Documentation"	means documentation which is produced by Fujitsu Services as a deliverable under a Work Order for Development Services but which is not Specially Written Documentation (including Specially Commissioned Design Documentation as described in paragraph 9.3 of Schedule 20);
"Development Process"	shall have the meaning set out in paragraph 5.7 of Schedule 20;
"Development Process Stages"	shall have the meaning set out in paragraph 5.7 of Schedule 20;
"Development Services"	shall have the meaning set out in paragraph 2.1 of Schedule 20;
"Dial-up Transaction"	means a Transaction which requires a dial up connection from a Branch to the host system to enable on-line communication;
"Dialled Connection"	means a network connection to a Branch to be established for the purposes of transferring data between that Branch and a Data Centre and disconnected once that data transfer is complete, including such connections established via satellite;
"Direct Interface Test" or "DIT"	means a test carried out to confirm compliance with an Application Interface Specification;
"Director Business Development"	means the person designated in writing by Fujitsu Services to Post Office as holding that position for the purposes of this Agreement from time to time;
"Director Commercial and Finance"	means the person designated in writing by Fujitsu Services to Post Office as holding that position for the purposes of this Agreement from time to time;
"Director Purchasing Services"	means the person designated in writing by Post Office to Fujitsu Services as holding that position for the purposes of this Agreement from time to time;
"Dispute"	means any dispute arising out of or in connection with this Agreement;

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"Dispute Owner"	shall have the meaning given to it in paragraph 5.1.2 of Annex 2 to Schedule 4;
"Disputed Banking Transaction Notice"	means Within Period One (as defined in the CCD entitled "Service Description for the Security Management Service" (CS/SER/016)), notification (and the provision of related information) of a Banking Transaction which requires investigation to Fujitsu Services's management support unit (MSU) in accordance with the procedure set out in the CCD entitled *"Network Banking Reconciliation and Incident Management" (NB/PRO/002)* for raising a DBTN (as referred to in that CCD) via the enquiry service;
"Dispute Resolution Procedure"	means the procedure set out in Annex 2 to Schedule 4 to this Agreement;
"Distribution Centre"	means Sites from which cash, Value Stock and other items (other than data) are distributed to Branches;
"Downtime"	means the period (counting time from within the period 08:00 to 18:30 hours of each relevant Post Office Core Day only - excluding Saturday) commencing with an call being made to the Help Desk until resolution of that call (being the point in time when full operational service has been restored to the customer), less all time categorised as "suspended help desk call" in accordance with the Working Document entitled "*System Service: Reporting & Remedial Settlement Process*" (CS/PER/104), as agreed from time to time between Fujitsu Services and the Post Office;
"DSS Agreement"	means the agreement referred to in recital (b)(i);
"DVLA"	means Driver and Vehicle Licensing Agency;
"DWP"	means The Secretary of State for Work and Pensions (known as The Secretary of State for Social Security prior to 7th June 2001) acting through and on behalf of the Department for Work and Pensions and on behalf of the Department for Social Development for Northern Ireland (prior to restructuring and renaming on 7th June 2001 known as DSS);
"ECCO+"	means a Post Office EPOS system formerly installed in some Branches;
"EFT"	means electronic funds transfer;

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"EFTPOS"	means Electronic Funds Transfer at Point of Sale: a term used to describe the debiting of Customers' accounts, usually through EPOS systems, for goods or services they purchase. For the avoidance of doubt the application delivering EFTPOS functionality under this Agreement is the Debit Card Application;
"End to End Banking"	means the end-to-end systems and services (of which (without limitation) the NBS, the NB System, the NBE, LINK (for so long as Post Office continue to use LINK) and Bank systems form part) required to deliver network banking to Customers;
"End to End Rearchitecture Plan"	shall have the meaning given to that term in Schedule 12;
"End to End Services"	means the end-to-end systems and services (of which the Horizon Service Infrastructure and the Services form part) required to deliver services to Customers;
"End User"	means any employee of the Post Office Group and any Agent or employee thereof;
"Engineer Service"	means the Services referred to in row 3 of Table A of Schedule 19;
"EPOSS"	means the Application referred to paragraph 2.1 in Schedule 18;
"Equipment"	means any physical hardware (excluding Paypoles and including, without limitation, supply cords, interface cables and cords, User-installable components and peripherals) forming part of the Horizon Service Infrastructure and Stand Alone Hardware supplied by Fujitsu Services;
"Escher Upgrade Software"	shall have the meaning set out in paragraph 2 of Schedule 13;
"ESNCS"	means The Electronic Stop Notice Computer System of DSS;
"Event"	means a recorded and auditable instance of business administration activity, such as the registration of a new User, or the production of a Report;
"Executive Forum"	means the Forum referred to as such in Annex 1 to Schedule 4;
"Executive Review"	shall have the meaning given to it in paragraph 4.1 of Annex 2 to Schedule 4;

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"Existing Services"	EPOSS, APS, LFS, the Infrastructure Services (as defined in this Agreement in its form prior to approval of CCN 1,100) and OBCS as developed and in operation pursuant to this Agreement, prior to approval of CCN 850;
"Exit Plan"	means the plan set out in Annex 1 to Schedule 22 to be developed and maintained in accordance with Schedule 22 setting out in detail the steps to be followed in relation to termination of this Agreement depending upon the chosen Exit Strategy;
"Exit Scenario"	shall have the meaning given to it in paragraph 2.2.2.1 of Schedule 22;
"Exit Strategy"	means the exit strategy document containing the information described in paragraph 2.2.2 of Schedule 22 developed and maintained pursuant to Schedule 22;
"Exit Term"	shall have the meaning given to it in row 14 of Annex 1 of Schedule 22;
"Expert"	shall have the meaning given to it in paragraph 7.1 of Annex 2 to Schedule 4;
"Facilitator"	shall have the meaning given to it in paragraph 4.3 of Annex 2 to Schedule 4;
"Financial Year"	means each period during the term of this Agreement commencing on 1 April in any calendar year and ending on 31 March in the following calendar year, save that if this Agreement is terminated early the date of termination shall be deemed to be the end of a Financial Year (and all charges and other amounts expressed in Schedule 10 on an annual basis shall be pro-rated according to the proportion which the number of days in the Financial Year ending on the date of termination bears to 365);
"Fixed Connection"	means a network connection, other than an ADSL Connection, to a Branch which is intended to be established and held open between times agreed by the Parties;
"Fixed Item Charges"	shall have the meaning given to it in paragraph 5.2.5.4 of Schedule 22;

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"Forum"	shall have the meaning given to it in paragraph 1.1.1 of Schedule 4;
"Forum Decisions"	In respect of each Forum, decisions and actions which fall within the scope of responsibility of that Forum as described in the relevant part of Annex 1 to Schedule 4;
"Fourth Line Support"	means support of the systems infrastructure (used to provide services to Post Office by Fujitsu Services) through the development of bug fixes, patches or similar restorative or preventative software;
"Framework"	means the Software referred to as such and identified in Schedule 13;
"Fraud Event"	means any single act of fraud or other criminal activity carried out by a person or more than one person acting together or a series of such acts which are committed by the same person or persons as part of a scheme or plan using the same or similar methods in each case;
"FRIACO"	means flat rate internet access call origination;
"FRIACO Port"	means a network connection to the FRIACO service for one Branch at a time;
"Fujitsu Services"	means Fujitsu Services (Pathway) Limited and, following the novation of the rights and obligations of Fujitsu Services (Pathway) Limited to Fujitsu Services Limited, Fujitsu Services Limited;
"Fujitsu Services Approval Authority"	shall have the meaning given to it in paragraph 3.1.2 of Schedule 5;
"Fujitsu Services' Consumables"	means the consumables which are required for the performance of the Services by Fujitsu Services, other than Post Office Consumables;
"Fujitsu Service Cost"	means in respect of any work carried out by Fujitsu Services, all direct material, supplier, subcontractor and Fujitsu Services labour costs (including, as appropriate service management and/or project costs) reasonably incurred by Fujitsu Services in carrying out such work, plus those indirect costs exclusively incurred in relation to the relevant work, including 6% Horizon contract management overheads, but excluding group overhead recovery;

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"Fujitsu Services Group"	means Fujitsu Services Holdings plc and its subsidiaries;
"Fujitsu Services Lead Attendee"	means in relation to a particular Forum the first named person in the row entitled "Fujitsu Services Members" in the description of the relevant Forum contained in Annex 1 to this Schedule 4 (or, in his absence, his authorised deputy);
"Fujitsu Services' Representative"	means the person so notified to Post Office by Fujitsu Services;
"Fujitsu Services' Software"	means software in which the Intellectual Property Rights are wholly owned by a member or members of the Fujitsu Services Group including, without limitation, the software which is identified as Fujitsu Services Software in the CCD entitled "Transfer Asset Register" (BP/SPE/041);
"Governmental Regulation"	means any United Kingdom primary legislation and any United Kingdom secondary legislation;
"Guaranteed Supply Date"	shall have the meaning given to it in paragraph 1.2.1 of Schedule 14;
"Guarantor"	means either of Fujitsu Services Holdings Plc (formerly ICL Plc) or Fujitsu Limited;
"HAPS"	means the Host Automated Payments System operated by Post Office;
"Hardware"	means any hardware (excluding Paypoles) used by Fujitsu Services to provide Services under this Agreement;
"Hardware Impact Assessment"	relation to any intended Implementation of Branch Hardware means: • verification of the Branch Hardware's technical compatibility and ability to interface with the Horizon Service Infrastructure; • assessment of the impact of the intended Implementation on the Horizon Service Infrastructure, the Operational Services (including the Service Levels) and the related Support Services; and review of the availability of suitable support capability;
"Hardware Procurement"	means the procurement of Branch Hardware;

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"Hardware Products"	means the Equipment and any tools required for the installation, replacement or removal of such Equipment at or from Branches in accordance with Schedule 23;
"Hard Change Control Procedure"	means the change control procedure described in paragraph 4 of Schedule 5;
"Head Office Counter Position"	means a single position gateway configuration or a multi-position gateway configuration to be installed in Post Office office premises that are not Branches;
"Help Desk" or "Helpdesk" or "Horizon System Help Desk"	means save as expressly provided otherwise, the initial point of call for Users in need of support relating to the Services;
"Help Desk Call"	means a telephone call to the Help Desk made by a User to report an Incident;
"Horizon Counter Position"	means a Counter Position, or a similarly automated position at a training centre used by Post Office or at head office premises used by Post Office;
"Horizon Design Documentation"	means Internal Design Documentation as defined in paragraph 9.1 of Schedule 20 and Specially Commissioned Design Documentation as defined in paragraph 9.3 of Schedule 20;
"Horizon Icon Service"	means the Service referred to in row 4 of Table B of Schedule 19;
"Horizon Service Infrastructure"	means the Branch Infrastructure, the Central Infrastructure and the Telecommunications Infrastructure;
"Horizon Systems Help Desk Service"	means the Services referred to in row 1 of Table A of Schedule 19;
"HSH Day"	means 08:00 – 18:30 Monday to Saturday inclusive other than Christmas Day;
"HSH Voicemail Service"	means the facility provided by Fujitsu Services for recording telephone calls to the Help Desk outside of the HSH Day and ring back on the following HSH Day as further described in the CCD entitled "Horizon Systems Helpdesk Service Description" (CS/SER/002);
"HSM"	means the hardware security module in which PINs are translated prior to transmission of encrypted data from the Horizon Service Infrastructure to the NBE;

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"Human Computer Interface" or "HCI"	means the interface between the computer systems and Users;
"Icon Business Change CCDs"	means the CCDs entitled "Horizon Icon Service Description" (CS/PDN/018) and "Horizon Icon Service Prices" (CS/PDN/019);
"Implementation"	means all or any of the following activities: (a) Hardware Procurement; (b) Implementation Support; (c) Implementation Management; and (d) Installation;
"Implementation of Branch Hardware"	means the process of installing, replacing or removing Branch Hardware, which will include some or all of the following activities: (a) Hardware Impact Assessment; (b) Hardware Procurement; (c) Implementation Support; (d) Installation Management; and (e) Installation;
"Implementation Charges"	means the charges described in paragraph 7 of Schedule 10;
"Implementation Support"	means any or all of the service elements relating to the Implementation of Branch Hardware identified as part of Implementation Support in the Annex to Schedule 23 or any similar service element agreed to be such by the Parties from time to time;
"IMS"	means the inventory management system used by Post Office;
"Incident"	means any perceived abnormal or undesirable occurrence relating to the Services;
"Incident Resolution"	means the agreed closure of an Incident which may include the re-establishment of a Service following an Incident or, where the Incident was found not to be an abnormal or undesirable occurrence, clarification of the incorrect perception;
"Incident Resolution Time"	means the time elapsed between the logging of an Incident by the Help Desk, and the Incident Resolution;
"Infrastructure Manager"	means the organisation responsible for the operation and support of the system infrastructure through which services are delivered to Post Office;
"Infrastructure Services"	means OPS and TMS (including, for the avoidance of doubt, the characteristics which are common to each as described in paragraph 8 of Schedule 17);

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"Infrastructure Software"	means the software listed in the inventory in the CCD entitled Core System Relevant Asset Register" (CS/REP/045);
"Initial Applications"	means EPOSS, APS, OBCS, LFS, Message Broadcast, (following NBS Acceptance) NBS and Reference Data Management Application together with, on Satisfaction of Debit Card Conditions, the Debit Card;
"Initial Branch Infrastructure"	shall have the meaning specified in paragraph 2.1 of Schedule 17;
"Initial Central Infrastructure"	shall have the meaning specified in paragraph 3.4 of Schedule 17;
"Initial Infrastructure"	means the Initial Branch Infrastructure and the Initial Central Infrastructure;
"Installation"	means any or all of the service elements relating to the Implementation of Branch Hardware identified as part of Installation in the Annex to Schedule 23;
"Installation Management"	means any or all of the service elements relating to the Implementation of Branch Hardware identified as part of Installation Management in the Annex to Schedule 23;
"Intellectual Property Rights" or "IPR"	means Patents, trade marks, service marks, design rights (whether registerable or otherwise), applications for any of the foregoing, moral rights, copyright, trade or business names and other similar rights or obligations whether registrable or not in any country (including but not limited to the United Kingdom);
"Intermediate"	means Branch locations listed as intermediate in the CCD entitled "Definition of Remote and Intermediate Locations" (CS/PER/041);
"Internal Code"	means machine readable software (including PIN Pad firmware) supplied as an integral part of the Hardware and not listed herein;
"IS"	means information system;
"ISL"	means IS Landscape as defined in paragraph 5.4 of Schedule 20;
"Issuer Identification Number" or "IIN"	means the identification number ascribed to an issuer of a magnetic card or similar token by APACS;

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"IT"	means Information Technology;
"Joint Architecture Forum"	means the Forum referred to as such in Annex 1 to Schedule 4;
"Key Personnel"	means the specific personnel listed in the CCD entitled "Fujitsu Services Key Personnel" (HR/CON/001);
"LAN"	means local area network;
"Lead Attendee"	means the Fujitsu Services Lead attendee and/or the Post Office Lead Attendee, as the context requires;
"Like for Like Criteria"	shall have the meaning given to it in paragraph 2.11 of Schedule 11;
"LINK"	means the branded and shared network of cash machines and self-service terminals of certain member banks and building societies in the UK, which enables services from one member bank or building society to be available at cash machines of all member banks and building societies, to be construed for the purposes of this Agreement as a single system;
"Liquidated Damages Threshold" or "LDT"	shall have the meaning set out in paragraph 1.1.2 of Schedule 15;
"Listed Documentation"	means the documents listed in paragraph 3 of Schedule 13;
"LFS"	means the Application referred to in paragraph 2.4 of Schedule 18;
"Local"	means all Branch locations which are neither Intermediate nor Remote;
"Local Loop"	means in respect of each Branch, the ISDN or ADSL (as applicable) socket in that Branch and its connection to the Central Network;
"Luhn"	means the check digit formula which is part of the APACS standard;
"MA"	means Merchant Acquirer;
"MAAWP"	means Maximum Authorisation Agent Wait Period (q.v);
"MAC"	means message authentication code;

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"MAC Key"	means a uni-directional MAC key;
"Mails"	means software referred to as such in row 8 of Table 1 of Schedule 13;
"Managing Director"	means Business Unit Director;
"Management Information Service"	means the Services referred to in row 11 of Table A of Schedule 19;
"Manager"	shall have the meaning given to it in paragraph 2.1 of Schedule 4;
"Maximum Authorisation Agent Wait Period"	means the period the NB Authorisation Agent shall wait for a corresponding NB Authorisation after generating a NB Request (for transfer to the NBE) before itself generating an NB Authorisation signifying a NB Decline (due to system time-out) to be sent to the relevant automated Counter Position;
"Maximum Counter Wait Period"	means the period that an automated Counter Position shall wait for a corresponding NB Authorisation after generating a NB Request before itself Declining that Banking Transaction due to system time-out;
"MCWP"	means Maximum Counter Wait Period (q.v);
"Mediator"	shall have the meaning given to it in paragraph 6.1 of Annex 2 to Schedule 4;
"Merchant Acquirer"	shall have the meaning ascribed to it in the CCD entitled "DC MoP Functional Description" (EF/SER/001);
"Message"	means a set of electronic data for transportation from one computer system to another;
"Message Broadcast System"	means the Service referred to in row 2 of Table B of Schedule 19;
"Method of Payment"	means the form of payment recorded against a Transaction involving a Customer;
"Migration Specification"	means the CCD entitled *"Provision of In-Office Migration Services"*;
"MIS"	means management information system;

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"MSU Day"	means 0800 to 1730, Monday to Friday (inclusive), excluding Bank Holidays;
"NAO"	means National Audit Office;
"NB Acceptance Date"	means NBS Acceptance Date;
"NB Additional Time"	shall have the meaning ascribed to it in paragraph 1.8 of Annex 3 to Schedule 15;
"NB Authorisation"	means an authorisation message transmitted on-line from the NBE or the NB Authorisation Agent in response to a NB Request, stating whether that NB Request has been approved or Declined;
"NB Authorisation Agent"	means the software application to be installed in each Data Centre and used to process NB Requests and NB Authorisations transmitted between the Branch NB System elements and the NBE;
"NB Confirmation"	means a confirmation message written to record the outcome of a Banking Transaction;
"NB Core Hours"	means 0800 to 1730 Monday to Friday (inclusive), and 0800 to 1300 Saturday, excluding Bank Holidays;
"NB Counter Application"	means the application software that contains the business logic controlling the dialogue with Users of the NBS;
"NB Customer Verification"	means the process by which the association of a Customer with a NB Token is to be checked, as described in paragraph 5.7.2 of the CCD entitled "NBS Definition" (BP/SPE/035);
"NB Decline"	means a refusal by the NB System or Counter Clerk to proceed with a Banking Transaction after a NB Request is generated or an instruction contained in an Authorisation to refuse a Banking Transaction received via NBE. "Declined" and "Declining" shall be construed accordingly;
"NB Event"	shall have the meaning ascribed to it in paragraph 2.2.1 of Part A of Annex D to Schedule 10;
"NB Financial Transaction"	means a Banking Transaction involving a deposit or withdrawal of monies;
"NB Full E2E Testing Stage"	shall have the meaning ascribed to it in paragraph 1.4 of Annex 1 to Schedule 24;

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"NB Go Live"	means the point at which, following deployment of the NBS software in each Branch, the NBS is initiated for live operational use in all Branches through release of the required Reference Data;
"NB Initial Period"	means the period commencing on the date of signature of the NBS CCN and expiring 6 calendar months after the beginning of the earlier of: (a) the first calendar month in which two million Banking Transactions are undertaken using the NBS; and (b) the calendar month in which the cumulative number of Banking Transactions undertaken using the NBS exceeds five million;
"NB Low Severity"	shall have the meaning ascribed to it in paragraph 6.4.3.2 of Schedule 24 in respect of NBS Acceptance Incidents and NBS Progress Incidents;
"NB Medium Severity"	shall have the meaning ascribed to it in paragraph 6.4.3.2 of Schedule 24 in respect of NBS Acceptance Incidents and NBS Progress Incidents;
"NB Pilot (Soft Launch)"	shall have the meaning ascribed to it in paragraph 1.8 of Annex 1 to Schedule 24;
"NB PPD"	means the PPD for the NBS defined in paragraph 3.5 of Schedule 24;
"NB Priority Exception"	means a Banking Transaction for which: (a) no Disputed Banking Transaction Notice has been received by Fujitsu Services and which persists in system state category number 4 or 12 as set out in the CCD entitled *"Network Banking End to End Reconciliation Reporting" (CS/SPE/011)* on the second MSU Day following the day of receipt by the DRSH of the corresponding C4 Confirmation or D Message (as applicable); or (b) a Disputed Banking Transaction Notice has been received by Fujitsu Services and which is within or subsequently falls within the system state category number 4 or 12 as set out in the CCD entitled "*Network Banking End to End Reconciliation Reporting" (CS/SPE/01);*

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"NB Project Plan"	means the plan for the development and implementation of the NBS described in paragraph 8.2 of Schedule 24;
"NB Receipt"	means a paper receipt issued during a Banking Transaction either as a record of that Banking Transaction or as part of the process of carrying out that Banking Transaction;
"NB Request"	means a priority request message generated for transmission on-line from an Branch to a Bank (via the NBE) in order to undertake a Banking Transaction for a Customer;
"NB Retention Pot"	means a fund to which sums which are retained by Post Office (from payments due to Fujitsu Services) are to be allocated in accordance with paragraph 2.2.3 of Part A of Annex D to Schedule 10 and released in accordance with paragraph 2.2.4 of Part A of Annex D to Schedule 10;
"**NB Settlement Date"**	means the date on which a Banking Transaction is committed for settlement by a Bank or, in the absence of such a date being set by that Bank, the default posting date set by the NBE;
"NB System"	means the elements of the Horizon Service Infrastructure, including WebRiposte and the NB Counter Application which are to be developed and implemented pursuant to paragraph 3.1 of Schedule 24 to support operational use of the NBS;
"NB T&M Budget"	means Fujitsu Services's estimate of the resource and time required to complete (as the context requires) a NB T&M Work task at Level 2 or Level 3 in the NB Project Plan or a group of such tasks taken together, from which the budgeted amounts and hours for each such task, or tasks taken together may be derived;
"NB T&M Work"	means the work of designing, developing and testing the NBS (including, without limitation, the work, if any, of closing down Cancelled Tasks in accordance with Schedule 24) which is to be charged for by Fujitsu Services on a time and materials basis in accordance with paragraph 2.1 of Part A of Annex D of Schedule 10;
"NB Target Date"	shall have the meaning ascribed to it in paragraph 2.2.2 of Part A of Annex D to Schedule 10;
"NB Token"	means a Token supported by the NBS, as described in paragraph 5.1.1 of the CCD entitled "NBS Definition" (BP/SPE/035);

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"NB Token Validation"	means the process by which the validity of a NB Token presented by a Customer to a Counter Clerk is to be checked, as described in paragraph 5.7.1 of the CCD entitled "NBS Definition" (BP/SPE/035);
"NBE"	means Network Banking Engine;
"NBE Network"	shall have the meaning ascribed to it in paragraph 2.2.2.1 (b) of Schedule 15;
"NBS"	means the Application referred to in paragraph 2.6 of Schedule 18 and "NBS Application" shall be construed accordingly;
"NBS Acceptance"	means acceptance of the NBS in accordance with paragraph 6.3.1 of Schedule 24;
"NBS Acceptance Criteria"	means the criteria for acceptance of the NBS and the PIN Pads set out in the CCD entitled *"NBS Acceptance Criteria"*;
"NBS Acceptance Date"	means the date that NBS Acceptance occurs in accordance with paragraph 6.3.1 of Schedule 24;
"NBS Acceptance Incident"	means any incident within the following categories: (a) a failure to meet NBS Acceptance Criteria; (b) a failure of the Applications (other than the NBS) or the Infrastructure Services to be performed in accordance with the applicable provisions of this Agreement; (c) a lack of capability to achieve Service Levels; or (d) the occurrence of certain functions, activities or behaviour in conflict with the Agreement, each as specified in paragraph 6.4 of Schedule 24, which occurs as a result of the introduction of the NBS;
"NBS Acceptance Procedure"	means the procedure described in Schedule 24 for acceptance of the NBS;
"NBS Default"	means a default by Fujitsu Services exclusively in relation to the Banking Implementation Activities;
"NBS Deployment"	means the download of the NBS software to a Branch in readiness for NB Go Live;

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"NBS Obligations"	means those obligations of Post Office which are to be performed in connection with the operation of the NBS Application as set out in Table C of the CCD entitled "Responsibilities and Obligations" (POL\HOR\CON\001) and any other obligation classified as such in accordance with paragraph 1.4 of Schedule 16;
"NBS Project Assets"	means those Project Assets which are specific to the NBS and the Banking Implementation Activities;
"NBS Responsibilities"	means the responsibilities of Post Office which are to be performed in connection with the operation of the NBS Application as set out in Table B of the CCD entitled "Responsibilities and Obligations" (POL\HOR\CON\001) and any other responsibility classified as such in accordance with paragraph 1.4 of Schedule 16;
"NBS Stage Progression"	means the progression from: (a) the NBS Testing Stage to the NB Full E2E Testing Stage; or (b) the NB Full E2E Testing Stage to the NB Pilot (Soft Launch) phase, as applicable, in accordance with paragraph 6.3 of Schedule 24;
"NBS Termination Charge"	means the sum calculated in accordance with paragraph 10.2 of Schedule 24 of this Agreement;
"NBS Testing Stage"	shall have the meaning ascribed to it in paragraph 1.1 of Annex 1 to Schedule 24;
"NBS Tests"	means the tests described in paragraph 2.1 of Annex 1 to Schedule 24;
"NBS Transfer Payment"	means the sum calculated in accordance with paragraph 10.4 of Schedule 24;
"NBS Transfer Services"	means the services set out in paragraph 10.3 of Schedule 24;
"NBSC"	means the network business support centre operated by Post Office;
"NCC"	means the National Computing Centre Ltd., Manchester;

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"Negotiator"	shall have the meaning given to it in paragraph 3.2 of Annex 2 to Schedule 4;
"Negotiator's Review"	shall have the meaning given to it in paragraph 3.4 of Annex 2 to Schedule 4;
"Network Banking CCNs"	means CCN817, CCN865a, CCN907, CCN909a, CCN914a, CCN928b, CCN932, CCN933, CCN934, CCN936b, CCN947, CCN959,CCN967, CCN970a, CCN971 and CCN976a;
"Network Banking Engine"	means a central third party computer system (contracted for by Post Office) which constitutes the middle tier of End to End Banking and which, inter alia, connects the Data Centres to LINK and certain Bank computer systems;
"Network Banking Implementation Charges"	means the charges referred to in paragraph 11 of Schedule 10;
"Network Service"	means the Services referred to in row 6 of Table A of Schedule 19;
"New Business Forum"	means the Forum referred to as such in Annex 1 to Schedule 4;
"Next Supplier"	means the next supplier (if any) nominated by Post Office (whether this be Post Office, another subsidiary of Royal Mail Group plc or another third party) to take over, from Fujitsu Services, the performance of some or all of the Services or the provision of services equivalent to some or all of the Services;
"NINO"	means a National Insurance Number issued to any natural person;
"**Non-value Stock"**	means Stock which has no intrinsic value but for which records are maintained of the levels on hand;
"Nominated Executives"	shall have the meaning given to it in paragraph 4.1 of Annex 2 to Schedule 4;
"OBCS"	means the Application referred to in paragraph 2.3 of Schedule 18;
"OBCS Stop Lists"	means a list of order books on which action needs to be taken;
"Old Format Query"	shall have the meaning give to it in the CCD entitled "Service Description for the Security Management Service" (CS/SER/016);

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"On-line Transaction"	means a Transaction which requires on-line communication between a Branch and the host system, comprising at the date of this Agreement: Banking Transactions, Debit Card Transactions and OBCS foreign transactions;
"Open Book"	shall have the meaning given to it in paragraph 4.1 of Schedule 11;
"Operational Business Change"	means as the context requires, the services which can be procured by Post Office for operational changes, as set out or referred to in the following CCDs: • Operational Business Change Branch CCD's • Operation Business Change Product CCD entitled "Fujitsu Services (Pathway) Ltd/Post Office Ltd Interface Agreement for Operational Business Change - Product" (CS/PRD/058); • "Message Broadcast: Service Description" (CS/SER/004); • AP Business Change CCDs; and • Icon Business Change CCDs;
"Operational Business Change Branch CCDs"	means the CCDs entitled "Operational Business Change - Network, Change Catalogue" (CS/REQ/006), "Fujitsu Services/Post Office Ltd Operational Business Change - Network Interface Agreement" (CS/IFS/003), "OBC-Network, Schedule of Service Prices" (CS/PDN/017) and Operational Business Change - Network, Service Descriptions (CS/PDN/015);
"Operational Business Change Catalogue"	means the CCD entitled *"Operational Business Change Catalogue"* (CS/REQ/006) which sets out processes and prices for operational changes at Branches;
"Operational Charges"	means the charges described in paragraph 2 of Schedule 10;
"Operational Charges Table"	means the table setting out the Operational Charges in paragraph 2.2 of Schedule 10;
"Operational Services"	means the services to be supplied by Fujitsu Services to Post Office described in Schedule 19;
"OPS"	means the office platform service described in paragraph 6 of Schedule 17 of this Agreement;

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"Other Authorised Location"	means a site, other than a Branch, where it may be necessary to install and use elements of the Horizon Service Infrastructure, e.g. training sites, county shows, and exhibitions;
"Other Stock"	means all Stock other than Retail Stock, Security Stock and Value Stock, including leaflets, forms and various general consumables and supplies;
"Out of Hours Support"	means support provided outside Post Office Core Day;
"Owning Forum"	shall have the meaning given to it in paragraph 2.6 of Schedule 5;
"PAN"	means the primary account number (part of the IIN) associated with a NB Token;
"Parent Company"	means any holding company (as defined in Section 736 of the Companies Act 1985);
"Party"	means each of Post Office and Fujitsu Services;
"Paypole"	means the fixture to which a PIN Pad is attached as described in the CCD entitled "Paypole Product Specification" (IM/SPE/026);
"**Permitted Purpose**"	means use of the Specially Written Software solely for the purpose of providing Permitted Recipients with services in the nature of the Services, such use including the right to correct, modify, enhance and develop the Specifically Written Software;
"**Permitted Recipients**"	means any person who is not engaged in or directly or indirectly interested in any person engaged in any business competitive with any business of the Post Office;
"Person"	includes a partnership, a corporation or association (whether incorporated or unincorporated), as well as a natural person;
"Personal Data"	means all data which are defined as personal data in the Data Protection Act 1998 and processed by Fujitsu Services under this Agreement;
"Phase"	shall have the meaning given to it in paragraph 2.1 of Schedule 22;
"PIN"	means personal Identification Number;

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"PIN Pad"	means a device used by a Customer to enter a PIN for the purposes of NB Customer Verification;
"PIVOT"	means the existing Post Office MIS system which provides, inter alia, reports of numbers of transactions by Branch;
"Post Office"	means Post Office Limited or such other subsidiary of Royal Mail Group plc as may be nominated from time to time to take over the rights and obligations of Post Office Limited under this Agreement;
"Post Office Additional Costs"	means, in respect of the ARL failure in question, Post Office's reasonable additional direct costs and expenses arising as a result of that ARL failure including, without limitation, Post Office's additional direct staff, help desk and telephone costs;
"Post Office Agreement"	means the agreement referred to in Recital (b)(ii) to this Agreement;
"Post Office Approval Authority"	shall have the meaning given to it in paragraph 3.1.1 of Schedule 5;
"Post Office Automated Payments Generic Rules"	means a document describing generic rules for APS;
"Post Office Branch Accounting Period"	means the shortest normal accounting period applying within a Branch, normally a week and running Thursday through Wednesday, but subject to variation at financial year end and to revision. It may be merged by agreement in individual Branches, e.g. to enable sub-postmaster holidays;
"Post Office Change Control Manager"	means the person and the address to which all Change Control Notes and documents relating to Work Orders should be delivered in each case as notified in writing by Post Office to Fujitsu Services from time to time;
"Post Office Consumables"	means Consumables;
"Post Office Core Day"	means 08:00 to 20:00 Monday to Saturday inclusive, excluding bank holidays;

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"Post Office Data"	means all data, information, text, drawings, diagrams, images (including, but not limited to logos), or sounds which are embodied in any electronic or tangible medium, and which are supplied or in respect of which access is granted to Fujitsu Services by Post Office pursuant to this Agreement, or which is generated by the Horizon Service Infrastructure or which Fujitsu Services is required to generate in connection with the provision of the Operational Services, the Business Continuity Services and/or the Transfer Services;
"Post Office Interface"	means an interface between a Service or Services and a Post Office system or systems;
"Post Office Lead Attendee"	means in relation to a particular Forum the first named person in the row entitled "Post Office Members" in the description of the relevant Forum contained in Annex 1 to Schedule 4 (or, in is absence, his authorised deputy);
"Post Office Premises"	means all post offices, sub-post offices, and other premises of Post Office from time to time;
"Post Office Product"	means an item, provided by Post Office, for sale from Stock - or characterising a service provided - in a Branch;
"Post Office RDS"	means RDS;
"Post Office Reference Data"	means Post Office originated Reference Data;
"Post Office Reference Data System"	means the Post Office-run system that maintains the Post Office originated Reference Data for the Services;
"Post Office Responsibilities"	means the responsibilities of Post Office set out or referred to in Schedule 16 of this Agreement;
"Post Office Supplier and Service Performance Manager"	means the person who shall fulfil that role as notified in writing by Post Office to Fujitsu Services from time to time;
"Post Office's Agent"	means any person(s) or organisation(s) authorised to act on behalf of Post Office;
"Post Office's Representative"	means the person so notified to Fujitsu Services by Post Office;
"Post Office Service Architecture"	means the Horizon Service Infrastructure and the Post Office Service Environment;

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"**Post Office Service Environment"**	means TIP, the Post Office Reference Data System, SAPADS and, following NBS Acceptance, the NBE;
"PON"	means the Post Office Network (q.v.);
"Posting Date"	means NB Settlement Date;
"Postmaster's Daily Record (PDR)"	means the report forms used to summarise Girobank Transactions that are sent to the Client. There are currently forms for deposits and withdrawals in manual and automated offices, and a mixed (cash / cheque) deposit version in ECCO+ offices only;
"Post Office Group"	means Royal Mail Group (q.v.);
"Post Office Network"	where the term Post Office Network is used in documents it refers to a former business unit within Post Office Counters Limited and, for the purposes of those documents only, shall have the same meaning as Post Office;
"PostShop"	means a separate retail unit within a Branch operated directly by Post Office;
"PPDs"	means the related set of Processes and Procedures Description documents as described in the "Introduction Processes and Procedures Description" document for the appropriate Release;
"Pre-paid Capacity	means the Pre-paid Capacity row in the table in paragraph 4.1 of Schedule 10;
"Priority A"	means the category of a Help Desk call where the Incident reported has resulted in substantial impact on all automated Counter Positions in a Branch;
"Priority B"	means the category of a Help Desk call where the Incident reported has resulted in substantial impact on some, but not all automated Counter Positions in a Branch;
"Product Support Service"	means the Services referred to row 8 of Table A of Schedule 19;
"Project Assets"	means the assets referred to as such in Clause 35;
"Project Board"	means the Forum referred to as such in Annex 1 to Schedule 4;

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"Project Services"	means those Services described in Schedule 23 and Schedule 20;
"Property"	means tangible property (including without limitation buildings and land) but excluding the Horizon Service Infrastructure and any part thereof before it has been accepted in accordance with this Agreement;
"Proposed Exit Strategy"	shall have the meaning given to it in paragraph 2.3.2 of Schedule 22;
"Provisional Net Price"	means the gross price for any Work Package less 60% of such proportion of the gross price as is attributable to the cost of resources provided by the Core SI Team;
"PSTN"	means public switched telecommunications network;
"Purchasing Services Commercial Manager"	means the person designated in writing by Post Office to Fujitsu Services as holding that position for the purposes of this Agreement from time to time;
"Purchase Order"	means the form of purchase order generated by Post Office in the course of the Work Ordering Procedure to give each Work Order a unique identifying reference for Post Office purposes;
"RAC0C1 Model"	means the Request, Authorisation and Confirmations model of End to End Banking Transaction flows involving, inter alia, as the particular circumstances may permit, NB Requests being issued from Counter Positions, NB Authorisations being issued by the NBE and NB Confirmations being issued from Counter Positions;
"Rate Shop"	means where a Customer purchases Stock by value rather than by volume, i.e. by a number of items of Stock purchased for a given sum;
"RDMC"	means Fujitsu Services's Reference Data Management Centre (q.v);
"RDS"	means Post Office Reference Data System (q.v);
"Reboot Incident"	means a Help Desk authorised reboot, a Help Desk authorised office snapshot print preview or any work-around authorised by the Help Desk to remove the necessity to carry out a reboot or office snapshot print previous where the time taken to carry out such work-around (as demonstrated by Fujitsu Services in the test environment normally used to validate test scripts) is

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	four minutes or longer;
"Reconciliation Application"	means the Applications referred to in paragraph 2.9 of Schedule 18;
"Reconciliation Service CCDs"	means the CCDs entitled "Network Banking Reconciliation & Incident Management" (NB/PRO/002), "TPS Reconciliation & Incident Management" (CS/PRO/111), "APS Reconciliation & Incident Management (CS/PRO/128), "Network Banking Data Reconciliation Services" (CS/SER/018) and "Data Errors & Not Data Errors - Contractual Definitions" (CS/SER/017);
"Reconciliation Service"	means as the context requires, the Services referred to in row 14 of Table A of Schedule 19;
"Records"	means the full and accurate records relating to the performance of the Services;
"Recovery"	means the act of re-establishing a Service following a Service Failure;
"Reference Data"	means a set of parameters and relationships controlling the operation of Services;
"Reference Data Management Application"	shall have the meaning given to it in paragraph 2.7 of Schedule 18;
"Reference Data Management Service"	means those Services described in row 9 of Table A of Schedule 19;
"Refund"	means a repayment of money to a Customer, by means of a Reversal;
"Related Agreements"	means the Authorities' Agreement, the DSS Agreement and the Post Office Agreement, each as referred to in Recital (b) of this Agreement;
"Release"	means a documented collection of software and/or data provided by Fujitsu Services to deliver a Service or Services;
"Release Contents Description"	means a CCD which defines the scope of a Release (by reference to the SADD in the case of the Release Contents Description of CSR and CSR+);

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"Relevant Bank Holiday"	means in relation to any Branch a day Holiday which is a day when banks are legally closed for business by statute or proclamation or is a public holiday officially recognised by the relevant Local Authority (District, Region or County) Council in the region of the United Kingdom in which the Branch in question is situated;
"Relevant Suppliers"	shall have the meaning given to it in paragraph 2.10.2 of Schedule 11;
"Remittance"	means a consignment to or from a Branch of cash, Stock, or other value items to be brought to account;
"Remote"	means Branch locations listed as remote in the CCD entitled "Definitions of Remote and Intermediate Locations" (CS/PER/041);
"Report"	means a physical document; or, information held electronically in such a way that it can be processed readily to produce a physical document;
"Representative"	means a representative of Post Office or Fujitsu Services as appropriate;
"Resource Plan"	shall have the meaning set out in Paragraph 10.4.1 of Schedule 20;
"Retail Price Index" or "RPI"	means the "all items" index currently appearing at table 18.1 of the Office of National Statistics publication "Monthly Digest of Statistics" and any subsequent relocation thereof, or the same index in any other Government publication if the aforementioned ceases to be published;
"Retail Stock"	means items sold in Branches through Post Office's retail accounting scheme;
"Reversal"	means a Transaction which nullifies a previous Transaction;
"Royal Mail Group"	means Royal Mail Group plc and its Subsidiary Companies;
"SADD"	means Service Architecture Design Document (q.v.);
"SAP/ADS"	means SAPADS (q.v.);
"SAPADS"	means SAP Advanced Distribution System;
"Schedule 10 Charges"	shall have the meaning set out in paragraph 6.1 of Schedule 9;

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"Security Management Service"	means those Services referred to in row 15 of Table A of Schedule 19;
"Security Stock"	means the stock products which have no cash account value until sold, any item the loss of which would result in loss to Post Office;
"Sensitive Data"	shall have the meaning ascribed to it in the CCD entitled "NBS Definition" (BP/SPE/035);
"Sensitive DC Data"	shall have the meaning ascribed to it in the CCD entitled "DC MoP Functional Description" (EF/SER/001);
"Service Architecture Design Document"	is the document showing the Post Office Service Architecture developed prior to the Amendment Date pursuant to this Agreement as the same is to be amended pursuant to paragraph 6 of Schedule 18;
"Service Boundary"	means the interface or interfaces at which responsibility for processing or otherwise handling Banking Transaction data, Reference Data or Data Files or any other data, message, component or product of the NBS passes, in accordance with the applicable AIS and/or TIS between Fujitsu Services, Post Office and/or a third party;
"Service Break"	means the duration of a Service Failure;
"Service Failure"	means an interruption of a Service that has not been approved by Post Office;
"Service Level"	means a quantified and measurable standard, required for a specified Service;
"Service Level Agreement"	means an agreement relating to a Service Level;
"Service Level Measurement Period"	means the period over which Fujitsu Services shall report service performance against Service Levels. Each Service Level Measurement Period shall be a period of three months ending at the end of June, September, December and March in each Financial Year;
"Service Level Schedule"	means Schedule 15;
"Service Level Target" or "SLT"	shall have the meaning set out in paragraph 1.1.1 of Schedule 15;

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"Service Management Forum"	means the Forum referred to as such in Annex 1 to Schedule 4;
"Service Management Report"	means the Service Review Book;
"Service Management Service"	means the Services referred to in row 13 of Table A of Schedule 19;
"Service Manager"	means the person appointed by Fujitsu Services to manage the provision of a Service;
"Service Ready-for-use Date"	means the date on which a Service, which has achieved Acceptance, is first made available by Fujitsu Services for use by Users;
"Service Review Book"	means the Working Document used by Fujitsu Services to report performance of the Services against Service Levels and associated volumes, the format of which is agreed by the Parties at meetings of the Service Review Forum;
"Service RFU Date"	means Service Ready-for-use Date (q.v.);
"Services"	means the Project Services, the Business Continuity Services, the Operational Services, the Transfer Services and the Banking Implementation Activities;
"Services Manager"	means the organisation responsible for managing the provision of Operational Services to Post Office;
"Session Mobility"	means a facility which allows a User logged on at an automated Counter Position workstation to log on to another such workstation, thereby transferring his User session and automatically logging the User out of the first workstation;
"Severity Code"	means a code assigned to an Incident by the Help Desk, indicating the seriousness of the Incident's effect, and used to determine priority for resolution;
"SI Commitment Fee"	means the fee described in paragraph 4 of Schedule 10;
"Silver 24 Hour Service Branch"	means an Branch that seeks to use a Fixed Connection 24 hours per day, 7 days per week;
"Silver Daytime"	means either Silver FRIACO Daytime or Silver Daytime ISDN;

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"Silver Daytime ISDN"	means ISDN lines permanently connected between Branch and host system during the Working Day;
"Silver Daytime Service Branch"	means an Branch that seeks to use a: (i) Fixed Connection in the periods 08:00 to 17:30 Monday to Friday and 08:00 to 13:00 Saturday; and (ii) Dialled Connection outside those periods;
"Silver FRIACO Daytime"	means the Energis supplied communication service established for Network Banking which uses ISDN lines to provide a permanent connection between a Branch and the host system during the Working Day;
"Silver Part Time ISDN"	means ISDN lines permanently connected between Branch and host system during only part of the Working Day;
"Silver Part Time Service Branch"	means an Branch which seeks to use a: (i) Fixed Connection in the periods 08.30 to 10:30 Monday, 08:30 to 09:30 Tuesday and 08:30 to 09:30 Thursday; or (ii) Fixed Connection from 08:30 to 12:30 Saturday; and (in both cases) (iii) Dialled Connection outside those periods;
"Skill Set"	means the designated set of skills for a designated Skill Unit. A skill set identifies in more detail the particular skills available from a particular Skill Unit, e.g. Applications designer;
"Skill Units	means the designated area of skill for Core SI Team resource, e.g. Pathway testing unit;
"SLA"	means Service Level Agreement (q.v.);
"Smart Key"	means a type of Token (as defined in relation to the Automated Payment Service) which uses on-board integrated circuit technology;
"Smart Token"	means a type of Token (as defined in relation to the Automated Payment Service) which uses on-board integrated circuit technology;

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"SMS"	means System Management Service (q.v.);
"Soft Change Control Procedure"	means the change control procedure described in paragraph 3 of Schedule 5;
"Software"	means Fujitsu Services's Software, the Specially Written Software, Internal Code and the Third Party Software;
"Source Code"	means the software in eye-readable form and in such form that it can be compiled or interpreted into equivalent object code together with all technical information and documentation necessary for the use, reproduction, modification and enhancement of such software;
"Specially Written Documentation"	means original Documentation which relates to the Specially Written Software and is produced by Fujitsu Services as deliverable under a Work Order for any Development Process Stage in the development of such specially Written Software including, without limitation, any documentation listed in paragraph 6 of Schedule 13 and/or is identified as 'Specially Written Documents' in the CCD entitled "Transfer Asset Register";
"Specially Written Software"	means original software which is developed by or on behalf of Fujitsu Services pursuant to a Work Order for the Solution Build and Test Stage where: (a) such Software is developed in accordance with a Design Proposal; and (b) Fujitsu Services was engaged under a Work Order for the Solution Specification Stage in which that Design Proposal was produced, including, without limitation, software listed in paragraph 5 of Schedule 13 and/or is identified as 'Specially Written Software' in the CCD entitled "Transfer Asset Register";
"SPM"	means Simple Payment Module;
"Statement of Dispute"	shall have the meaning given to it in paragraph 5.1 of Annex 2 to Schedule 4;

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"Statement of Work"	in relation to any Work Package Element, means a description of the goods and/or services which constitute such Work Package Element. A Statement of Work may itself set out a detailed description of the goods and/or services in question or may incorporate another document which contains such a description (for example, a Conceptual Design and/or Design Proposal);
"**Stand-Alone Hardware**"	means hardware (together with any integral software) which is to be installed in a Branch but which is not Branch Hardware, together with any tools supplied with such hardware which are required to facilitate such installation, replacement or removal;
"**Statement of Work**"	has the meaning given in relation to any goods and/or services, means a description of such goods and/or services in a form which complies with the provisions as to statements of work set out in Schedule 9;
"Stock"	means items held in Branches and classified as Retail Stock, Security Stock, Value Stock, and Other Stock;
"Stock Item"	means a unit of Stock which can be ordered separately;
"Stock Unit"	means an individual unit of accountability, mandatory within a main (branch) post office and optional within a sub post office, for which an individual (or a group of individuals) is accountable. It may contain: (i) Transaction Vouchers for a designated period, (ii) Value Stock, and/or (iii) cash;
"Sub-contractor"	means a person to whom any obligations of Fujitsu Services expressly specified in this Agreement are delegated in accordance with the provisions of this Agreement but shall not (for the avoidance of doubt) include any supplier of products or services which are not expressly specified as obligations of Fujitsu Services under this Agreement and related expressions shall be construed accordingly;
"Subsidiary Company"	shall have the meaning ascribed thereto in Section 736 of the Companies Act 1985;
"Supplemental Charge"	means the charge described as such in paragraph 9.2 of Schedule 10;

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"Suspense Account"	means in Branch terms, the value of Transactions that are accounted for in the unclaimed payments or uncharged receipts tables of the Cash Account. These items will subsequently be cleared by posting to an appropriate line of the Cash Account or by local settlement;
"Systems Implementation	shall have the meaning set out in paragraph 21.2.4 of Schedule 20;
"Systems Integration"	means systems integrated as described in paragraph 2.1.2.3 of Schedule 20;
"Systems Management Service"	means those Services referred to in row 7 of Table A of Schedule 19;
"Team Work"	means a method of working in which Users share a Stock Unit or Tills within a Stock Unit, either at the same time or in sequence. The team then becomes accountable for the Stock Unit or Till;
"Technical Interface Specification" or "TIS"	means a CCD describing the technical detail of an interface;
"Technical Service Desk"	means the Services referred to in row 2 of Table A of Schedule 19;
"Telecommunications Infrastructure"	means the telecommunications links between the Central Infrastructure on the one hand and each of (a) the Branch Infrastructure (b) the NBE (c) Client systems (d) Post Office systems and (e) the Merchant Acquirer on the other hand, and shall include any associated telecommunications equipment including, without limitation, transfer management servers and physical routers;
"Termination"	means termination of this Agreement including its expiry or early termination of in accordance with the provisions hereof, and related expressions shall be construed accordingly**;**
"Termination Charge"	means the termination charge calculated in accordance with paragraph 5 of Schedule 22 of this Agreement;
"Third Line Software Support Service"	means the Services referred to in row 10 of Table A of Schedule 19;
"Third Party Software"	means any software identified as such in Schedule 13 of this Agreement;

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"Third Party Software Owner"	means the ultimate licensor of any Third Party Software;
"Till"	means a part or whole of a Stock Unit depending upon whether or not that Stock Unit is the sole charge of one individual or is shared between several;
"**TIP"**	means the Transaction Information Processing system developed and operated by Post Office;
"TIP Gateway"	means Fujitsu Services's PC on Post Office premises used for transmission of Transaction data to TIP;
"TMS"	means the transaction management service described in paragraph 7 of Schedule 17 of this Agreement;
"TMS Agent"	means part of the Horizon Service Infrastructure that accesses TMS held data;
"Token"	means a magnetic stripe card, smart card, smart key, or other physical device, bearing information about a Customer;
"Token Technology Specification"	means a document specifying the technology used by a particular APS Token;
"TPS Agent"	means the software application installed in each Data Centre for processing EPOSS Transaction data including C1 Confirmations;
"TPS Host"	means the server in each Data Centre used for processing and storing EPOSS Transaction data;
"Transaction"	means a recorded and auditable instance of business activity, involving service provision or Stock movement across organisational or service boundaries;
"Transaction Benchmarking Service"	means the Services referred to in row 12 of Table A of Schedule 19;
"Transaction Committal"	means the point at which a Transaction is irreversibly recorded in the audit trail;
"Transaction Identification (Id)"	is a means of uniquely identifying a Transaction;
"Transaction Session"	means a set of contiguous Transactions of the same type;

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"Transaction Voucher"	means a document used by Post Office as evidence of a Transaction; including as an example, and without limitation, a telephone bill;
"Transfer"	means transfer of Post Office Stock or money, the transfer of Value Stock, and/or money, either between Stock Units within an Branch, or between Branches;
"Transfer Payment"	means the sum payable pursuant to Clause 35.4 of this Agreement, calculated in accordance with paragraph 6 of Schedule 22;
"Transfer Services"	means those Services described in Schedule 22;
"TSD"	means the Technical Service Desk accessed by telephone operating as a single port of call to manage technical incidents, relating to network banking, debit card acceptance or card accounts, discovered within any of the following domains: • IBM; • EDS; • LINK; • Merchant Acquirer (Streamline); • Royal Mail Business Systems; • Fujitsu Services; • Alliance & Leicester; and any other CAPO domain or other financial institution which may be introduced in the future by Post Office;
"TSD Call"	means a telephone call to the TSD from a TSD domain seeking technical support;
"Use"	means the right of Post Office in connection with the Services and for no other purposes to load, execute, store, transmit, display, copy (for the purposes of loading, execution, storage, transmission or display) or otherwise to utilise the Software. To the extent permitted by law, such right of Use shall not include the right to reverse assemble, reverse compile, decode or otherwise translate the Software;

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"User"	means a person authorised by Post Office to use a Service;
"Value Stock"	means stock products which have a "stock value" shown on the Cash Account;
"VAT Receipt"	means a receipt for VAT purposes designed as required by HM Customs and Excise**;**
"Version History Table"	means in relation to the Clauses, a Schedule or a CCD the version history table at the front of the document;
"Void Transaction"	means a Transaction which is cancelled before Transaction Committal;
"WAN"	means Wide Area Network;
"WebRiposte"	means the Software referred to as such and identified in Table l of Schedule 13;
"Working Day"	means a day other than a Bank Holiday, a Saturday or a Sunday;
"**Working Document"**	means any document designated as a Working Document and any other document other than the Agreement, Change Control Notes executed by both parties Work Orders approved by both Parties, Contract Controlled Documents and Contract Referenced Documents. Working Documents are without prejudice to any of the parties and nothing contained therein shall be deemed or construed as affecting existing contractual obligations or creating new contractual obligations between any of the parties;
"Working Hours"	means for an individual post office, the hours during which that office is open for normal business;
"Work Order"	has the meaning set out in paragraph 4.2 of Schedule 9;

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"**Work Ordering Procedure**"	in relation to any Work Package Element, means: (1) the agreement, pursuant to the appropriate procedure referred to in Schedule 20, of: (a) a Statement of Work; and (b) Commercial Terms, relating to such Work Package Element; and (2) the issue by Post Office, and confirmation by Fujitsu Services, of a Work Order relating to such Work Package Element, in accordance with the procedure set out in Schedule 9; and (3) the issue by Post Office of a Purchase Order in accordance with the procedure set out in Schedule 9; for the avoidance of doubt the Work Ordering Procedure shall not be used for Operational Business Change or Post office Consumables;
"Work Package"	means a discrete package of work (covering the supply of goods, services or both) which is either to be contracted for in a single Work Order or to be divided into Work Package Elements each of which will be contracted for in a single Work Order;
"Work Package Element"	means any element of a Work Package which is intended to be the subject of a discrete Work Order;

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SCHEDULE 2

POLICIES AND STANDARDS

Version History

Version No	Date	Comments
1.0	31/12/02	Agreed version. BPCON302.doc

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SCHEDULE 2

POLICIES AND STANDARDS

1. INTRODUCTION

1.1 The policies and standards defined in this Schedule shall apply to all relevant aspects of the Services unless amended in accordance with Schedule 5.

1.2 Fujitsu Services shall not knowingly undertake any activity which would prevent Post Office from, or hinder it in, complying with these policies and standards, without the prior written consent of Post Office.

1.3 In this Schedule 2, unless the context otherwise requires, any reference to a paragraph is to the relevant paragraph of this Schedule.

2. GENERAL AND HEALTH AND SAFETY STANDARDS

2.1 General

2.1.1 Without limitation to the specific areas identified below, which shall not limit the generality of this paragraph 2.1.1, all Services and all Equipment shall comply to the extent required by law with all relevant legislation, including all relevant UK Regulations and, from the due date of UK implementation, EU Directives. Fujitsu Services shall ensure that Services and Equipment are maintained in compliance with any subsequent legislation throughout the term of this Agreement and shall perform any modifications necessary to ensure such continued compliance subject to Clause 6 (Changes to Services) of this Agreement. Fujitsu Services shall give advance written notice to Post Office of any such maintenance and/or modification work required under this paragraph. Post Office shall not withhold its consent under Clause 6 if to do so would cause Fujitsu Services to be in breach of any such subsequent legislation. Fujitsu Services shall be entitled to recover from Post Office the Fujitsu Service Cost (charged on an Open Book basis) of maintenance and/or modifications required to ensure such continued compliance under this paragraph (which includes, without limitation, continued compliance with relevant or subsequent legislation or mandatory standards referred to in paragraphs 3.2 and 3.3 of this Schedule 2).

2.1.2 Fujitsu Services shall, on request by Post Office, establish to Post Office's satisfaction the compliance of Services or Equipment with legislation or specified policies and standards. In the event that Fujitsu Services and Post Office fail to agree that compliance has been demonstrated satisfactorily, the matter shall be treated in accordance with the Dispute Resolution Procedure.

2.1.3 Fujitsu Services shall ensure that, where the installation of Equipment or the delivery of Services involves the alteration or extension of existing building services, such work complies with the standards set out in British Standards

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and Approved Codes of Practice which are deemed therein to satisfy the relevant regulations, including without limitation the Electricity at Work Regulations 1989 and Electricity at Work Regulations (NI) 1991 (S.R. 1991 No. 13) and BS 7671:1992, Requirements for Electrical Installation. The provisions of this paragraph 2.1.3 shall not apply in relation to the installation of PIN Pads where that installation is carried out by Post Office or a third party on behalf of Post Office except where carrying out that installation in accordance with the CCD entitled "Pin Pad Technical Installation Training Guide" (IM/MAN/022) has directly resulted in non-compliance with those standards.

2.1.4 Fujitsu Services shall give due attention to the effects on the environment of the Equipment used in the provision of OPS during manufacture, installation and use. This includes:

2.1.4.1 use of CFCs;

2.1.4.2 energy consumption;

2.1.4.3 recyclability of components;

2.1.4.4 recyclability of consumables;

2.1.4.5 waste minimisation;

2.1.4.6 use of sustainable resources;

2.1.4.7 disposal of displaced equipment and waste; and

2.1.4.8 making appropriate use of recycled materials.

2.1.5 Fujitsu Services shall adhere to relevant environmental legislation, such as the Environmental Protection Act 1990 and insofar as it relates to Northern Ireland any corresponding Northern Ireland legislation, and to the publication “Waste Management: The Duty of Care - A Code of Practice”.

2.2 Health and Safety

2.2.1 Fujitsu Services shall ensure that any Equipment installed at the Post Office Premises does not prevent Post Office and Post Office's Agents from meeting their legal health and safety responsibilities as employers, including without limitation those defined in:

2.2.1.1 the Provision and Use of Work Equipment Regulations 1998 and the Provision and Use of Work Equipment Regulations (NI) 1999; and

2.2.1.2 the Workplace (Health, Safety and Welfare) Regulations 1992 and Workplace (Health, Safety, and Welfare) Regulations (NI) 1993 (S.R. 1993 No. 37).

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Without prejudice to the application of the provisions of this paragraph 2.2.1 to the PIN Pads themselves, the provisions of this paragraph 2.2.1 shall not apply in relation to the installation of PIN Pads where that installation is carried out by Post Office or by a third party on behalf of Post Office except where carrying out that installation in accordance with the CCD entitled "Pin Pad Technical Installation Training Guide" (IM/MAN/022) has directly resulted in Post Office or Post Office's Agent's being prevented from meeting such health and safety responsibilities.

2.2.2 The Equipment shall not interfere with the health or safety at work of Users, office staff or others in the vicinity, including but without limitation interference as a result of emission of acoustic noise, vibrations, heat, fumes or other radiation, or as a result of its construction.

2.3 Data Protection Act

2.3.1 Paragraphs 2.4, 2.5, 2.6 and 2.7 set out the Parties' rights and obligations in relation to Personal Data for which Fujitsu Services is the Data Processor and Post Office or a third party is the Data Controller. Paragraph 2.8 sets out the Parties' rights and obligations if and to the extent that Fujitsu Services is the Data Controller of any Personal Data.

2.3.2 The Data Controller for particular Personal Data may be either Post Office or a third party. Except where the context otherwise requires, if the Data Controller is Post Office, all references to the Data Controller in paragraphs 2.4 to 2.8 inclusive are to be interpreted as references to Post Office.

2.4 Post Office's authority and obligations

2.4.1 For the purposes of processing the Personal Data of each Data Controller which appoints Post Office as a processor of that data, and prior to commencement of such processing Post Office shall:

2.4.1.1 obtain delegated authority from each Data Controller to appoint Fujitsu Services to process Personal Data of that Data Controller on the terms dealing with such processing set out in this Agreement;

2.4.1.2 obtain delegated authority from each Data Controller so that Fujitsu Services is entitled to appoint any of Fujitsu Services' subcontractors listed in Schedule 7 to process Personal Data of that Data Controller provided that, to the extent such processing is undertaken by a subcontractor, the subcontract incorporates terms which are equivalent in nature and extent to those dealing with such processing set out in this Agreement and which impose obligations upon that subcontractor at least as onerous as those imposed upon Fujitsu Services under this Agreement; and

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2.4.1.3 ensure that the obligations, responsibilities and duties of Fujitsu Services in this Agreement in respect of Personal Data are not wider or more onerous in nature or extent than those which Post Office accepts under its own contract with each Data Controller.

The terms referred to in this paragraph 2.4.1 do not include terms related to payment.

2.4.2 Where Post Office fails to obtain delegated authority to the full extent referred to in paragraph 2.4.1, subject to paragraph 2.4.4, the Parties agree to co-operate with each other and to execute such other additional agreements between them and/or each Data Controller as may reasonably be required to give effect to the appointment of Fujitsu Services as a processor (in accordance with the applicable provisions of this Agreement) of Personal Data on behalf of that Data Controller.

2.4.3 In respect of any Personal Data of which Post Office is the Data Controller, Fujitsu Services shall be entitled to appoint any of Fujitsu Services' subcontractors listed in Schedule 7 to process that Personal Data provided that, to the extent such processing is undertaken by a subcontractor, the subcontract incorporates terms which are equivalent in nature and extent to those dealing with such processing set out in this Agreement and which impose obligations upon that subcontractor at least as onerous as those imposed upon Fujitsu Services under this Agreement.

2.4.4 Where Post Office fails to ensure that Post Office and Fujitsu Services have delegated authority from each Data Controller to the full extent referred to in paragraph 2.4.1, or where the terms of Post Office's contract with a Data Controller do not permit the Personal Data of that Data Controller to be processed on the terms of this Agreement:

2.4.4.1 Post Office shall indemnify Fujitsu Services in respect of all claims, demands, actions, costs (including legal costs), expenses, losses and damages arising from or incurred by reason of any processing of Personal Data by Fujitsu Services in the absence of such delegated authority or permission, unless such processing by Fujitsu Services is outside Post Office's or the Data Controller's instructions or otherwise in breach of this Agreement; and

2.4.4.2 Fujitsu Services shall not be required to perform any additional obligations or any reduced or modified obligations as a result of such failure or lack of permission without its agreement in accordance with the Change Control Procedure.

2.4.5 All instructions given by Post Office to Fujitsu Services (on its own behalf as Data Controller, or on behalf of any other Data Controller) in respect of Personal Data shall at all times be in accordance with the laws of the United Kingdom.

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2.4.6 Fujitsu Services rights and obligations

2.4.6.1 Fujitsu Services shall process Personal Data in accordance with the instructions of each Data Controller which are as set out in the applicable provisions of the CCDs listed in Table A of Schedule 18 dealing with such processing (or as may be agreed under the Change Control Procedure).

2.4.6.2 Fujitsu Services shall obtain no rights of any nature in Personal Data.

2.4.6.3 Personal Data shall not be mechanically copied or otherwise reproduced by Fujitsu Services and shall not be altered or supplemented with other data except to the extent necessary to comply with the provisions of this Agreement.

2.4.6.4 So far as this Agreement requires or as may be agreed under the Change Control Procedure, Fujitsu Services shall arrange for the prompt and safe return of all Personal Data together with all copies thereof which are under Fujitsu Services' control to Post Office or the relevant Data Controller.

2.4.6.5 Fujitsu Services shall destroy or dispose of Personal Data in accordance with the applicable provisions of this Agreement.

2.4.7 Subject Information Requests

For the purposes of this paragraph 2,

"Subject Information Request" means a valid request (as provided for in the Data Protection Act 1998) by or on behalf of a Customer or User for a copy of Personal Data of that Customer or User held or which may be held by Fujitsu Services;

"Response Capability" means in relation to any Subject Information Request for Personal Data in Transaction records held by Fujitsu Services notified to Fujitsu Services in accordance with paragraph 2.4.9, Fujitsu Services' ability to respond to that request within the applicable time limit taking into account the following factors:

2.4.7.1 the number, type and frequency of Subject Information Requests notified to Fujitsu Services and/or to which Fujitsu Services is already responding at the time of such notice;

2.4.7.2 the number of Audit Record Queries to which Fujitsu Services is also responding;

2.4.7.3 the processing time estimated by Fujitsu Services for retrieval of data required to satisfy each Subject Information Request;

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2.4.7.4 where Subject Information Requests and/or Audit Record Queries cover the same dates, contention for archive access could occur; and

2.4.7.5 the availability of workstations on which to do the work.

"Extraction Rate" means the rate at which information required to satisfy a Subject Information Request for Personal Data in Transaction records can be loaded from the archive, sorted as required and the necessary information transferred to CD ROM, including all associated intervening manual and automated processes.

2.4.8 Fujitsu Services shall record and then refer all written Subject Information Requests (other than those notified to Fujitsu Services in accordance with paragraph 2.4.9 of this Schedule 2) it receives to Post Office or (if Post Office shall have previously notified Fujitsu Services of the appropriate Data Controller contact name and address) to the appropriate Data Controller within five (5) days of receipt of the request, whether or not the request was received in error.

2.4.9 Post Office shall notify Fujitsu Services of each Subject Information Request it requires Fujitsu Services to deal with, providing the time limit applicable in respect of each such request and sufficient information in each case to enable Fujitsu Services to locate and retrieve the information requested or to confirm that the information is not held by Fujitsu Services, as the case may be. In respect of each Subject Information Request for Personal Data which are or may be held by Fujitsu Services in Transaction records, such information shall include the date or date range, the relevant personal identifier and, where available, the Branches to be covered by the search, giving the FAD code for each such Branch.

2.4.10 The following provisions shall apply in respect of Subject Information Requests for Personal Data which are or may be held by Fujitsu Services in Transaction records:

2.4.10.1 A Subject Information Request which satisfies the conditions set out in paragraph 2.4.10.2 below can be responded to by Fujitsu Services at an Extraction Rate of forty five (45) days worth of Transaction information per Branch requested per day. Each such Subject Information Request which, if processed at that rate (and allowing for other Subject Information Requests then being or which are required to be processed by Fujitsu Services) would be responded to within the time limit notified to Fujitsu Services for that request, shall be within the Response Capability of Fujitsu Services.

2.4.10.2 The conditions referred to in 2.4.10.1 above are that:

(a) the Outlet FAD codes for the Branches covered by the Subject Information Request are provided to Fujitsu Services;

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(b) the Subject Information Request is requested by Post Office after commencement of NB Pilot (Soft Launch);

(c) the period to which the Subject Information Request relates is between 45 and 90 consecutive days; and

(d) the rate at which Audit Record Queries are being processed by Fujitsu Services at the time of receipt of the Subject Information Request is less than five hundred and eighty (580) per year on a rolling year basis.

2.4.10.3 Fujitsu Services shall assess and notify Post Office which of the Subject Information Requests notified to it by Post Office (other than those within the Response Capability in accordance with paragraph 2.4.10.1 above) can be responded to within the Response Capability and those in relation to which Fujitsu Services' ability to respond is outside the Response Capability.

2.4.10.4 If Fujitsu Services' ability to respond to a Subject Information Request is within the Response Capability, Fujitsu Services shall, subject to Fujitsu Services' current and expected future workload for dealing with both Audit Record Queries and Subject Information Requests remaining the same or decreasing, respond to that request within the applicable time limit.

2.4.10.5 Subject to paragraph 2.4.10.6, if Fujitsu Services' ability to respond to a Subject Information Request is outside the Response Capability, Fujitsu Services shall notify Post Office how long it would take to respond to that Subject Information Request, and shall (subject to Fujitsu Services' current and expected future workload for dealing with both Audit Record Queries and Subject Information Requests remaining the same or decreasing) respond to that request within Fujitsu Services' estimated response time plus 10% of that time.

2.4.10.6 If Fujitsu Services' ability to respond to a Subject Information Request is outside the Response Capability and Fujitsu Services reasonably believes that at its current workload it may never be able to respond to that request, it shall notify Post Office of that fact and Post Office may nevertheless request Fujitsu Services to respond to that request as soon as reasonably practicable. Post Office acknowledges and agrees that for so long as Fujitsu Services' ability to respond to such requests remains outside the Response Capability, Fujitsu Services will not be able to respond to them.

2.4.10.7 Unless agreed otherwise, Fujitsu Services' response to each Subject Information Request shall be in the form of an Excel (or other equivalent product) spreadsheet and shall be provided to Post Office (or the relevant Data Controller) on CD ROM.

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2.4.10.8 Fujitsu Services shall seek to accommodate the priorities (of which it is notified) of Post Office for Subject Information Requests to be responded to in a particular order. Post Office agrees that if by accommodating such priorities, Fujitsu Services would be unable to achieve a time limit for a Subject Information Request to which Fujitsu Services is responding or is required to respond, that time limit shall not be applicable and (unless otherwise agreed) Fujitsu Services shall respond to such request as soon as reasonably practicable.

2.4.10.9 If the number, type and frequency of Subject Information Requests Fujitsu Services receives from Post Office and/or Data Controllers are such that some or all of those requests are not being responded to within applicable time limits or Fujitsu Services' ability to respond is or is forecast to be outside the Response Capability the following shall apply:

(a) the parties shall assess the need for changes to the relevant system architecture and/or investment in additional hardware, software or other equipment to enable forecast numbers of Subject Information Requests to be responded to within applicable time limits, with any necessary consequential changes having been made to the Response Capability; and

(b) any such investment shall be the subject of a CCN and shall not be undertaken by Fujitsu Services without Post Office's prior agreement.

2.4.11 In respect of any Subject Information Requests to which paragraph 2.4.10 above does not apply, Fujitsu Services shall respond to those requests as soon as reasonably practicable taking into account the time limits notified to Fujitsu Services for those requests and the technical limitations of any systems used to source the information requested.

2.4.12 Post Office shall:

2.4.12.1 be responsible for referring Subject Information Requests received by it from Fujitsu Services to the appropriate Data Controller;

2.4.12.2 promptly notify Fujitsu Services when Post Office becomes aware that Fujitsu Services' assistance is required with a Subject Information Request; and

2.4.12.3 pay Fujitsu Services' Charges for assisting with Subject Information Requests (but not for referring Subject Information Requests to Post Office or to third party Data Controllers, for which Post Office shall not be charged) such Charges to be calculated on a time and materials basis using Fujitsu Services rates set out in paragraph 6.2 of Schedule 10 (Charges).

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2.5 Audit

If requested by Post Office, Fujitsu Services will allow reasonable access to its data processing facilities and allow its procedures and documentation to be submitted for inspection (on Fujitsu Services' premises) by the auditors of each Data Controller in order to ascertain compliance with the terms of this Agreement. Post Office shall give Fujitsu Services reasonable notice of such access and/or inspection being required by a Data Controller. Fujitsu Services' charges for assistance provided to Post Office or a Data Controller for the purposes of such access or inspection (which shall be paid by Post Office) shall be calculated on the basis of Fujitsu Services' rates set out in paragraph 6.2 of Schedule 10 (Charges).

2.6 Security and disclosure of Personal Data

2.6.1 Fujitsu Services shall at all times:

2.6.1.1 preserve the integrity of Personal Data; and

2.6.1.2 maintain security over Personal Data,

in accordance with the provisions of this Agreement, including (but not limited to) paragraph 4.1.

2.6.2 The operational and technological processes and procedures in place to safeguard against any unauthorised access, loss, destruction, theft, use or disclosure of Personal Data shall be those which relate to Post Office Data set out in this Agreement.

2.6.3 Fujitsu Services shall not disclose any Personal Data to any person except to such of its employees, agents, sub-contractors, third parties performing software maintenance or support and consultants in each case who require that information in order for Fujitsu Services to perform its obligations under this Agreement. Prior to disclosing Personal Data or any portion thereof to such employees, agents, subcontractors, third parties or consultants, Fujitsu Services shall ensure the relevant employee, agent, subcontractor, third party or consultant is subject to a written contract with Fujitsu Services requiring them to comply with Fujitsu Services' obligations herein regarding the security and confidentiality of the Personal Data and to comply with Fujitsu Services' instructions in processing it. Fujitsu Services shall not knowingly cause or allow an employee, agent, subcontractor, third party performing software maintenance or support or consultant to process Personal Data in a way that Fujitsu Services would not itself be entitled to process it under this Agreement.

2.6.4 Fujitsu Services may disclose or transfer outside the European Economic Area Personal Data which are an integral part of diagnostic data or data generated for diagnostic purposes subject to and in accordance with the provisions of paragraph 2.6.3 of this Schedule 2 and subject to the proviso that either:

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2.6.4.1 the written contract referred to in paragraph 2.6.3 contains such other provisions (in addition to those relating to security and confidentiality of the Personal Data) as are necessary to satisfy the requirements of the eighth data protection principle of the Data Protection Act 1998; or

2.6.4.2 those requirements are otherwise satisfied or do not apply.

Fujitsu Services shall notify Post Office in writing whenever Personal Data are disclosed or transferred outside the European Economic Area in accordance with this paragraph 2.6.4, such notice to state who such Personal Data have been disclosed or transferred to and the purpose of such disclosure or transfer and to contain, in general terms, a description of such Personal Data.

2.6.5 Except as permitted by paragraph 2.6.4, Fujitsu Services shall not transfer Personal Data outside the European Economic Area.

2.7 Indemnity

Fujitsu Services shall indemnify Post Office in respect of all claims, demands, actions, costs (including legal costs), expenses, losses and damages arising from or incurred by reason of any breach by Fujitsu Services of any of paragraphs 2.4.6.1, 2.4.6.3, 2.4.6.4, 2.4.6.5, 2.4.7, 2.4.8, 2.4.10 (other than 2.4.10.2(a)), 2.4.11, 2.5 and 2.6 provided that such breach caused a Data Controller to fail to comply with the Data Protection Act 1998 and to the extent such claims, demands, actions, costs (including legal costs), expenses, losses or damages arise in connection with that failure.

2.8 Fujitsu Services as Data Controller

2.8.1 Without limiting the generality of Clause 17.2 (Personal Data) to this Agreement, Fujitsu Services shall if and when it is acting as a Data Controller rather than a Data Processor of Personal Data:

2.8.1.1 ensure that having regard to the purpose or purposes for which Personal Data were obtained and further processed, it has taken reasonable steps to ensure the accuracy of the Personal Data;

2.8.1.2 ensure that its notifications to the Information Commissioner are correct and up to date;

2.8.1.3 respond in a timely fashion to all Subject Information Requests in relation to Personal Data; and

2.8.1.4 respond in a timely fashion to all requests for information or assistance from the Information Commissioner.

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3. EQUIPMENT STANDARDS

3.1 Fujitsu Services shall ensure that all Equipment is rated for continuous operation, and is capable of functioning safely and reliably for an unlimited period, attended or unattended, in the installed environment.

3.2 Each installation of such Equipment shall be physically and electrically safe and in compliance with relevant legislation and recognised best practice. Such installation shall not cause interference with other devices. Such Equipment may be required to be installed in residential premises.The provisions of this paragraph 3.2 shall not apply in relation to the installation of PIN Pads where that installation is carried out by Post Office or by a third party on behalf of Post Office except where carrying out that installation in accordance with the CCD entitled "Pin Pad Technical Installation Training Guide" (IM/MAN/022) has directly resulted in that installation being non-compliant with relevant legislation or recognised best practice or not being physically or electrically safe.

3.3 In paragraph 3.2, "relevant legislation and recognised best practice" includes mandatory standards, including all relevant UK Regulations and, from the due date of UK implementation, EC Directives. Such Equipment shall be maintained so as to be compliant with any subsequent legislation or mandatory standards.

3.4 Fujitsu Services shall prove compliance with legislation or mandatory standards as and when necessary.

3.5 Fujitsu Services shall ensure that all information technology, telecommunications or electrical business Equipment (including but not limited to PIN Pads but not the power supply thereto) complies with BS EN 60950:2000 and any subsequent amendments, and that Equipment comprising AC power adapters (which for the avoidance of doubt excludes PIN Pads) complies with BS EN 60065:1998.

3.6 Fujitsu Services shall ensure that workstation aspects of the Equipment, excluding, for the avoidance of doubt, PIN Pads and any other equipment which is used predominantly by Customers rather than by Users, shall comply with The Health and Safety (Display Screen Equipment) Regulations 1992, which implement Council Directive 90/270/EEC on working with display screen Equipment.

3.7 Fujitsu Services shall ensure that any Equipment containing laser emitters (including without limitation laser printers and laser bar-code scanners) complies with BS EN 60825:1992.

3.8 Fujitsu Services shall ensure that all electrical Equipment complies with:

3.8.1 the Radio Equipment and Telecommunications Terminal Equipment Regulations 2000 and regulations 5 and 7 of the Electrical Equipment (Safety) Regulations 1994; and

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3.8.2 the requirements of BS 7671: 2001 in relation to the method of connection to the main supply and associated equipment earth leakage currents, insofar as it applies to the equipment supplied by Fujitsu Services at the point of connection.

3.9 Fujitsu Services shall arrange for regular electrical safety testing of all relevant elements of the Post Office Service Infrastructure installed in Post Office Premises, thereby enabling Post Office to meet its legal obligations under the Electricity at Work Regulations 1989 and Electricity at Work Regulations (NI) 1991 (S.R. 1991 No. 13).

3.10 Fujitsu Services shall ensure that any Equipment connected, or intended for connection, to weighing devices meets the requirements of Schedule 3 (Applications referred to in Article 1(2)(a) of the NAWI Directive) of the Non-automatic Weighing Instruments Regulations 2000.

3.11 Fujitsu Services shall ensure that all visual display terminal Equipment (including without limitation keyboards but excluding PIN Pads) complies with the relevant requirements of ISO 9241:1992.

3.12 Fujitsu Services shall ensure that all Equipment that falls within the scope of either:

3.12.1 the Electromagnetic Compatibility ("EMC") Regulations 1992, which implement Council Directive 89/336/EEC (as amended by Directive 91/26/EEC, Directive 92/31/EEC and Directive 93/86/EEC); or

3.12.2 the Radio Equipment and Telecommunications Terminal Equipment Regulations 2000, which implement Council Directive 1999/5/EC and which replaced the provisions in the regulations referred to in paragraph 3.12.1 relating to radio and/or telecommunications terminal equipment,

complies with those Regulations.

3.13 Fujitsu Services shall ensure that Equipment covered by EN45501:1992 complies with clause A4.5 (voltage variations) and Annex B of that standard.

3.14 Fujitsu Services shall ensure that the acoustic noise emission of any item of Equipment does not materially add to average background noise levels of the environment in which it is installed, and shall in no event exceed 60dB(A) when measured at a distance of 1 metre and in accordance with ISO 7779.

3.15 Fujitsu Services shall ensure that all items of Equipment to which BS EN 60529:1992 applies, have an Index of Protection rating of IP3X as defined in BS EN 60529:1992.

3.16 Fujitsu Services shall ensure that Equipment complies with EN 55022 (Emissions) Information Technology Equipment - Radio Disturbance Characteristics - Limits and Methods of Measurements.

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4. POST OFFICE'S POLICIES AND STANDARDS

4.1 Security Policy

4.1.1 Fujitsu Services shall minimise and control liabilities to itself and Post Office.

4.1.2 Fujitsu Services shall maintain an organised security infrastructure covering:

4.1.2.1 the agreement of a security policy;

4.1.2.2 allocation of security responsibilities;

4.1.2.3 security education and training;

4.1.2.4 reporting security Incidents;

4.1.2.5 physical security control;

4.1.2.6 virus control;

4.1.2.7 business continuity;

4.1.2.8 control of Software;

4.1.2.9 safeguarding Post Office records;

4.1.2.10 information classification;

4.1.2.11 compliance with data protection and other legislation;

4.1.2.12 information exchange control;

4.1.2.13 Contractor's sub-contractors and suppliers;

4.1.2.14 compliance with security policy;

4.1.2.15 the management of fraud and risk during operation of the Services compatible with Clause 8.1 of this Agreement.

4.1.3 Fujitsu Services shall be compliant with ISO 17799.

4.1.4 Security Standards

Fujitsu Services shall adhere to the relevant parts of Post Office's security standards and requirements listed below, and co-operate with Post Office to assist Post Office in complying with those standards and requirements:

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4.1.4.1 "Social Security IT Security Standards" to the extent applicable to OBCS and to the Post Office Infrastructure Services necessary to deliver OBCS;

4.1.4.2 "Post Office Counters Information Systems Security Policy"; and

4.1.4.3 "A Code of Practice for Post Office Information Systems Security".

4.1.5 Data Security

The confidentiality, integrity, validity and completeness of data shall be maintained throughout all storage, processes and transmissions, including during periods of Service Failure and recovery from Service Failure.

4.1.6 Prosecution Support

Fujitsu Services shall ensure that all relevant information produced by the Horizon Service Infrastructure at the request of Post Office shall be evidentially admissible (and, where relevant capable of certification) in accordance with the requirements of the law in relation to criminal proceedings.

At the direction of Post Office, audit trail and other information necessary to support live investigations and prosecutions shall be retained for the duration of the investigation and prosecution irrespective of the normal retention period of that information.

5. CONTRACTOR'S POLICIES AND STANDARDS

5.1 Quality Management System

5.1.1 Fujitsu Services shall operate a quality management system which complies with BS EN ISO 9001:2000 for all its activities within the scope of this Agreement.

5.1.2 The quality management system shall be applied to all aspects of the delivery of Services hereunder.

5.1.3 The quality management system shall be audited and certified by a BSI accredited auditor, who is independent of both Fujitsu Services and Post Office:

5.1.3.1 in any event, at intervals of not longer than twelve (12) months; and

5.1.3.2 in addition, within twenty (20) Working Days of any such request.

5.1.4 Fujitsu Services shall within one (1) month of each audit:

5.1.4.1 provide Post Office with copies of all reports produced by the auditor on the quality management system; and

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5.1.4.2 notify Post Office of and carry out Fujitsu Services' proposed follow up actions where required.

5.2 Human-Computer Interface

5.2.1 Fujitsu Services shall maintain the CCD entitled "Horizon OPS Style Guide".

5.2.2 The Horizon OPS Style Guide shall set out general guidelines for the Human-Computer Interface, including without limitation details of screen layouts, system navigation routes and help and manual entry facilities.

5.2.3 Fujitsu Services shall use reasonable endeavours to specify a Human-Computer Interface which is intuitive and easy to use by Users, including Counter Clerks, to minimise errors and delays.

5.2.4 Fujitsu Services shall ensure that the Human-Computer Interface provides a consistent look and feel across all applications delivered by Fujitsu Services over the Post Office Service Infrastructure, and that it is easily adapted to facilitate the introduction of new applications. Unless the parties agree otherwise, this provision shall not apply in respect of third party applications selected by Post Office.

6. ADDITIONAL NBS POLICIES AND STANDARDS

6.1 Encryption keys used that could directly or indirectly expose plain text PIN values and any keys used in association with MACs shall be managed in accordance with the principles established in ISO 8732 and ISO 11568 as applicable.

6.2 The key management scheme used between each PIN Pad and the rest of the Post Office Service Infrastructure shall be the DUKPT scheme as defined by Section 4.7 and Appendix A of the ANSIX9.24-1998 standard.

6.3 The HSM shall be conformant to the standards set out in the versions of FIPS 140-1 level 3 and ISO 9564 1st Edition 1991 section 6.3.1 as specified in the LINK information security standard issued January 2001 (subject to such dispensations from that Standard as LINK may grant from time to time).

6.4 Secure remote initialisation of any PIN Encryption Keys held in PIN Pads will be put in place (by the applicable date specified in the NB Project Plan by Fujitsu Services) for PIN Encryption Keys within the NB System using an enhanced version of the key management service and manual procedures used for the Existing Services. Until such time as remote key initialisation is in operation, Fujitsu Services shall use secure key generation and loading processes managed in conjunction with the supplier of the PIN Pads.

6.5 Once captured, Sensitive Data shall remain encrypted whilst it is within the Horizon Service Infrastructure whether in transit or in storage, save as necessary during the

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process of translation from encryption under keys used within the Horizon Service Infrastructure to encryption under keys in force at the relevant time in the NBE.

7. SYSTEM AND DATA SECURITY

7.1 Legal and Regulatory Controls

7.1.1 Regulation of Investigatory Powers Act 2000

The security features, capabilities and related procedures provided by Fujitsu Services in respect of the NBS shall be compliant with the requirements of Part 3 of the Regulation of Investigatory Powers Act 2000 (the "Act"). In the event that any provision of this Agreement imposes an obligation on Fujitsu Services which is inconsistent with any requirement imposed by the Act, the requirement of the Act shall prevail over the provisions of this Agreement and those provisions shall cease to apply to the extent of such inconsistency.

7.1.2 Other Legal and Regulatory Controls

Fujitsu Services shall comply with all banking laws and regulations, including all relevant instructions, standards and directions of a regulatory authority, which are in force and applicable to Fujitsu Services on signature of the CCN to introduce the NBS into the Agreement. Fujitsu Services shall co-operate with Post Office to agree any necessary changes to ensure compliance with any subsequent changes to such laws, regulations, instructions, standards and directions and the Banking Code, such changes (and Fujitsu Services' reasonable charges in respect of such changes) to be agreed and introduced under the Change Control Procedure.

7.1.3 CAPO

The parties agree and acknowledge that in the event that additional or different legal or regulatory requirements arise in respect of provision of the NBS to CAPO beyond those which apply for provision of the NBS to other Banks then compliance by Fujitsu Services with such additional or different legal and/or regulatory requirements and the charges for such compliance will be dealt with through the Change Control Procedure.

7.2 Security for the Existing Services

The security features, facilities and functionality of the NBS set out in this paragraph 7 shall not reduce, mitigate, add to or modify any of Fujitsu Services' security obligations under this Agreement in respect of the Services as they existed immediately prior to the date of approval of the CCN which introduced the NBS.

7.3 Security Standards

7.3.1 Fujitsu Services shall adhere, in providing the NBS, to the security standards and requirements referred to in paragraph 4.1.4.2 and 4.1.4.3 of Schedule 2. Fujitsu Services shall co-operate with Post Office (and shall provide such

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assistance as may reasonably be required by Post Office) in developing Post Office's network banking automation security policy, but shall not undertake any new or modified obligations arising in respect of that policy, save as may be agreed and introduced under the Change Control Procedure. Fujitsu Services' charges in respect of such co-operation and assistance provided at any time following completion of NB Go Live shall be paid by Post Office to Fujitsu Services and calculated on a time and materials basis using the applicable rates specified in paragraph 4.1 of Annex D to Schedule 10.

7.3.2 Fujitsu Services shall update the CCDs entitled "ICL Pathway Security Policy" (RS/POL/002) and "Security Functional Specification" (RS/FSP/001) to document the NBS security features, facilities and/or functionality provided by Fujitsu Services in accordance with this Agreement.

7.4 Security Organisation and Management

7.4.1 Security for the NBS shall be managed and organised by Fujitsu Services in accordance with the CCD entitled "ICL Pathway Security Policy" (RS/POL/002) once updated in accordance with paragraph 7.3.2 of this Schedule 2.

7.4.2 In any investigation carried out by Post Office and/or by Fujitsu Services of any potential or actual security breach or threat, Post Office and Fujitsu Services shall report to each other (or Fujitsu Services shall report to Royal Mail, if required by Post Office) any actual or potential threats identified in the course of such investigation that may have a material adverse effect upon the NBS itself or End to End Banking. Fujitsu Services and Post Office shall agree the procedures by which such threats shall be reported and the methodology for investigating and resolving security incidents (including disputed Banking Transactions) associated with the NBS and/or End to End Banking. Such methodology shall be recorded by Post Office in the CCD entitled "Security Incident Management" by the applicable date specified in the NB Project Plan and, once agreed by Fujitsu Services (such agreement not to be unreasonably withheld), the relevant sections of that CCD setting out those procedures which impose obligations on Fujitsu Services in respect of the NB System shall be referenced in the CCD entitled "ICL Pathway Security Policy" (RS/POL/002) by the applicable date specified in the NB Project Plan .

7.4.3 Fujitsu Services shall not unreasonably withhold assistance requested by Post Office (or by Post Office on behalf of Royal Mail) in connection with the investigation and resolution of any actual or potential security breach or threat.

7.4.4 The scope of the CCDs entitled "Security Incident Management" and "ICL Pathway Security Policy" (RS/POL/002) shall include all potential security breaches or threats, other than those arising in exceptional circumstances.

7.4.5 Where this Agreement does not cover potential security breaches or threats Fujitsu Services' charges in respect of co-operation and assistance in respect of such breaches or threats (which shall be paid by Post Office to Fujitsu Services)

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shall be calculated on a time and materials basis using the applicable rates specified in paragraph 4.1 of Annex D to Schedule 10.

7.5 Development and Maintenance

Fujitsu Services shall comply with the relevant parts of ISO17799 in the development and implementation of the NBS. Security related assumptions and processes, upon which the NBS may depend, which are identified and/or developed by Fujitsu Services during the design of the systems required to support the operation of the NBS shall be reported to Post Office's network banking automations security working group and, as may be required by Post Office, to Royal Mail, unless Post Office requests otherwise.

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SCHEDULE 3

AUDIT

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON303.doc

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SCHEDULE 3

AUDIT

1. SCOPE

This Schedule identifies the audit requirements with which Fujitsu Services and its sub-contractors shall comply.

2. POST OFFICE'S AGENTS

2.1 For the purpose of this Schedule, Post Office's Agents shall mean:

2.1.1 Post Office;

2.1.2 statutory or regulatory auditors of Post Office;

2.1.3 external auditors appointed by Post Office; and

2.1.4 authorised agents or successors of the persons listed in paragraphs 2.1.1, 2.1.2 and 2.1.3 above.

3. RECORD KEEPING

3.1 Fujitsu Services shall maintain or shall cause to be maintained an audit trail of all Transactions and Events in strict conformance to the relevant standards contained in the documents referred to in paragraph 4.1.4 of Schedule 2.

3.2 The audit trail is specified in the CCD entitiled “Audit Trail Functional Specification” (CR/FSP/006).

4. ACCESS

4.1 Fujitsu Services shall provide Post Office's Agents access to such additional material as may be reasonably required to support the Records. Such access shall include access to:

4.1.1 premises;

4.1.2 facilities;

4.1.3 services;

4.1.4 documentation;

4.1.5 information (magnetic or otherwise);

4.1.6 staff;

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4.1.7 procedures; and

4.1.8 timesheets and other data used directly as a basis for charging, belonging to Fujitsu Services, which relate to the provision of the Post Office Services.

4.2 Fujitsu Services shall ensure that Post Office's Agents can gain access to the Post Office Data held by Fujitsu Services in Branches to enable internal Post Office audit requirements to be met.

4.3 Fujitsu Services shall provide reasonable assistance at all times during the currency of this Agreement for the purposes of allowing Post Office to obtain such information as is necessary to fulfil Post Office's obligations to supply information for parliamentary, judicial, or administrative purposes.

4.4 On notification of an audit as specified in paragraph 6 of this Schedule Fujitsu Services shall provide Post Office's Agents with reasonable access to the audit trail in paragraph 3.1 of this Schedule and the facility to interrogate that audit trail using reasonably selected criteria.

4.5 Post Office shall require Post Office's Agents to comply with Fujitsu Services' reasonable security requirements whilst on the Fujitsu Services' premises, the scope of which Fujitsu Services shall notify to Post Office's Agents directly on notification of audit.

5. AUDIT STANDARDS

Without prejudice or limit to Post Office's general rights to audit, audits by Post Office's Agents shall be conducted from time to time in accordance with the standards laid down in the Post Office Internal Audit Standards.

6. NOTIFICATION OF AUDIT

6.1 Subject to Clause 37.3 (Audit), Fujitsu Services and Post Office shall from time to time agree arrangements (such agreement not to be unreasonably withheld or delayed), including timescales, for audits required by Post Office.

6.2 With respect to Clause 37.3 (Audit), where the investigations find no evidence of fraudulent activity or other impropriety by Fujitsu Services or Fujitsu Services' agents, then at the discretion of Post Office, Fujitsu Services may be paid reasonable additional charges for its assistance.

7. RESPONSE TO AUDITS

7.1 General

7.1.1 Post Office's Agents may produce reports to Post Office indicating areas of non-compliance with the Agreement or any other reports they deem appropriate. Post Office's Agents may also make recommendations.

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7.1.2 Following each audit Post Office shall provide, to Fujitsu Services, a report approved by Post Office's Agents indicating:

7.1.2.1 any areas of non-compliance with this Agreement which Fujitsu Services is required to rectify; and

7.1.2.2 any audit recommendation with which Post Office requests Fujitsu Services to comply.

7.1.3 Post Office shall give Fujitsu Services a minimum of thirty (30) days to review the factual issues relevant to Fujitsu Services which are raised by the audit reports and to comment upon the recommendations.

7.1.4 In the event that Fujitsu Services disputes the findings of any audit then the Dispute Resolution Procedure shall be invoked.

7.2 Action on agreed Non-Compliance

Any agreed non-compliance shall constitute a Default and Fujitsu Services shall at Fujitsu Services' own expense, implement any changes necessary to remedy areas of non-compliance with the terms of the Agreement as identified by Post Office's Agents.

7.3 Action on Recommendations

Post Office may request Fujitsu Services to implement audit recommendations in accordance with the provisions of the Change Control Procedure.

7.4 Evidence

Fujitsu Services shall provide, in accordance with the timescales agreed in the implementation plan for any change arising from an audit, evidence, either documentary or demonstrative, of changes required by Post Office in accordance with paragraphs 7.2 and 7.3 above, and shall, if required, provide access to the representatives of Post Office, to permit Post Office's Agents to monitor and confirm the implementation of such changes.

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SCHEDULE 4

GOVERNANCE

Version History

Version No.	Date	Comments
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SCHEDULE 4

GOVERNANCE

1. MEETINGS

1.1 General

1.1.1 Subject to paragraphs 2 and 3 of this Schedule, Forum Decisions shall be taken in the following meetings (each a "Forum"):

1.1.1.1 Executive Forum;

1.1.1.2 New Business Forum;

1.1.1.3 Joint Architecture Forum;

1.1.1.4 Demand Planning Forum;

1.1.1.5 Project Boards;

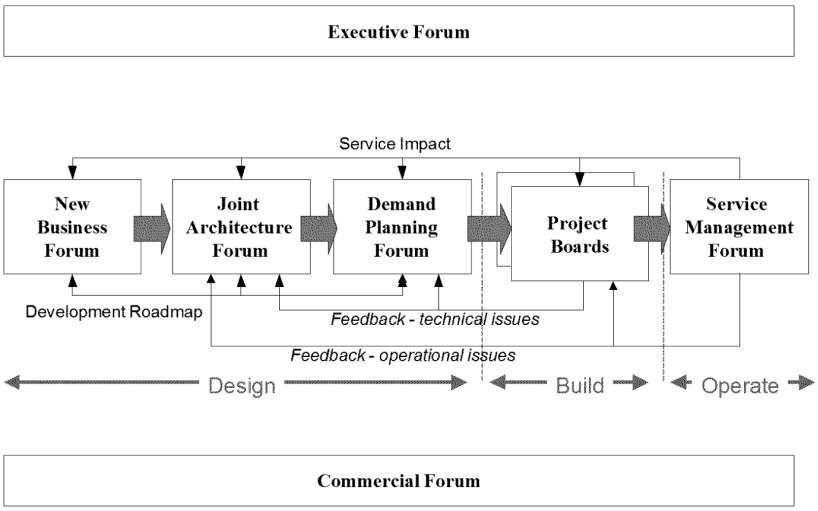
1.1.1.6 Commercial Forum; and

1.1.1.7 Service Management Forum.

1.1.2 The diagram below, which is provided for illustrative purposes only, describes the interactions between each of the Forums in relation to the solution life cycle, the top level role of the Executive Forum and the involvement of the Commercial Forum throughout the solution life cycle.

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1.1.3 Annex 1 to this Schedule sets out in relation to each Forum:

1.1.3.1 the Post Office members of that Forum;

1.1.3.2 the Fujitsu Services members of that Forum;

1.1.3.3 the responsibilities and purpose of that Forum;

1.1.3.4 the frequency with which that Forum will meet unless agreed otherwise by the Parties;

1.1.3.5 the start date by which that Forum shall be established; and

1.1.3.6 certain other general information as relevant to that Forum.

1.1.4 If a member of a Forum is not able to attend a meeting of a Forum, a fully empowered deputy shall be nominated by the relevant Lead Attendee to take his/her place.

1.1.5 On each occasion a Forum meets, Post Office shall nominate one of its attendees to act as secretary. The nominated meeting secretary shall record in writing all agreed Forum Decisions taken in that Forum meeting. Such minutes shall be agreed by the Lead Attendees as a true and complete record of the Forum Decisions. Such agreement shall take place at the meeting or within 48 hours of the end of the meeting.

1.1.6 Save to the extent that a matter is one of the “Reserved Matters” described in paragraph 3 of this Schedule, Forum Decisions agreed by a Forum will be

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binding on the Parties provided they are within scope of the relevant Forum's responsibilities as described in Annex 1 to this Schedule 4.

1.1.7 Members of a Forum may, with the consent of the other Party's Lead Attendee (such consent not to be unreasonably withheld or delayed), invite other persons to attend meetings of a Forum.

1.1.8 At least once in every calendar year, the members of each Forum shall discuss and review whether the frequency with which their Forum meets should be altered.

1.1.9 Each Forum shall be responsible for agreeing any changes to the CCDs for which it is the Owning Forum in accordance with, subject to the exceptions specified in paragraph 1 of Schedule 5, the Soft Change Control Procedure.

1.1.10 Where Fujitsu Services or Post Office becomes aware of an urgent and important issue which it has been unable to resolve (in accordance with paragraph 2.1 of this Schedule or otherwise) without calling a meeting of the relevant Forum, it may request an urgent meeting of that Forum. Such requests shall be made to:

1.1.10.1 the relevant Post Office Lead Attendee, in the case of a request by Fujitsu Services; or

1.1.10.2 the relevant Fujitsu Services Lead Attendee, in the case of a request by Post Office,

who shall not unreasonably refuse such request and, if the request is granted, shall co-operate with the requesting Party to arrange for a meeting of the relevant Forum to be convened as soon as is reasonably practicable.

1.1.11 In the event that a meeting of a Forum decides that it has an issue to resolve which is outside its responsibility or authority or which requires expertise not provided by its usual attendees, then the Lead Attendees of that Forum shall prepare an agreed joint written statement of the issue and:

1.1.11.1 if the issue relates to the interpretation of this Agreement or to the amount or terms of invoices, then the issue shall be referred to the Commercial Forum for resolution;

1.1.11.2 in all other cases, the issue shall be notified to the Relationship Managers of both Parties who will arrange for it to be discussed at the:

(a) next meeting of the Forum best qualified (taking into account the nature of the issue and the responsibilities of that Forum) to deal with that issue, as agreed between the Lead Attendees of the Forum which originated the issue; or (if none of the Forums is agreed

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as appropriate and except in the case of the Executive Forum),

(b) next meeting of the Executive Forum, or otherwise discussed by the attendees of the Executive Forum.

1.1.12 Notwithstanding the provisions of paragraph 1.1.7 of this Schedule, Fujitsu Services shall use its reasonable endeavours to secure the regular attendance of suitable representatives of Escher Group Ltd at meetings of the New Business Forum and the Joint Architecture Forum at no cost to Post Office.

1.1.13 The attendance of Fujitsu Services members at Forum meetings shall be at no additional cost or charge to Post Office.

1.1.14 The attendance of representatives of Subcontractors (including without limitation those of Escher Group Ltd) at Forum meetings shall be at no additional cost or charge to Post Office.

1.1.15 Upon the request of Post Office, and subject to:

1.1.15.1 reasonable notice being given; and

1.1.15.2 an appropriate representative being available,

Fujitsu Services shall procure that an appropriate representative shall attend any meeting between Post Office and a third party where the purpose of such meeting is to discuss matters similar to those dealt with by the Joint Architecture Forum and any Project Board.

2. MANAGEMENT ROLES

2.1 Save to the extent that a matter is one of the "Reserved Matters" set out in paragraph 3 of this Schedule, and subject to paragraph 2.4 of this Schedule, where urgent Forum Decisions are required to be made before the next scheduled meeting of the relevant Forum they shall be made jointly by the Post Office Lead Attendee and the Fujitsu Services Lead Attendee (or their authorised deputies) (each a "Manager") of that Forum.

2.2 Subject to paragraphs 2.3 and 2.5 of this Schedule, Forum Decisions taken by a Manager will only become effective and binding on the Parties when either:

2.2.1 confirmed in writing by the other Party's Manager (of the same Forum); or

2.2.2 confirmed by an exchange of faxes or digitally signed emails between such Managers; and

2.2.3 it is within the scope of those Managers' responsibilities and financial authority level (as notified, in the case of Post Office, to the Fujitsu Services Lead Attendee of the Commercial Forum (who shall disseminate such financial authority level information to the Fujitsu Services Lead Attendee of each other

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Forum) and, in the case of Fujitsu Services, to the Post Office Lead Attendee of the Commercial Forum (who shall disseminate such financial authority level information to the Post Office Lead Attendee of each other Forum)) and not within the scope of the matters described in paragraph 3.

2.3 Any Forum Decision taken by Managers under paragraph 2.2 above which could have or is likely to have:

2.3.1 an internal financial impact on either Party exceeding £10,000;

2.3.2 an impact on the achievement of any Service Level or other obligation of Fujitsu Services;

2.3.3 an impact on the achievement of any contractual or project date; or

2.3.4 an impact on the achievement of any Post Office responsibility or obligation,

shall be reported to the relevant Forum for review at the next meeting of that Forum.

All other Forum Decisions taken by Managers under paragraph 2.2 above may, if either Party wishes it to be so, be reported to the relevant Forum for review at the next meeting of that Forum.

2.4 Where at any Forum a decision of one Party on a particular issue may prevail without the concurrence of the other Party (including, without limitation, by virtue of paragraph 2.5 below), nothing in this paragraph 2 shall restrict the first-mentioned Party from making such a decision without such concurrence outside such Forum.

2.5 Nothing in this Schedule 4 shall restrict either Party from exercising any right conferred upon it under this Agreement and notwithstanding anything to the contrary in this Schedule 4, no decision to exercise or waive any such right shall require the concurrence of the other Party.

3. RESERVED MATTERS

3.1 New, increased, reduced or modified obligations or responsibilities of either Party can only be effected by making changes to the Clauses of, or Schedules, Annexes or CCDs to, this Agreement in accordance with the Change Control Procedure. For the avoidance of doubt, nothing in this paragraph 3.1 shall restrict either Party from agreeing Work Orders.

3.2 Commitment of new expenditure by Post Office can only be approved through the processes described in Schedule 9 (Ordering, Invoicing and Payment).

3.3 If a Forum Decision under paragraphs 1.1.6 or 1.1.9 of this Schedule or its Managers under paragraph 2.2 of this Schedule has had or will have an impact on:

3.3.1 the costs of Fujitsu Services which should have been reflected in a change to the Charges (of an amount greater than £10,000);

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3.3.2 the achievement of any Service Level or other obligation of Fujitsu Services;

3.3.3 any contractual or project date; or

3.3.4 any Post Office responsibility or obligation and which would have been dealt with under the Hard Change Control Procedure had such impact been understood at the time the Forum Decision was made,

that Forum Decision will be reversed by the Forum which made that Forum Decision with effect from the date of such reversal, and the matter dealt with under the Hard Change Control Procedure. Each Party shall bear its own costs of complying with such Forum Decision until it is reversed in accordance with this paragraph. Any disputes arising in relation to such reversal will be resolved in accordance with the Dispute Resolution Procedure.

4. ESCALATION PROCEDURES

4.1 Any dispute arising out of or in connection with this Agreement shall be resolved in accordance with the Dispute Resolution Procedure described in Annex 2 to this Schedule 4.

5. RELATIONSHIP MANAGEMENT

5.1 Each Party shall appoint a Relationship Manager. The role of the Relationship Managers shall be to facilitate, measure and improve the working relationship between the Parties.

5.2 The Relationship Managers shall jointly monitor the operation of the agreed Governance arrangements and initiate remedial action if these are not being followed.

5.3 The Relationship Managers shall deploy balanced scorecard techniques to monitor the relationship between the Parties and the perceived effectiveness of the various joint meetings and other activities.

5.4 The Relationship Managers shall produce, at least one week prior to each meeting of the Executive Forum, a briefing paper summarising the previous period's achievements and highlighting any issues that need resolution at that forum.

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Annex 1 to Schedule 4

Forums

The Parties acknowledge that the job titles of the Forum members identified in this Annex 1 may change over time (particularly if either Party introduces any new internal management structure) and that should this occur the appropriate attendees would be the person(s) holding the equivalent position(s) to those identified herein.

Executive Forum	
Post Office Members	IT Director Chief Operating Officer + other top managers to be decided by Post Office (depending on the agenda of specific meetings) Strategic Supplier Relationship Manager
Fujitsu Services Members	Fujitsu Services "Main Board" Director Business Unit Director Business Development Director
Responsibilities	Defining strategic direction and vision Sharing business objectives and direction Review effectiveness of joint working Joint Scorecards – agreeing what components will be measured, and setting targets Reviewing Joint Scorecards Agree key messages for joint Post Office and Fujitsu Services communications plan Define relationship development direction – ensuring ability to deliver scorecard action plan and to address any issues arising Recognition – agreeing recommendations for recognition. This is key to encourage the behaviours recognised as vital to ensuring a more effective working relationship

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Executive Forum	
	Agree joint incentivisation targets for projects and services.
Starting Date	Within 3 months of the Amendment Date
Frequency	Every 4 calendar months
Other Comments	Chairmanship of this Forum will alternate between Post Office and Fujitsu Services on a meeting by meeting basis. Post Office will chair the first meeting of this Forum

New Business Forum	
Post Office Members	Sales and Marketing Director Business Solutions Director + others as appropriate Relationship Manager may attend as an observer at his discretion
Fujitsu Services Members	Business Development Director Programme Director Consultancy Services Director An appropriate representative of Escher Group Ltd + team members as appropriate
Responsibilities	Generate and investigate new ideas and opportunities that support Post Office strategic business direction for inclusion in Post Office change plan and to investigate potential additions to the contracted services. Post Office change plan is monitored by the executive committee of Post Office Scope focuses on new customer propositions and opportunities for improving operations Review progress of milestones undertaken as part of Post Office change plan Manage contingency budgets approved in Work Orders including, where appropriate, delegating authority to appropriate managers
Starting Date	Within 1 month of the Amendment Date

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New Business Forum	
Frequency	Every 2 calendar months initially, and to be jointly reviewed when the level of business for discussion is known
Other Comments	The purposes of this Forum are to ensure that objectives set by the Executive Forum are addressed and implemented as appropriate across both Parties' businesses and to ensure continuous improvement is a conscious activity in both Parties' businesses

Joint Architecture Forum	
Post Office Members	Business Solutions Director Chief Process Architecture Manager Chief Systems Architecture Manager + others as appropriate Relationship Manager may attend as an observer at his discretion
Fujitsu Services Members	Director - Architecture and Strategy Development An appropriate representative of Escher Group Ltd + team members and representatives of Sub-Contractors as appropriate
Responsibilities	Define and agree target architectures within the Horizon domain Plan and manage migration from current to target architectures Ensure architectural conformance of projects Benefits realisation monitoring (ensuring what was done achieved the benefits forecast, and if not, why) Manage contingency budgets approved in Work Orders including, where appropriate, delegating authority to appropriate managers
Starting Date	Within 1 month of the Amendment Date
Frequency	Monthly

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Demand Planning Forum	
Post Office Members	Delivery Director Chief Systems Architecture Manager + team members as appropriate Relationship Manager may attend as an observer at his discretion
Fujitsu Services Members	Programme Director Development Director Customer Services Director + team members as appropriate
Responsibilities	Communication of service development plans – Post Office and Fujitsu Services Agree high level planning assumptions for future developments of services Joint planning to manage the allocation of pre-paid SI resources and the progressive commitment to incremental resource above that level Initiate, monitor and ensure progress on development of service definitions and terms and conditions for additions to the contracted services Approve additions to contracted services (that will then be formally introduced by CCN) Oversight of agreeing Work Packages Prioritise releases in terms of schedule and contents, in accordance with strategic direction and objectives set by Executive Forum, and in accordance with any operational constraints (Note – final decision for Releases to go live will be made by Service Management Forum)
Starting Date	Within 1 month of the Amendment Date
Frequency	Monthly

Project Board(s)	
Post Office Members	Programme and/or Project Manager Nominees from design authority, business change and commercial management

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Project Board(s)	
	as appropriate for each project. Relationship Manager may attend as an observer at his discretion
Fujitsu Services Members	Programme and/or Project Manager Others as appropriate for each project.
Responsibilities	Managing Work Packages which relate to major development programmes. Manage contingency budgets approved in Work Orders including, where appropriate, delegating authority to appropriate managers. Project management and governance as per this Agreement or, to the extent not in conflict or inconsistent with this Agreement, PRINCE 2 standard practice. For example: • Review and resolution of operational issues arising in design, development and testing; • Review progress and performance against plan; and Notwithstanding the Parties use of PRINCE 2, or any other design or project management methodology, the provisions of this Agreement shall not be varied by such use unless the Parties agree otherwise in accordance with the Change Control Procedure
Starting Date	As appropriate for each project
Frequency	As appropriate for each project
Other Comments	There will be one project board for each major project

Service Management Forum	
Post Office Members	Head of Network Support Supplier and Service Performance Manager Commercial Manager (FS) Relationship Manager may attend as an observer at his discretion

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Service Management Forum	
	Release Manager (as required)
Fujitsu Services Members	Customer Service Director Infrastructure Service Manager Operations and Support Manager (as required) Security Manager (as required) Services Introduction Manager (as required)
Responsibilities	Review performance against contracted service levels and agree remedies payable (if any) Track MTBF rates, review operational reliability of Branch Infrastructure and consider/recommend remedial courses of action (e.g. full or partial technological refresh or service level relief) Resolve operational issues including, but not limited to, those arising from non-conformance to contracted service levels Release Authorisation: agree the criteria and processes by which releases will be authorised for release into field trial or live operation and carry out readiness reviews accordingly. Ensure continuous improvement in the ongoing/steady state/business as usual Service Management environment Review of future change plans to ensure live environment is adequately prepared. Capacity management Monitor and review operations of Operational Business Change processes
Starting Date	Within 1 month of the Amendment Date
Frequency	Monthly (normally at least five (5) days after the delivery date of each monthly Service Management Report provided by Fujitsu Services to Post Office)
Other Comments	Fujitsu Services shall prepare the necessary reports for discussion at these meetings.

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Commercial Forum	
Post Office Members	Contract Manager (FS) Commercial Manager Purchasing Services Strategic Finance Manager + others as appropriate Relationship Manager may attend as an observer at his discretion
Fujitsu Services Members	Commercial & Finance Director Commercial and Contracts Manager + team members as appropriate
Responsibilities	Management and administration of the Agreement Circulation to Lead Attendees of each relevant Forum of the financial authority level information notified pursuant to paragraph 2.2.3 Oversight of ordering and Invoicing processes Agreement of standard terms and conditions from time to time to apply to different types of Work Order Agreement of Commercial Terms in relation to Work Orders Oversight of the carrying out of Work Orders Management of price reviews under the benchmarking and open book accounting provisions of Schedule 11 Review and, where necessary, improvement of the Change Control Procedure First level of escalation for disputes about the interpretation of this Agreement, its Schedules or CCDs, about invoice amounts or terms, or about other matters referred by the Executive Forum
Starting Date	Within 1 month of the Amendment Date
Frequency	Monthly

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Annex 2 to Schedule 4

Dispute Resolution Procedures

1. INTRODUCTION

1.1 Subject to paragraph 1.2 below, the Parties shall use the Dispute Resolution Procedure set out below (the "DRP") to resolve any dispute arising out of or in connection with this Agreement (a "Dispute").

1.2 There may, subject to the other provisions of this Annex 2 to Schedule 4, be up to five stages (each a "Stage") to the DRP as follows:

1.2.1 the Forum Review to be carried out in accordance with paragraph 2 below;

1.2.2 the Negotiator's Review to be carried out in accordance with paragraph 3 below;

1.2.3 the Executive Review (including facilitation by an expert) to be carried out in accordance with paragraph 4 below;

1.2.4 provided that the Parties agree to such procedure, mediation (to be carried out in accordance with paragraph 6 below) or expert determination (to be carried out in accordance with paragraph 7 below); and

1.2.5 where any mediation does not resolve the Dispute or the Parties do not agree to the use of mediation or expert determination, the courts of England.

1.3 The Parties may relax the timescales referred to in the DRP by mutual agreement (such agreement not to be unreasonably withheld or delayed).

2. FORUM REVIEW

2.1 As soon as either Party becomes aware of a disputed matter it shall refer the Dispute to the Forum (other than the Executive Forum) best qualified to deal with the Dispute (taking into account the nature of the Dispute and the responsibilities of each Forum) for discussion at the next meeting of that Forum (or earlier in accordance with paragraph 1.1.10 of Schedule 4). If the Dispute relates to the interpretation of this Agreement (including its Schedules and CCDs) or to the amount or terms of invoices, then the Dispute shall be referred to the Commercial Forum for resolution.

3. NEGOTIATORS REVIEW

3.1 In the event that the Forum to which a dispute is referred under paragraph 2.1 of this Annex fails to resolve that Dispute, each Party shall within 10 Working Days of such failure provide the other with a Statement of Dispute (as defined in paragraph 5 below). If the Parties agree to do so, such statements may be provided sequentially by one Party responding to the Statement of Dispute of the other.

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3.2 Each Party shall appoint, within five Working Days of receiving the Notification of Dispute, a suitably empowered senior representative with appropriate operational experience or client responsibility to act as negotiator on the Dispute (the "Negotiator"). Each Party shall ensure that its appointed Negotiator is of an appropriate level within its organisation so as to enable the Negotiator to progress the resolution of the Dispute.

3.3 The Negotiators will be responsible for collating all relevant information relating to the Dispute and for progressing the Dispute through the DRP until it is resolved or determined.

3.4 Each Party's Negotiator shall, within five Working Days of his appointment, meet with the other Party's Negotiator with the object of resolving the Dispute by way of good faith negotiation (the "Negotiator's Review").

3.5 Each Party shall attempt, through its Negotiator, to resolve the Dispute by way of good faith negotiation.

4. EXECUTIVE REVIEW

4.1 If the Dispute is not resolved by the Negotiator's Review, either Party may, at its discretion and no earlier than five Working Days after the Negotiator's Review or the date by which the Negotiators Review should have taken place (whichever is the earlier), refer the Dispute for review (the "Executive Review") by appropriate members of the Executive Forum nominated by each of the Parties within 3 Working Days of the referral (the "Nominated Executives").

4.2 The Executive Review shall take place within 5 Working Days of the referral with the object of resolving the Dispute by way of good faith negotiation.

4.3 The Parties may agree, before the Executive Review referred to in paragraph 4.2 of this Annex takes place, or if that review fails to resolve the Dispute referred to it, to appoint an expert facilitator (the "Facilitator") to assist with resolution of the Dispute on the following bases:

4.3.1 The Facilitator will be appointed as soon as reasonably practicable.

4.3.2 The Facilitator shall be an individual who:

4.3.2.1 holds qualifications in respect of the subject matter underlying the Dispute; and

4.3.2.2 is approved by both Parties (such approval not to be unreasonably withheld or delayed).

4.3.3 In the event that the Parties fail to agree upon the Facilitator to be appointed, the Facilitator shall be appointed at the request of Post Office or Fujitsu Services by the President for the time being of the Institute of Electrical Engineers so long as such appointee shall meet the criteria in paragraph 4.3.2 above.

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4.3.4 The Facilitator shall act as a facilitator and not as an expert or arbitrator and his fees shall be borne by the Parties in equal shares.

4.3.5 Within 5 Working Days of appointment of the Facilitator the Parties shall submit to the Facilitator:

4.3.5.1 each Party's Statement of Dispute (as amended to reflect matters discussed at previous Stages and as disclosed to the other Party); and

4.3.5.2 a joint agreed statement describing the scope of the initial guidance required from the Facilitator.

4.3.6 The Dispute shall be referred to the Facilitator to obtain such initial guidance. The Facilitator shall not be required to determine the Dispute unless the Parties agree that he shall be appointed as an Expert in accordance with paragraph 7 of this Annex.

4.4 Once the Facilitator has given to the Parties his initial guidance on the Dispute, the Nominated Executives shall meet and attempt to resolve the Dispute with the advice and guidance of the Facilitator.

4.5 If the Dispute is not resolved by the Executive Review the Parties may, if both Parties agree, refer the Dispute to mediation or expert determination.

4.6 If the Parties do not reach agreement on whether to (a) seek initial guidance from an expert facilitator (in accordance with paragraph 4.3 of this Annex) or (b) proceed to mediation or expert determination (in accordance with paragraph 4.5 of this Annex), in each case within 10 Working Days of completing the Executive Review referred to in paragraph 4.2 of this Annex, either Party may refer the Dispute to the courts of England. Notwithstanding the requirement in paragraph 4.2, if the Executive Review has not taken place within 20 Working Days of referral, either Party may refer the Dispute to the courts of England.

5. STATEMENT OF DISPUTE

5.1 A "Statement of Dispute" means a dated statement containing the following information:

5.1.1 a unique serial number to be provided by the Commercial Forum;

5.1.2 the name, post, title, postal address and phone number of the person serving the Statement of Dispute (the "Dispute Owner");

5.1.3 a full description of the Dispute, from the perspective of the Party preparing the statement;

5.1.4 any dates by which an output or decision is required for operational reasons; and

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5.1.5 any recommendation for the resolution of the Dispute which the Dispute Owner considers appropriate.

5.2 Within 5 Working Days of the completion of each Stage of the DRP the Dispute Owners of each Party shall, if the Dispute has not been resolved, prepare a joint statement including:

5.2.1 the findings of the Stage in question; and

5.2.2 the output or decision required from the next Stage of the DRP,

to be used by or in connection with the next stage of the DRP.

6. MEDIATION

6.1 At any time after the Executive Review, the Parties may agree that the Dispute shall be referred to mediation. In the event that the Parties agree to mediation, the Parties will be responsible for appointing the mediator (the "Mediator"), but in the event that they are unable to agree on a Mediator either or both of the Parties shall request the Centre for Dispute Resolution ("CEDR") to appoint a Mediator.

6.2 The Parties shall, with the assistance of the Mediator, seek to agree the mediation procedure. In default of such agreement, the Mediator shall act in accordance with CEDR rules. The Parties shall, within five Working Days of the date on which the terms of the mediation are settled, meet the Mediator in order to agree a programme for the exchange of any relevant information and the structure to be adopted for the mediation.

6.3 Subject to agreement between the Parties, the mediation shall take place within 30 Working Days of the appointment of the Mediator.

7. EXPERT DETERMINATION

7.1 At any time after the Executive Review, the Parties may agree that the Dispute shall be referred to an expert ("Expert"), appointed by the Parties, for final determination of the Dispute.

7.2 The Expert shall be appointed as soon as reasonably practicable and shall be an individual who:

7.2.1 holds qualifications in respect of the subject matter underlying the Dispute in question; and

7.2.2 is approved by both Parties (such approval not to be unreasonably withheld or delayed).

7.3 In the event that the Parties fail to agree upon the Expert to be appointed, the Expert shall be appointed at the request of Post Office or Fujitsu Services by the President for the time being of the Institute of Electrical Engineers so long as such appointee shall meet the criteria specified in paragraph 7.2 above.

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7.4 The Expert appointed under paragraph 7.2 shall act on the following basis:

7.4.1 the Expert shall act as an expert and not as an arbitrator;

7.4.2 the Expert's determination shall (in the absence of manifest error) be final and binding on the Parties;

7.4.3 the Expert shall decide the procedure to be followed in the determination and shall be requested to make his determination in writing within 20 Working Days after his appointment or as soon as practicable thereafter;

7.4.4 any amount payable by Fujitsu Services to Post Office as a result of the Expert's determination shall be paid within ten Working Days of the Expert's determination being notified to the Parties;

7.4.5 any amount payable by Post Office to Fujitsu Services as a result of the Expert's determination shall be included in the next invoice for Schedule 10 Charges and paid by Post Office in accordance with Schedule 9 (Ordering, Invoicing and Payment); and

7.4.6 the costs of the determination, including the fees and expenses of the Expert, shall be borne by the Parties in such proportions as may be determined by the Expert.

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SCHEDULE 5

CHANGE CONTROL

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON305.doc

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SCHEDULE 5

CHANGE CONTROL

1. INTRODUCTION

1.1 Amendments and changes to:

1.1.1 the Clauses of, and Schedules and Annexes to, this Agreement shall only be made in accordance with the Hard Change Control Procedure;

1.1.2 the following CCDs:

1.1.2.1 "ICL Pathway Security Policy" (RS/POL/002);

1.1.2.2 "Horizon Capacity Management and Business Volumes" (PA/PER/033);

1.1.2.3 "Pathway Release Policy" (PA/SDR/003);

1.1.2.4 "Application of CCNs to Contract Baseline" (POL/HOR/CON/002); and

1.1.2.5 the CCD to be agreed pursuant to paragraph 8.11 of Schedule 20 (Conceptual Design and Design Proposal),

shall only be made in accordance with the Hard Change Control Procedure;

1.1.3 the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/026) shall be made in accordance with the Hard Change Control Procedure unless the change in question is:

1.1.3.1 a change to the version number of a CCD;

1.1.3.2 a change to the nominated Post Office Approval Authority or the Fujitsu Approval Authority;

1.1.3.3 a change in the "Subject/Application" column; or

1.1.3.4 a change in the "Document Type" column,

in which case such change or amendment shall be made in accordance with the Soft Change Control Procedure; and

1.1.4 all CCDs listed in the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/026), other than those listed in paragraph 1.1.2 above, shall be made, subject to paragraph 1.3 below, in accordance with the Soft Change Control Procedure save that any prices in a CCD may only be changed through the Hard Change Control Procedure unless such change is being made to implement changes agreed under the Hard Change Control Procedure in accordance with the provisions of Schedule 10.

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1.2 A new CCD or CRD shall only be created in accordance with the Hard Change Control Procedure. For the avoidance of doubt, any such new CCD or CRD shall only be added to the CCD entitled “Contract Controlled and Referenced Document List” (BP/SPE/026) and, subject to paragraph 2.7, delegated to an Owning Forum in accordance with the Hard Change Control Procedure.

1.3 Where a change is being made in accordance with the Hard Change Control Procedure and in connection therewith a change to a CCD is necessary, such change may be made through the Hard Change Control Procedure. In addition, a Forum may elect to change a CCD through the Hard Change Control Procedure.

1.4 Within the context of the following sections of this Schedule the term "change" includes both amendments and changes.

1.5 An existing CRD may be amended by the Party which owns that CRD. The new version of an amended CRD shall become effective on delivery to the other Party’s Lead Attendee of the Owning Forum.

2. PRINCIPLES

2.1 Where Post Office or Fujitsu Services identifies the need for a change, then Post Office may at any time request a change or Fujitsu Services may at any time recommend a change. Such a request or recommendation shall only be made and shall only be valid if authorised (in each case) in accordance with the procedures set out in paragraph 3 or 4 (as relevant) of this Schedule.

2.2 Neither Post Office nor Fujitsu Services shall unreasonably withhold or delay their agreement to any change or proposal in relation thereto.

2.3 Until such time as a change has been fully authorised in accordance with the procedures set out in paragraph 3 or 4 (as relevant) of this Schedule, Post Office and Fujitsu Services shall continue as if the change had not been made.

2.4 Any discussions which may take place between Post Office and Fujitsu Services on a change before its authorisation shall be without prejudice to the rights of either Party.

2.5 Any purported change provided by Fujitsu Services that has not been otherwise agreed in accordance with the provisions of paragraph 2.1 above shall be undertaken entirely at the expense and liability of Fujitsu Services. If so required by Post Office, Fujitsu Services shall at its own expense promptly take all steps necessary to reverse and remove the effects of such purported change.

2.6 Except as described in paragraphs 1.1.2, 1.1.3 and 1.3 of this Schedule, any change to a CCD shall be agreed by the Forum to which the CCD has been delegated (such Forum being, once delegated, the “Owning Forum”). Except as provided for by paragraph 2.7 below, such delegations shall be made in accordance with the Hard Change Control Procedure and shall be identified in the column headed "Owning Forum" in the CCD entitled “Contract Controlled and Referenced Document List” (BP/SPE/026) (which shall list all CCDs and CRDs in existence from time to time).

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2.7 Any CCD and CRD which is not delegated to an Owning Forum or for which its Owning Forum ceases to exist shall be deemed to have been delegated to the Commercial Forum. In such circumstances, the Commercial Forum shall be entitled to delegate another Forum as the Owning Forum using the Soft Change Control Procedure and require that the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/026) be amended accordingly.

3. SOFT CHANGE CONTROL PROCEDURE

3.1 In relation to each CCD delegated to an Owning Forum:

3.1.1 Post Office Lead Attendee of that Forum shall nominate a person, by function but not by name, who shall act as change approval authority for Post Office ("Post Office Approval Authority"); and

3.1.2 Fujitsu Services Lead Attendee of that Forum shall nominate a person, by function but not by name, who shall act as change approval authority for Fujitsu Services ("Fujitsu Services Approval Authority").

Each of the nominations referred to in this paragraph 3.1 shall be identified in the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/026).

3.2 A new version of a CCD shall only be authorised and become effective if it shall have been signed by both Fujitsu Services Approval Authority on behalf of Fujitsu Services and Post Office Approval Authority on behalf of Post Office.

3.3 If Post Office Approval Authority is not available (for example because of absence, job vacancy or re-organisation) then the Post Office Lead Attendee of that Forum shall act as the Post Office Approval Authority or shall nominate a replacement Post Office Approval Authority. If a permanent replacement is nominated, the Post Office Lead Attendee shall inform Fujitsu Services in writing and procure that the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/026) is amended accordingly.

3.4 If Fujitsu Services Approval Authority is not available (for example because of absence, job vacancy or re-organisation) then the Fujitsu Services Lead Attendee of that Forum shall act as the Fujitsu Services Approval Authority or shall nominate a replacement Fujitsu Services Approval Authority. If a permanent replacement is nominated, the Fujitsu Services Lead Attendee shall inform Post Office in writing and procure that the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/026) is amended accordingly.

3.5 To the extent that Post Office requests, or a Work Order commissioned by Post Office necessitates (and Fujitsu Services identifies the same at that time), the preparation and drafting of a new CCD or the amendment of an existing CCD (to the extent not carried out by resources paid for under the Operational Charges), Post Office shall approve the cost of such preparation or amendment through the Work Ordering Procedure described in Schedule 9.

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4. HARD CHANGE CONTROL PROCEDURE

4.1 Standard Change Procedures

4.1.1 Discussions between Post Office and Fujitsu Services in relation to a change to be effected through the Hard Change Control Procedure shall result in any one of the following:

4.1.1.1 no further action;

4.1.1.2 a request to make a change by Post Office's authorised representative (a "Change Request");

4.1.1.3 a recommendation to make a change by Fujitsu Services.

4.1.2 Post Office shall send Change Requests to Fujitsu Services Change Control Manager. Where Fujitsu Services receives a Change Request Fujitsu Services shall unless otherwise agreed submit electronically to the Post Office Change Control Manager a Change Control Note ("CCN") within three (3) weeks of the date of receipt of such Change Request.

4.1.3 If Fujitsu Services considers that the preparation of a CCN, requested by Post Office, would necessitate allocation of resources in excess of five (5) mandays, Fujitsu Services shall notify Post Office accordingly and, on agreement by Post Office, Fujitsu Services will make a proposal for a paid study of the cost and implications of producing the required CCN. Pending Post Office's acceptance of that proposal or in the event that Post Office does not agree that such proposal should be submitted, Fujitsu Services will be relieved of its obligations to produce such CCN.

4.1.4 A recommendation to make a change by Fujitsu Services shall be submitted electronically to the Post Office Change Control Manager in the form of a CCN.

4.1.5 For each CCN submitted, Post Office shall evaluate the CCN and, as appropriate, during the period of validity:

4.1.5.1 request further information;

4.1.5.2 authorise the change set out in the CCN in accordance with paragraph 4.1.7 below;

4.1.5.3 suggest modifications to the CCN (including, without limitation, corrections of minor errors to avoid unnecessary rejection); or

4.1.5.4 notify Fujitsu Services of its rejection (together with an explanation of the rejection) of the CCN.

The period of validity of each CCN shall be the period from the date on which that CCN shall have been submitted to the Post Office Change Control

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Manager until the date of expiry of that CCN (as specified in that CCN and normally no earlier than three weeks after submission of CCN to Post Office) or such other date as the Parties may agree.

4.1.6 In connection with CCNs submitted electronically, Fujitsu Services shall on the date of submission send to the Post Office Change Control Manager two copies of the CCN signed on behalf of Fujitsu Services by one of the following: Director Commercial and Finance; Director Business Development; or Business Unit Manager.

4.1.7 A change shall only be authorised if the CCN relating thereto has been signed by one of Director Commercial and Finance, Director Business Development and Business Unit Manager on behalf of Fujitsu Services and one of Purchasing Services Commercial Manager and Director Purchasing Services on behalf of Post Office.

4.2 Emergency Change Procedures

4.2.1 Emergency situations resulting in Post Office requesting a change, or Fujitsu Services recommending a change, shall be dealt with on a case by case basis by one of Director Commercial and Finance, Director Business Development and Business Unit Manager on behalf of Fujitsu Services and one of Purchasing Services Commercial Manager and Director Purchasing Services on behalf of Post Office who shall jointly decide in writing whether or not to authorise such change in accordance with this paragraph 4.2.

4.2.2 Where a change is authorised pursuant to paragraph 4.2.1 above:

4.2.2.1 the CCN relating thereto need not comply with paragraphs 4.1.1 to 4.1.7 above inclusive;

4.2.2.2 such change shall, before it may be authorised, be set out in a CCN in the form, and containing the information indicated in the CCD entitled “Change Control Note [form]” (PA/TEM/007) save that rather than setting out:

(a) full details of the change (including any specifications and user facilities) an outline of the change shall be sufficient;

(b) a statement of the impact, if any, of the change on other aspects of this Agreement or Services, an outline of the impact shall be sufficient; and

(c) proposed revised wording to this Agreement, direct (as distinct from consequential) revised wording to this Agreement shall be sufficient.

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4.2.3 The short form CCN referred to in paragraph 4.2.2 above shall, once authorised in accordance with this paragraph 4.2, be sent to the Post Office Change Control Manager as soon as reasonably practicable.

4.3 Content of Change Control Note

Subject to paragraph 4.2 above, each CCN shall be in the form, and contain the information indicated in the CCD entitled "Change Control Note [form]" (PA/TEM/007).

4.4 Record Keeping

4.4.1 Fujitsu Services shall retain a record of all Change Control Notes (CCN) raised.

4.4.2 Fujitsu Services shall make the CCN record available on demand to Post Office.

4.4.3 Fujitsu Services' CCN record shall include without limitation the following information:

4.4.3.1 the CCN number;

4.4.3.2 date CCN raised;

4.4.3.3 CCN sponsor (i.e. Post Office or Fujitsu Services);

4.4.3.4 changes made pursuant to the CCN.

5. EMERGENCY PROCEDURES

If Fujitsu Services considers that any change is necessary in order for it to comply with its obligations under this Agreement and there is insufficient time to comply with the procedures described above, Fujitsu Services shall be entitled to proceed with such change, provided that it shall as soon as practicable provide Post Office with a CCN for retrospective change. Such change shall be subject to the procedures described in this Schedule, and if Post Office, acting reasonably, does not agree to such change, such change shall be invalid and Fujitsu Services shall at its own expense promptly take all steps necessary to reverse and remove the effects of such change.

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SCHEDULE 6

FUJITSU SERVICES' KEY PERSONNEL

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON306.doc

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SCHEDULE 6

FUJITSU SERVICES' KEY PERSONNEL

1. CONFIDENTIALITY

1.1 Post Office shall (other than as required by law), for the duration of this Agreement treat and maintain the CCD entitled "Fujitsu Services Key Personnel" (HR/CON/001) (including any proposed or agreed revisions to that document) and the information contained in it (altogether, "Personnel Information") secret and confidential and shall not (except as permitted by paragraphs 1.2 and 1.4 of this Schedule 6) copy, reproduce or disclose it to any third party.

1.2 Post Office may reproduce, copy and disclose Personnel Information:

1.2.1 to the individuals (from time to time) in its organisation holding the following positions:

1.2.1.1 IT Director;

1.2.1.2 Business Solutions Director;

1.2.1.3 Chief System Architecture Manager;

1.2.1.4 Contract Manager (FS);

1.2.1.5 Commercial Director (IT);

1.2.1.6 Supplier and Service Performance Manager;

1.2.1.7 Head of Network Support;

1.2.1.8 Commercial Manager Purchasing Services;

1.2.1.9 Delivery Director; and

1.2.1.10 Contract/Commercial Manager (FS),

provided and to the extent that such reproduction, copying or disclosure is strictly necessary for the purposes of this Agreement;

1.2.2 to its professional advisers, provided and to the extent that such reproduction, copying or disclosure is strictly necessary for the purposes of this Agreement; or

1.2.3 as required by law.

1.3 Post Office shall procure that no disclosure of Personnel Information is made by the persons specified in paragraphs 1.2.1 and 1.2.2 (other than between themselves or as

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permitted by paragraph 1.4 of this Schedule) without the express written consent of Fujitsu Services.

1.4 Post Office may discuss Personnel Information with and disclose Personnel Information to the following within Fujitsu Services:

1.4.1 Director Commercial and Finance;

1.4.2 Business Unit Director;

1.4.3 Fujitsu Services Board Director on the Executive Forum;

1.4.4 Commercial Director, Large Projects;

1.4.5 Director Business Development; and

1.4.6 roles within Fujitsu Services human resources department notified to Post Office in writing from time to time.

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SCHEDULE 7

SUBCONTRACTORS

Version History

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SCHEDULE 7

SUBCONTRACTORS

1. Table of Fujitsu Services' Subcontractors

Fujitsu Services' Subcontractors, together with a description of their areas of responsibility, are listed in the following table:

SUBCONTRACTOR	SCOPE OF SUBCONTRACTED SERVICES	TERM OF SUBCONTRACT
Energis Communications Limited	Provision of telecommunications lines and services including - ISDN - DCA Managed Service - FRIACO	Expires 1 April 2007 Option to extend by mutual consent.
The Escher Group Limited	Licensing, support and maintenance of Riposte, WebRiposte, Asset Manager and Framework.	Subcontract for support and maintenance expires 31 March 2010 Riposte, WebRiposte, Asset Manager and Framework licences on a perpetual basis.
Fujitsu Consulting Limited	Development and support of the data warehouse	Fujitsu Group inter-company MOU Expires 5th April 2003 subject to interim review. Option to extend by mutual consent on or before 5th March 2003.
Fujitsu Services Limited	Provision of maintenance services and Operational Business Change Services for OPS hardware. The electrical and carpentry work in Branches carried out as part of Operational Business Change is further sub-contracted to Romec; Operation of Horizon System Help Desk and service management centre.	Fujitsu Services inter-company trading rules apply.

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SUBCONTRACTOR	SCOPE OF SUBCONTRACTED SERVICES	TERM OF SUBCONTRACT
	Support of Fujitsu Services' databases, transaction stores and archives; Operation of TMS system and Client links.	
Hypercom Financial Terminals AB	PIN Pad design, development and supply.	Purchase Agreement initial term 5 years and 3 months from 22/05/2002 then terminable by either party on 6 months' notice. See Note below. Licence for associated software is perpetual.

Note: Hypercom are obliged to give twelve months' notice of their intention to cease production of the PIN Pads in question to enable a last time buy for spares to be made. If they terminate the spares repair agreement, they are obliged to transfer the tools and know-how required to enable Fujitsu Services or its designated repairer to carry out such spares repair.

2. Energis potential insolvency

2.1 If at any time the Parties consider that Energis Communications Limited ("Energis") may become insolvent:

2.1.1 they shall enter into good faith discussions to consider the appropriate course of action; and

2.1.2 Fujitsu Services shall prepare a strategy document (the "Energis Strategy Document") for approval by Post Office (such approval not to be unreasonably withheld). The Energis Strategy Document shall address steps to be taken by the Parties for the replacement (or otherwise) of Energis as Subcontractor where, as a result of an Insolvency Situation, Energis ceases to fulfil its obligations to Fujitsu Services in respect of the communications network used in connection with the NBS and the other Services.

2.2 If as a result of an Insolvency Situation Energis fails to comply with its contractual obligations to Fujitsu Services and/or Energis ceases to provide the elements of the communications network it has contracted with Fujitsu Services to provide:

2.2.1 the Parties shall implement such provisions of the Energis Strategy Document as may be applicable in the circumstances;

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2.2.2 Fujitsu Services shall use all reasonable endeavours as would be used by a party negotiating on its own account to procure on the best possible commercial terms a supplier or suppliers to replace Energis in providing the elements of the NBS communications network formerly provided by Energis (but shall not be required to enter into a contract with a supplier or suppliers save to the extent the parties agree to the appointment of a substitute supplier or suppliers in accordance with paragraph 2.2.4 below);

2.2.3 Fujitsu Services shall disclose to Post Office:

2.2.3.1 all such information relating to the charges proposed by any prospective replacement supplier; and

2.2.3.2 a breakdown of the Energis charges in respect of the communications network current at the time of the Insolvency Situation,

as Fujitsu Services is permitted by the third party and Energis (as the case may be) to disclose (Fujitsu Services having used all reasonable endeavours to procure that it is permitted by the third party and Energis to disclose to Post Office such charging information); and

2.2.4 the Parties shall agree through the Hard Change Control Procedure:

2.2.4.1 whether or not a substitute supplier or suppliers is to be appointed in respect of provision of the NBS communications network;

2.2.4.2 any resultant changes in the Charges which are to be paid by Post Office in respect of the NBS communications network (whether due to the costs of terminating the contractual arrangements with Energis, transition to a substitute supplier or suppliers, the level of charges payable to the substitute supplier or suppliers or otherwise and having regard to the proportion of such costs and charges which relate to the Services other than NBS); and

2.2.4.3 any changes required to this Agreement.

2.2.5 Fujitsu Services shall not be liable for any failure to achieve the NBS Service Levels or its obligations in respect of the NBS to the extent that it can show that the failure was due to Energis' ceasing to comply with its obligations to Fujitsu Services and (where applicable) transition to new supplier or suppliers.

2.2.6 If and for so long as either party, acting reasonably, considers that Energis may become insolvent Fujitsu Services shall use its continuing reasonable endeavours to procure that Energis consents to the release of the information referred to in paragraph 2.2.3.2 above in the event of an Insolvency Situation of Energis.

2.2.7 In the event that the Parties agree through the Change Control Procedure that a replacement supplier will not be appointed in respect of the NBS communications network Fujitsu Services shall be released from its obligations in respect of provision of the NBS network communications link and its obligations to achieve NBS Service Levels which can not be achieved as a result of the communications network no longer being supplied and/or Energis' ceasing to comply with its obligations to Fujitsu

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Services due to an Insolvency Situation, such release to be documented through the Change Control Procedure.

2.2.8 Nothing in this paragraph 2 shall:

2.2.8.1 act to reduce or amend the obligation of Fujitsu Services to provide the Services on the terms of this Agreement notwithstanding any insolvency of Energis; or

2.2.8.2 act to reduce or amend the liability of Fujitsu Services under this Agreement including without limitation in relation to the Services, the NBS, the other Services or any Service Levels other than as set out in paragraphs 2.2.5 and 2.2.7 of this Schedule.

2.2.9 The occurrence of an Insolvency Event of Energis shall not of itself entitle Fujitsu Services to increase its Charges in respect of the Services other than the NBS.

2.2.10 For the purpose of paragraph 2 of this Schedule:

2.2.10.1 "insolvency" in relation to Energis means:

(i) the commencement of any procedure with a view to the winding-up or re-organisation of Energis (other than for the purpose of a solvent amalgamation or reconstruction);

(ii) the appointment of an administrator, receiver, administrative receiver or trustee in bankruptcy in relation to Energis or all or substantially all of its assets;

(iii) the holder of any security over all or substantially all of the assets of Energis taking any step to enforce that security; or

(iv) all or substantially all of the assets of Energis becoming subject to attachment, sequestration, execution or any similar process; and

2.2.10.2 "Insolvency Situation" means actual, intended or potential insolvency.

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SCHEDULE 8

FORM OF PARENT COMPANY GUARANTEES

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON308.doc

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PART A: FUJITSU SERVICES HOLDINGS PLC

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DATED 2002

FUJITSU SERVICES HOLDINGS PLC

- to -

POST OFFICE LIMITED

DEED OF GUARANTEE

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THIS DEED is made the [ ] day of [ ] 2002

BETWEEN

(1) **FUJITSU SERVICES HOLDINGS PLC** whose registered office is at 26 Finsbury Square, London EC2A 1SL (registered in England and Wales under company number 00142200) (the "Guarantor") in favour of

(2) **POST OFFICE LIMITED** whose registered office is situated at 80-86 Old Street, London, EC1V 9NN (registered in England and Wales under company number 02154540) (the "Post Office", which expression includes Post Office's successors and assigns).

WHEREAS

(A) On 28 July 1999 a codified agreement (the "Original Codified Agreement") was entered into between Post Office (formerly Post Office Counters Limited) and Fujitsu Services (Pathway) Limited (formerly ICL Pathway Limited) ("Pathway").

(B) Supplemental to the Original Codified Agreement, on 3 August 1999, the Guarantor entered into a Deed of Guarantee with Post Office, and by a letter to Post Office dated 11 July 2002 the Guarantor confirmed that the terms of that guarantee would continue in full force and effect in relation to the Original Codified Agreement as amended by the Network Banking CCN referred to in that letter (that guarantee and letter together, the "First Guarantee").

(C) By a change control notice, number 1100, dated 31st December 2002 (the "Amendment CCN") Post Office and Pathway agreed to vary and restate the terms of the Original Codified Agreement (the Original Codified Agreement as varied and restated by the Amendment CCN being referred to herein as the "Agreement").

(D) Pathway and Post Office intend that the Agreement will be novated by the assignment of Pathway's rights and obligations thereunder to Fujitsu Services Limited (registered in England and Wales under company number 00096056) by a Novation Agreement (the "Novation Agreement") to be entered into by Pathway, Post Office and Fujitsu Services Limited on or around 1 April 2003. Upon the Novation Agreement being entered into all references to the "Agreement" in this Deed of Guarantee will thereafter be read and construed as references to the Agreement as modified by the Novation Agreement and references to the obligations of the Principal Obligors under the Agreement will be to those obligations as modified, assumed or released by the Novation Agreement.

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(E) In this Deed of Guarantee "Principal Obligors" means Pathway and Fujitsu Services Limited.

(F) The services to be provided by the Principal Obligors to Post Office under the Agreement are critical to the accomplishment of the statutory functions and business objectives of Post Office.

(G) Post Office would not have entered into the Amendment CCN without a satisfactory guarantee being provided by the Guarantor of the Principal Obligor's obligations and liabilities thereunder.

(H) The Guarantor and Post Office now wish to discharge the First Guarantee and enter into a new guarantee between themselves on the terms hereinafter appearing.

NOW THIS DEED WITNESSES AS FOLLOWS:-

1. With effect from the execution of this Deed of Guarantee Post Office unconditionally and irrevocably releases the Guarantor from the First Guarantee and each and any obligation which the Guarantor has or may have under the First Guarantee, the First Guarantee shall be treated for all purposes as discharged, and Post Office agrees to deliver up the First Guarantee to the Guarantor forthwith.

2. If either of the Principal Obligors fails fully and punctually to perform its obligations under the Agreement or commits any breach of its obligations under the Agreement which is not remedied in accordance therewith, the Guarantor unconditionally undertakes that upon demand by Post Office in accordance with Clause 4 hereof it shall:

   2.1 subject to all limitations on the liability of the Principal Obligors contained in the Agreement, indemnify and maintain Post Office indemnified against all losses, damages, costs and expenses (including court costs and legal fees on a solicitor and own client basis) which may be incurred by Post Office arising out of all and any such failures or breaches, but only to the extent that either of the Principal Obligors are liable for the same under the Agreement;

   2.2 as a separate and independent obligation and as primary obligor, be responsible for and hereby guarantees to Post Office the due performance by the Principal Obligors of their obligations under the Agreement; and

   2.3 as a separate and independent obligation and as primary obligor, fully, punctually and specifically perform those obligations under the Agreement which are not performed as a result of the Default (as defined in the Agreement) of either of the Principal Obligors thereunder. The Guarantor shall perform, fulfil and observe all terms, warranties and representations in the Agreement which are not performed as a result of the Default of the

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Principal Obligors thereunder as if the Agreement was directly entered into by the Guarantor and Post Office,

PROVIDED THAT in no event shall the liability of the Guarantor to Post Office hereunder be greater than the liability of the Principal Obligors to Post Office under the Agreement, and provided further that any limitation on the liability of, and any defences available to, the Principal Obligors under the Agreement shall be available to the Guarantor hereunder. Notwithstanding the date of this Deed of Guarantee the Guarantor's obligations hereunder shall extend to all breaches of the Agreement by the Principal Obligors whensoever or howsoever any breach occurred whether before, on, or after the date of this Deed of Guarantee and the Guarantor agrees that Post Office shall have the right to enforce this Deed of Guarantee and pursue any claims and demands arising out of or in respect thereof whether arising prior to, on, or subsequent to the date of this Deed of Guarantee.

3. Post Office shall have no greater rights under this Deed of Guarantee in relation to the Principal Obligors' obligations under the Agreement than it has under the Agreement.

4. Any demand under this Deed of Guarantee shall be in writing, addressed to the registered office of the Guarantor (or such other address as the Guarantor has from time to time notified to Post Office as being an address for the receipt of such demands) and accompanied by a statement identifying the nature of the claim by Post Office, and shall be copied to the Principal Obligors at their respective registered offices

5.1 The Guarantor shall not be discharged or released from this Deed of Guarantee by any arrangement made between any Principal Obligor and Post Office without the assent of the Guarantor or by any amendment to or termination of the Agreement or by any forbearance or indulgence whether as to payment, time, performance or otherwise granted by Post Office in relation thereto.

5.2 The obligations of the Guarantor under this Deed of Guarantee may not be assigned or subcontracted in whole or in part without the express written authority of Post Office. For the avoidance of doubt, and without prejudice to the generality of the foregoing provisions of this Clause 5.2, the obligations of the Guarantor under Clauses 2.2 and 2.3 hereof may be sub-contracted if agreed in accordance with this Clause 5.2.

6. This Deed of Guarantee shall be a continuing security and accordingly it shall:

6.1 not be discharged by any partial performance (except to the extent of such partial performance) by any Principal Obligor of its obligations under the Agreement, and

6.2 extend to cover the unperformed part of the obligations of any Principal Obligor from time to time under the Agreement.

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7. The obligations of the Guarantor under this Deed of Guarantee are those of primary obligor and such obligations exist irrespective of any total or partial invalidity, illegality or unenforceability of the Agreement. Post Office shall not be obliged before taking steps to enforce this Deed of Guarantee against the Guarantor to obtain judgment against any Principal Obligor or the Guarantor or any third party in any Court, or to make or file any claim in a bankruptcy or liquidation of any Principal Obligor or any third party, or to take any action whatsoever against any Principal Obligor or the Guarantor or any third party (other than serving a copy of the notice of demand upon the Principal Obligors in accordance with Clause 4 above).

8. The Guarantor warrants that it is a company duly organised and validly existing under the laws of England with limited liability and has all power and authority to enter into and perform the obligations contemplated by this Deed of Guarantee to be performed by it and that this Deed of Guarantee constitutes a legal, valid and binding obligation.

9. All sums payable by the Guarantor under this Deed of Guarantee shall be paid without any set-off, lien or counterclaim, deduction or withholding, howsoever arising.

10. None of the liabilities or obligations of the Guarantor under this Deed of Guarantee shall be impaired or discharged by the winding up, amalgamation, reconstruction or reorganisation of the Guarantor or any Principal Obligor (or the commencement of any of the foregoing).

11. If any provision of this Deed of Guarantee is held invalid, illegal or unenforceable for any reason by any Court of competent jurisdiction, such provision shall be severed and the remainder of the provisions hereof shall continue in full force and effect as if this Deed of Guarantee had been executed with the invalid, illegal or unenforceable provision eliminated.

12. This Deed of Guarantee shall be governed by and construed in all respects in accordance with the laws of England and the parties hereby submit to the non-exclusive jurisdiction of the Courts of England in respect of any dispute which may arise between the parties concerning this Deed of Guarantee.

13.1 In the event that there shall, in the reasonable opinion of Post Office, occur a material adverse change in the financial condition of the Guarantor by comparison with such a financial condition as at the date of this Deed of Guarantee, which change in financial condition could reasonably be expected to have an adverse effect on the ability of the Guarantor to perform its obligations under this Deed of Guarantee, then the Guarantor shall, if so required by Post Office in writing, procure that there is provided to Post Office an Acceptable Additional Guarantee. Such an Acceptable Additional Guarantee shall be provided within one (1) month after Post Office requires the provision of the same. For the purposes of this Clause, an "Acceptable Additional Guarantee" shall be a guarantee of the obligations of the Guarantor under this Deed of Guarantee given in favour of Post Office which:

13.1.1 is given by an entity acceptable to Post Office which has a financial condition at least as good as that of the Guarantor as at the date of this Deed of Guarantee; and

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13.1.2 is substantially in the form of this Deed of Guarantee with such amendments as Post Office shall reasonably require to take account of the identity and place of incorporation of, and any other factors relevant to, the new guarantor.

Any such Acceptable Additional Guarantee shall be in addition to and not in substitution for this Deed of Guarantee.

13.2 In the event that there shall, in the reasonable opinion of Post Office, occur a material adverse change in the financial condition of any person liable as guarantor under an Acceptable Additional Guarantee by comparison with such financial condition as at the date of the relevant Acceptable Additional Guarantee, which change in financial condition could reasonably be expected to have an adverse effect on the ability of the relevant party to perform its obligations under the applicable Acceptable Additional Guarantee, then the Guarantor shall, if so required by Post Office in writing, procure that there is provided to Post Office a further Acceptable Additional Guarantee from another entity. Any such Acceptable Additional Guarantee shall be provided within one (1) month after Post Office requires the provision of the same.

13.3 Any failure by the Guarantor to provide an Acceptable Additional Guarantee in accordance with the provisions of this Clause shall be treated as a Default by the Principal Obligors entitling Post Office to terminate the Agreement pursuant to Clause 34.2 thereof.

IN WITNESS WHEREOF the Guarantor has executed this document as a Deed the day and year first before written.

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Executed as a deed by **FUJITSU SERVICES HOLDINGS PLC** acting by a director and its secretary/two directors)

_____
(Director)

_____
(Secretary/ Director)

Executed as a deed by **POST OFFICE LIMITED** acting by a director and its secretary/two directors)

_____
(Director)

_____
(Secretary/ Director)

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PART B: FUJITSU LIMITED

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DATED 2002

FUJITSU LIMITED

- to –

POST OFFICE LIMITED

DEED OF GUARANTEE AND INDEMNITY

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THIS **DEED OF GUARANTEE AND INDEMNITY** is made on 2002

BETWEEN

(1) **FUJITSU LIMITED** of 1-1, Kamikodanaka 4-chome, Nakahara-ku, Kawasaki 211-8588, Japan (the "Guarantor")

AND

(2) **POST OFFICE LIMITED** whose registered office is at 80-86 Old Street, London, EC1V 9NN (registered in England and Wales under company number 02154540) ("Post Office", which expression includes Post Office's successors and assigns).

WHEREAS

(A) On 28 July 1999 a codified agreement (the "Original Codified Agreement") was entered into between Post Office (formerly Post Office Counters Limited) and Fujitsu Services (Pathway) Limited (formerly ICL Pathway Limited) ("Pathway").

(B) The Guarantor, on the execution of the Original Codified Agreement, executed a guarantee dated 28 July 1999 in the terms stated therein in respect of the Original Codified Agreement.

(C) By a letter from Hiroaki Kurokawa of Fujitsu Limited to Post Office it was stated that the guarantee dated 28 July 1999 referred to in Recital (B) would continue in full force and effect in relation to the Original Codified Agreement and the obligations created by the Second Supplemental Agreement (as defined in and attached to that letter from Mr Kurokawa).

(D) By a letter to Post Office dated 3 July 2002, the Guarantor confirmed that the terms of the guarantee dated 28 July 1999 referred to in Recital (B) would continue in full force and effect in relation to the Original Codified Agreement as amended by the Network Banking CCN referred to in that letter.

(E) In this Deed, the "Original Codified Agreement Guarantee" means the guarantee dated 28 July 1999, the letter from Mr Kurokawa and the letter dated 3 July 2002 (referred to respectively in Recitals (B), (C) and (D) above).

(F) By a change control note, number 1100, dated 31st December 2002 (the "Amendment CCN") Post Office and Pathway agreed to vary and restate the terms of the Original Codified Agreement (the Original Codified Agreement as varied and restated by the Amendment CCN being referred to herein as the "Codified Agreement").

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(G) Pathway and Post Office intend that the Codified Agreement will be novated by the assignment of Pathway's rights and obligations thereunder to Fujitsu Services Limited (registered in England and Wales under company number 00096056) by a Novation Agreement (the "Novation Agreement") to be entered into by Pathway, Post Office and Fujitsu Services Limited on or around 1 April 2003. Upon the Novation Agreement being entered into all references to the "Codified Agreement" in this Deed of Guarantee will thereafter be read and construed as references to the Codified Agreement as modified by the Novation Agreement and references to the obligations of the Principal Obligors under the Codified Agreement will be to those obligations as modified, assumed or released by the Novation Agreement.

(H) In this Deed of Guarantee, "Principal Obligors" means Pathway and Fujitsu Services Limited.

(I) The Guarantor and Post Office now wish to discharge the Original Codified Agreement Guarantee and enter into a new guarantee between themselves on the terms hereinafter appearing. The Guarantor has agreed that the new guarantee shall apply both to the Principal Obligors' obligations under the Codified Agreement and to Pathway's obligations under the consent agreement dated 16 September 1997 among the Secretary of State for Social Security ("DSS"), Post Office, Fujitsu Services Holdings plc (formerly ICL plc), Pathway, and Fujitsu Services (Pathway Asset Company) Limited (formerly ICL Pathway Asset Company Limited) (the "Consent Agreement"). Discharge of the Consent Agreement is intended to be a condition precedent to execution of the Novation Agreement.

(J) In this Deed, "Agreements" means the Codified Agreement and the Consent Agreement and "Agreement" shall be construed accordingly.

NOW THIS DEED WITNESSES AS FOLLOWS:-

1. With effect from the execution of this Deed of Guarantee, Post Office hereby unconditionally and irrevocably releases the Guarantor from the Original Codified Agreement Guarantee and each and any obligation which the Guarantor has or may have under the Original Codified Agreement Guarantee, the Original Codified Agreement Guarantee shall for all purposes be treated as discharged, and Post Office agrees to deliver up the Original Codified Agreement Guarantee to the Guarantor forthwith.

2. The Guarantor unconditionally and irrevocably guarantees to Post Office the due and punctual performance by the Principal Obligors of the Agreement and by Pathway of the Consent Agreement and undertakes that upon demand by Post Office it shall indemnify and keep Post Office indemnified against all losses, damages, costs and expenses (including court costs and legal fees) which may be incurred by Post Office arising out of all and any breach of any Agreement and provided always that the liability of the Guarantor shall be no greater than the liability of the Principal Obligors under the Agreements, without prejudice to Clause 11 of this Deed of Guarantee. Notwithstanding the date of this Deed of Guarantee the Guarantor's obligations

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hereunder shall extend to all breaches of any Agreement by the Principal Obligors whensoever or howsoever any breach occurred whether before, on, or after the date of this Deed of Guarantee and the Guarantor agrees that Post Office shall have the right to enforce this Deed of Guarantee and pursue any claims and demands arising out of or in respect thereof whether arising prior to, on, or subsequent to the date of this Deed of Guarantee.

3. The Guarantor shall not be discharged or released from this Deed of Guarantee by any arrangement made between the Principal Obligors and/or Post Office without the assent of the Guarantor or by any amendment to or termination of any Agreement or by any forbearance, waiver or indulgence whether as to payment, time, performance or otherwise granted by Post Office in relation thereto and the Guarantor hereby expressly consents to any and all such arrangements, amendments, terminations, forbearances or indulgences.

4. The indemnity set out in Clause 1 of this Deed of Guarantee is irrevocable and absolute and shall be a continuing security and accordingly it shall:

4.1 not be discharged by any partial performance (except to the extent of such partial performance) by the Principal Obligors of their obligations under any Agreement; and

4.2 extend to cover the unperformed part of the obligations of the Principal Obligors (or either of them) from time to time under each Agreement.

5. The obligations of the Guarantor under this Deed of Guarantee are those of primary obligor and such obligations exist irrespective of any invalidity, illegality or unenforceability of any provision of any Agreement. Post Office shall not be obliged before taking steps to enforce this Deed of Guarantee against the Guarantor to obtain judgment against either Principal Obligor or the Guarantor or any third party in any Court, or to make or file any claim in a bankruptcy or liquidation of either Principal Obligor or any third party, or to take any action whatsoever against either Principal Obligor or the Guarantor or any third party.

6. The Guarantor warrants that it is a body corporate duly organised and validly existing under the laws of Japan, with limited liability and has all power and authority to enter into and perform the obligations contemplated by this Deed of Guarantee to be performed by it and that this Deed of Guarantee constitutes its legal, valid and binding obligations.

7. All sums payable by the Guarantor under this Deed of Guarantee shall be paid without any set-off, lien or counterclaim, deduction or withholding, howsoever arising. The parties agree that payment in accordance with this Clause 7 shall not constitute a waiver of any rights or remedies that the Guarantor may have as against Post Office.

8. None of the liabilities or obligations of the Guarantor under this Deed of Guarantee shall be impaired or discharged by:

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8.1 the insolvency, administration, receivership, dissolution, winding-up, amalgamation, reconstruction or reorganisation of the Guarantor, or either Principal Obligor or any other person (or the commencement of any of the foregoing), or any equivalent or analogous proceedings in whatever jurisdiction;

8.2 any change in the constitution of either of the Principal Obligors or the Guarantor; or

8.3 any other matter which but for this provision might operate to discharge or exonerate the Guarantor.

9.1 If any payment or other benefit received by Post Office in relation to the obligations of the Principal Obligors (or either of them) pursuant to any Agreement are avoided, reduced or invalidated by virtue of any applicable law then pro tanto the Guarantor's obligations shall not be released or affected.

9.2 Until the obligations of the Principal Obligors pursuant to each Agreement have been fully performed:

9.2.1 the Guarantor shall not without the consent of Post Office be subrogated to any rights of Post Office arising under each Agreement or seek to enforce repayment from the Principal Obligors by way of indemnity, or otherwise; and

9.2.2 the Guarantor shall not prove or claim a dividend in the insolvency of either of the Principal Obligors without the consent of Post Office but shall do so if directed by Post Office and will hold any benefit in trust for Post Office.

10. If any provision of this Deed of Guarantee is invalid, illegal or unenforceable for any reason, such provision shall be severed and the remainder of the provisions hereof shall continue in full force and effect as if this Deed of Guarantee had been executed with the invalid, illegal or unenforceable provision eliminated.

11. The Guarantor shall reimburse to Post Office all costs and expenses incurred by Post Office in connection with the enforcement and administration, (excluding, for the avoidance of doubt, any enforcement and administration costs incurred by Post Office in enforcing or administering the Agreements as between the Principal Obligors and Post Office), of all or any part of the obligations described herein, including without limitation all legal costs and disbursements and court costs.

12. Except as otherwise expressly provided herein, any notice or other communication affecting this Deed of Guarantee from one party to the other shall be made in writing and signed by or on behalf of the other party making the notice or communication.

13. Any notice or other communication which either party is required or authorised by this Deed of Guarantee to give or make to the other shall be given or made by leaving it at, or by posting by ordinary prepaid first class post (airmail if overseas) or by facsimile transmission to the address of the other party in the manner referred to in the following provisions of this Deed of Guarantee. Such notice or communication shall be deemed for the purposes of this Deed of Guarantee to have been given or

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made on the fifth Business Day after the date of posting (for a letter), or on the Business Day following the date of transmission (for a facsimile). For the purposes of this Clause, "Business Day" shall mean any day (excluding Saturdays and Sundays) when clearing banks in the City of London are open for normal banking business.

14. The Guarantor irrevocably appoints Fujitsu Services Holdings plc of 26 Finsbury Square, London EC2A 1SL to be its agent for the receipt of service of process in England. It agrees that any document may be effectively served on it in connection with proceedings in England and Wales by service on its agent, and Clause 13 above applies with respect to such service.

15. For the purposes of Clause 13 above the address of each party shall be:

For the Guarantor:

Address: Fujitsu Ebisu Building, 18-18, Ebisu 1-chome, Shibuya-ku, Tokyo 150-8450, Japan

Attention: General Manager, Global Office, Software and Services Business Promotion Group

Tel: GRO

Fax: GRO

For Post Office:

Address: GRO

Attention: Chief Executive Officer

Fax: GRO

16. Either party may change its address for service, or the person nominated to receive any such notices or communication, by notice given in accordance with Clause 13 above.

17. The single or partial exercise by Post Office of any right, power or remedy provided by law or under this Deed of Guarantee shall not preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

18. This Deed of Guarantee shall be governed by and construed in all respects in accordance with the laws of England. Any dispute which may arise between the parties concerning this Deed of Guarantee shall be determined by the courts of

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England and the parties hereby submit to the non-exclusive jurisdiction of the courts of England for such purposes.

IN WITNESS WHEREOF the Guarantor has executed this document as a Deed the day and year first before written.

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Executed as a deed by) **FUJITSU LIMITED** acting by:)
)
)
……) **(Authorised signatory(ies))**
)
……)
)
who, in accordance with the laws of the) territory in which Fujitsu Limited is) incorporated, is/are acting under the) authority of Fujitsu Limited.)
)

Executed as a deed by **POST OFFICE**) **LIMITED** acting by a director and its) secretary/two directors)
) **(Director)**
)
)
) **(Secretary/ Director)**
)

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SCHEDULE 9

ORDERING, INVOICING AND PAYMENT

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON309.doc

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SCHEDULE 9

ORDERING, INVOICING AND PAYMENT

1. PURPOSE

1.1 This Schedule sets out the procedures for:

1.1.1 the ordering of Operational Business Change;

1.1.2 the ordering of Post Office Consumables;

1.1.3 the ordering of Work Packages;

1.1.4 the raising and issuing of invoices by Fujitsu Services; and

1.1.5 the payment of all invoices by Post Office.

2. ORDERING OF OPERATIONAL BUSINESS CHANGE

The ordering process and ordering points for Operational Business Change shall be as set out in the CCDs entitled:

(a) "ICL Pathway/Post Office Interface Agreement for Operational Business Change – Outlet";

(b) "ICL Pathway/Post Office Interface Agreement for Operational Business Change – Product"; or

(c) "Fujitsu Services/Post Office Interface Agreement for Operational Business Change - Message Broadcast",

as appropriate.

3. ORDERING OF POST OFFICE CONSUMABLES

In the event that Post Office exercises its option to obtain Post Office Consumables from Fujitsu Services, Post Office shall inform Fujitsu Services of the nominated ordering point(s) for ordering such Post Office Consumables. The terms and conditions on which such Post Office Consumables are supplied are set out in Clauses 5 and 12.2 and in paragraphs 5 and 6 of Schedule 14.

4. ORDERING OF WORK PACKAGES

4.1 All Work Packages (as described in Schedule 20) must be ordered by means of one or more Work Orders.

4.2 A Work Order consists of:

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4.2.1 an agreed description of the Work Package or Work Package Element which is the subject of the Work Order;

4.2.2 agreed Commercial Terms;

4.2.3 a Commercial Terms Signature Sheet signed on behalf of both parties in accordance with the provisions of this Schedule 9;

4.2.4 a Purchase Order issued by Post Office; and, where required,

4.2.5 a signed CCN in accordance with paragraph 5.6.

4.3 The process for agreeing the description of a Work Package and Commercial Terms for a Work Package shall be as set out in Schedule 20 and be subject to the governance arrangements set out in Schedule 4. However:

4.3.1 Where a Work Package is broken down into a number of constituent Work Package Elements, a master Work Package description and master Commercial Terms may be agreed for the Work Package as a whole so that the Work Orders for its individual Work Package Elements may incorporate, or be made subject to, those master documents by reference; and

4.3.2 where a Work Package consists of Professional Services the description of the Work Package may simply consist of a description of:

(i) the number of man days of effort by grade;

(ii) the start and end dates required; and

(iii) the nature of the task enabling the appropriate skill set to be identified;

4.4 The Commercial Terms for a Work Package or Work Package Element shall specify:

4.4.1 the set of Agreed Terms & Conditions which shall apply to that Work Package Element and any variations applicable to the Work Package or Work Package Element in question;

4.4.2 any conditions to which the conclusion of the Work Order will be subject (for example, any dependencies on the Post Office, and any acceptance criteria);

4.4.3 the version of the Resource Plan against which the resourcing offer is made, identifying any Additional Resources which will be required;

4.4.4 the gross price of the Work Package Element and the Provisional Net Price;

4.4.5 where required, the number of the related CCN; and

4.4.6 the offer expiry date (the "Expiry Date").

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4.5 Where the carrying out of a Work Order would require an amendment to this Agreement, the related CCN must be agreed by the Parties and signed before the Work Order is placed.

4.6 Fujitsu Services' authorised representative shall offer to carry out Work Packages on the Commercial Terms by signing a Commercial Terms Signature Sheet referencing those documents and delivering it together with those documents to Post Office's designated representative on the Commercial Forum at the address set out in paragraph 5.1. If a CCN is required, a copy of the completed CCN signed by Fujitsu Services shall accompany the Commercial Terms Signature Sheet. The offer may be taken up by Post Office in the manner described in paragraph 4.7 up to midnight on the Expiry Date.

4.7 To place the Work Order for the Work Package on the basis of the Commercial Terms, Post Office's authorised representative on the Commercial Forum shall:

4.7.1 counter-sign the Commercial Terms Signature Sheet (incorporating by reference the relevant Work Package and the Commercial Terms);

4.7.2 where a CCN is required, counter-sign the CCN;

4.7.3 raise a Purchase Order in the amount of the Net Price and enter the Purchase Order number on to the Commercial Terms Signature Sheet; and

4.7.4 deliver them to Fujitsu Services at the address set out in paragraph 5.2 before midnight on the Expiry Date.

4.8 If a Work Order is received after the Expiry Date, Fujitsu Services may return the Work Order to Post Office within five (5) Working Days clearly marked "rejected", in which case it shall be of no effect. If not so returned, it shall be deemed accepted notwithstanding that it was received after the Expiry Date.

4.9 If following the placing of a Work Order one or other Party discovers that it involves changes to the Agreement such that a CCN should have been agreed beforehand, that Party shall notify the other immediately and the Commercial Forum shall meet to discuss the matter as soon as possible. If the Parties are unable to agree a CCN or a restriction of scope of the Work Order to avoid the need for a CCN, the Work Order shall be suspended and the costs committed on the Work Order up to that date shall be apportioned between the Parties equally.

4.10 Except where some other basis of charging has been agreed in the relevant Commercial Terms, actual charges in relation to Work Orders in respect of Work Packages shall be calculated in accordance with paragraphs 10 and 11 of Schedule 20 on the basis of actual hours recorded and the applicable utilisation of the Core SI Team.

5. ADMINISTRATION OF WORK ORDERS

5.1 Requests for Work Packages, signed Commercial Terms Signature Sheets and Purchase Orders shall be sent by Post Office to the address notified to it by Fujitsu Services in accordance with Clause 46 or as otherwise agreed by the Parties.

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5.2 Proposals for Work Packages and signed Commercial Terms Signature Sheets shall be sent by Fujitsu Services to Post Office Change Control Manager.

5.3 The Parties agree that in order to expedite business between them, requests and proposals for Work Package may also be delivered in person at meetings of the relevant Forum. Where a request or proposal for a Work Package is delivered at a meeting of a Forum, the Party delivering the same shall, as soon as reasonably practicable and in any event within five (5) Working Days from the time of the meeting, send written confirmation of such request or proposal to the address at paragraph 5.1 or 5.2 (as applicable).

6. FREQUENCY AND TIMING OF INVOICES

6.1 Schedule 10 Charges

6.1.1 Fujitsu Services shall raise invoices for the provision of Services charged for pursuant to paragraphs 2 to 4 of Schedule 10 adjusted in accordance with paragraphs 5 and 6.1 of Schedule 10 (the “Recurring Charges”), calendar monthly in arrear.

6.1.2 Additionally, Fujitsu Services shall raise invoices for the provision of Services charged for pursuant to paragraphs 6.2 and 7 of Schedule 10 (and not charged pursuant to a Work Order) as they arise, calendar monthly in arrear Charges under paragraph 6.2 will be calculated in accordance with paragraphs 10 and 11 of Schedule 20 and, where applicable, charges under paragraph 7 will be calculated in accordance with Schedule 23.

6.1.3 For the purposes of this Schedule 9 each calendar month shall constitute an “Invoicing Period” and each Invoicing Period shall commence on the first (1st) day of the relevant calendar month and end on the last day of that calendar month.

6.2 Operational Business Change

Fujitsu Services shall raise invoices for Operational Business Change in accordance with the charging mechanism and payment schedule agreed for Operational Business Change calendar monthly in arrear.

6.3 Work Orders

6.3.1 Fujitsu Services shall raise invoices for Work Orders in accordance with the charging mechanism and payment schedule set out in the applicable Commercial Terms.

6.3.2 In the event that the Commercial Terms do not contain this information:

(i) payment for Work Orders where the Work Package or Work Package Element consists of the provision of Professional Services shall be made monthly as each month's work is completed;

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(ii) payment for other Work Orders shall be made once the Work Package or Work Package Element has been completed and Post Office has confirmed in writing that all specified acceptance criteria have been satisfied; and

(iii) the payment terms set out in paragraph 10 shall apply to any such payment.

6.4 Post Office Consumables

Fujitsu Services shall raise invoices for Post Office Consumables following the acceptance of the Post Office Consumables by Post Office's designated delivery point.

6.5 Network Banking Implementation

Fujitsu Services shall raise invoices and/or credit notes (as required) in accordance with Annex D of Schedule 10 in respect of the Network Banking Implementation Charges.

6.6 Special Discounts and Supplemental Charge

Fujitsu Services shall raise invoices or credit notes (as relevant) in accordance with paragraph 9 of Schedule 10 (Charges) in respect of Special Discounts and Supplemental Charge on the dates mentioned in that paragraph.

6.7 Discrete invoices and Delivery Point

Fujitsu Services shall invoice separately for each of the above and deliver all invoices and credit notes to:

Contract Manager (FS), Post Office Ltd., Calthorpe House, 15-20 Phoenix Place, London, WC1X ODG.

7. INVOICE DESIGN

7.1 Fujitsu Services shall only submit invoices which conform to the design specified in the CCD entitled “ICL Pathway Invoice Layout” (PA/PRP/002). Fujitsu Services shall ensure that the invoice design conforms to the Customs and Excise requirements for VAT purposes. Post Office may at any time require the invoices to be submitted in electronic form.

7.2 The Charges on each invoice shall be exclusive of VAT and the VAT shown as a separate amount and the prevailing rate expressed in percentage terms. The total sum payable inclusive of VAT must also be shown.

7.3 Fujitsu Services shall include, as a minimum, the following information on each invoice submitted:

7.3.1 invoice date;

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7.3.2 such Purchase Order number as may have been supplied by Post Office to Fujitsu Services

7.3.3 Work Package number (if relevant);

7.3.4 Invoicing Period;

7.3.5 Fujitsu Services' address and reference number for ACT purposes;

7.3.6 Fujitsu Services' VAT number;

7.3.7 the Post Office invoice address;

7.3.8 the total charge per Service;

7.3.9 discounts for early invoice settlement; and

7.3.10 other adjustments made.

7.4 In respect of the Recurring Charges, Fujitsu Services shall separately identify the Charges for each separate row of the Charges in the relevant tables in Schedule 10 on each invoice raised and shall supply supporting information to explain all adjustments made in accordance with Schedule 10.

7.5 Fujitsu Services shall include on each invoice for Operational Business Change those additional invoice details set out in the Operational Business Change Catalogue.

8. APPLICATION OF LIQUIDATED DAMAGES AND POST OFFICE ADDITIONAL COSTS

Payment of Liquidated Damages and Post Office Additional Costs shall be dealt with by the issue of credit notes (or, at Post Office's discretion, the payment of cash) in the manner set out in Clause 29.

9. FINAL YEAR RETENTION

9.1 For the penultimate and pre-penultimate invoices in the final three months of this Agreement, Fujitsu Services shall:

9.1.1 submit to Post Office documentation supporting 100% (one hundred percent) of the Charges payable in accordance with this Schedule; and

9.1.2 submit to Post Office an invoice equal to 80% (eighty percent) of the Charges calculated in accordance with sub-paragraph 9.1.1 above (the balance of 20% being referred to in this paragraph 9 as a "Retention").

This paragraph 9.1 shall not apply in respect of the Charges in the row labelled "Network Service" in the table in paragraph 2.2 of Schedule 10 (as adjusted in

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accordance with paragraph 5 of Schedule 10) which shall not be included in the Charges for the purposes of 9.1.1 above and shall be invoiced in full when due.

9.2 Post Office shall pay to Fujitsu Services the value of the invoice submitted in accordance with sub-paragraph 9.1.2 plus VAT at the prevailing rate.

9.3 The final invoice for the final Financial Year of the Agreement shall include:

9.3.1 a calculation of all moneys outstanding to Fujitsu Services (including the two Retentions referred to in paragraph 9.1.2);

9.3.2 less any adjustments in respect of discounts and remedies;

9.3.3 plus an amount equal to interest on the Retentions at a rate per annum equal to LIBOR plus 1 per cent for the periods of the Retentions;

9.3.4 plus VAT at the prevailing rate.

9.4 Post Office shall pay to Fujitsu Services the value of the invoice submitted in accordance with paragraph 9.3.

10. PAYMENT OF INVOICES

10.1 The Post Office Horizon Commercial Manager and the Post Office Strategic Finance Manager shall review the invoices and shall authorise valid invoices for payment.

10.2 Payment of Charges in relation to the Services performed hereunder shall be made within thirty days after receipt by Post Office (at its nominated address for invoices) of a valid invoice for such amounts.

10.3 Payments will be made by Post Office to Fujitsu Services by Automated Credit Transfer (ACT) unless otherwise specified by Post Office.

11. REPORTS TO THE COMMERCIAL FORUM

11.1 Fujitsu Services shall use reasonable endeavours to provide a report to Post Office two (2) Working Days in advance of each scheduled meeting of the Commercial Forum showing the current status of all current Work Orders and invoices relating to them. (For this purpose, a Work Order shall be current if Fujitsu Services expects to raise future invoices relating to it, or if there are invoices raised and not yet paid relating to it). This report shall be in the form of a spreadsheet and shall show for each current Work Order:

11.1.1 invoices raised and paid, with amounts, dates of invoice, dates of payment and relevant Purchase Order number;

11.1.2 invoices raised and not yet paid with amounts, dates of invoice, due dates of payment and relevant Purchase Order number;

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11.1.3 invoices disputed with amounts, dates of invoice and relevant Purchase Order number; and

11.1.4 forecast amounts, dates of future invoices and relevant Purchase Order number (if relevant).

12. DISPUTES ARISING FROM INVOICES

In the event of any dispute relating to an invoice, either Party may invoke the Dispute Resolution Procedures set out in Annex 2 to Schedule 4.

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Annex 1
(Template Commercial Terms Signature Sheet)

Fujitsu Services (Pathway) Limited/Post Office Limited

Horizon Agreement – Commercial Terms Signature Sheet for Work Package Element

Work Package/ Work Package Element Reference Number

Commercial Terms

Expiry Date

Purchase Order Number

Part A - Fujitsu Services Offer

Fujitsu Services (Pathway) Limited ("Fujitsu Services") offers to provide, on the Commercial Terms referred to above, the goods and/or services described in the Work Package or Work Package Element referred to above (the "Work Package Element").

Part B - Post Office Acceptance

Post Office accepts Fujitsu Services' offer and agrees to purchase the Work Package Element on the Commercial Terms referred to above.

Signed for and on behalf of	*Signed for and on behalf of*
Post Office Limited:	***Fujitsu Services (Pathway) Limited:***
.....	.....
Authorised Signatory	Authorised Signatory
.....	.....
Name	Name
.....	.....
Title	Title
.....	.....
Date of Signature	Date of Signature

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SCHEDULE 10

CHARGES

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON310.doc

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SCHEDULE 10

CHARGES

1. GENERAL

1.1 All amounts set out in this Schedule are before adjustment for RPI as set out in paragraph 10 and before VAT.

1.2 All annual Charges set out in this Schedule 10 unless otherwise stated relate to Financial Years. All such Charges shall, unless stated otherwise, become due for payment on a monthly basis in accordance with the provisions of Schedule 9. The amount which shall become due on the first day of each calendar month shall in each case be one twelfth of the applicable annual charge.

1.3 Charges are grouped as follows:

1.3.1 Operational Charges (as adjusted or added to in accordance with paragraph 5);

1.3.2 Availability Fees;

1.3.3 SI Commitment Fee (as adjusted or added to in accordance with paragraph 6 and Additional SI Changes);

1.3.4 Implementation Charges;

1.3.5 Supplemental Charge;

1.3.6 Operational Business Change Charges; and

1.3.7 Network Banking Implementation Charges.

1.4 Charges are subject to the adjustments set out in this Schedule 10.

1.5 Services which would cause the Limits set out in Annex A to be exceeded shall be subject to the Change Control Procedure.

1.6 All amounts set out in this Schedule 10 relating to the Financial Year ending 31 March 2003 are Charges only for the three months ending on 31 March 2003.

1.7 In this Schedule 10, unless the context otherwise requires, any reference to a paragraph or Annex is to the relevant paragraph of or annex to this Schedule.

2. OPERATIONAL CHARGES

2.1 The Operational Charges shall be a series of charges for the different elements of the Operational Services as set out in the Operational Charges Table. Subject to the adjustments set out in paragraph 5, the Operational Charges in respect of each

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Financial Year shall be the aggregate of the amounts set out in the column corresponding to that Financial Year in the Operational Charges Table.

2.2 The Operational Charges Table

	Financial Years ending 31 March							
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
	(£ millions)							
Help Desk Service (including Help Desk and Technical Service Desk)	1.25	3.83	3.82	3.67	3.51	3.37	3.20	3.04
Engineer Service	3.28	12.10	12.24	11.62	12.49	12.29	12.34	12.66
Operational Business Change - Branch Change (pre-paid)	0.25	0.95	0.96	0.94	0.74	0.74	0.73	0.72
Data Centre Operations Service	2.69	10.52	10.45	9.28	9.13	9.08	8.93	8.79
Network Service	6.22	29.39	23.53	19.08	15.64	14.71	14.30	13.83
Systems Management Service	1.53	6.42	6.71	6.68	6.83	6.98	7.06	7.16
Product Support Service	0.61	3.28	3.16	3.22	3.28	3.35	3.39	3.43
Reference Data Management Service	0.17	0.65	0.60	0.61	0.54	0.55	0.56	0.56
Third Line Software Support Service	0.49	1.63	1.63	1.49	1.43	1.37	1.39	1.41
Management Information Service	0.17	0.53	0.51	0.53	0.45	0.46	0.46	0.47
Service Management Service	0.23	0.53	0.43	0.44	0.45	0.46	0.46	0.47
Reconciliation Service	0.26	0.91	0.91	0.72	0.62	0.62	0.61	0.60
Security Management Service	0.14	0.65	0.68	0.69	0.62	0.63	0.64	0.65
Total Operational Charges	**17.29**	**71.39**	**65.63**	**58.97**	**55.73**	**54.61**	**54.07**	**53.79**

3. AVAILABILITY FEE

3.1 The Availability Fee in each Financial Year shall be the Total Availability Fee set out in the column corresponding to that Financial Year in the following table:

	Financial Years ending 31 March		
	2003	**2004**	**2005**
	(£ millions)		
First Availability Fee	3.75	15.00	11.25
Second Availability Fee	3.91	15.65	15.65
Total Availability Fee	**7.66**	**30.65**	**26.90**

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3.2 No Availability Fees are payable in Financial Years subsequent to that ending 31 March 2005.

4. SI COMMITMENT FEE

4.1 Subject to the adjustments set out in paragraph 6.1, the SI Commitment Fee in each Financial Year shall be the Total SI Commitment Fee set out in the column corresponding to that Financial Year in the following table:

	Financial Years ending 31 March							
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
	(£ millions)							
SI Support Services	2.31	16.29	13.09	9.26	9.53	9.62	9.70	16.54
Pre-paid Capacity	3.67	9.02	10.56	6.80	6.80	6.80	6.80	0.00
Total SI Commitment Fee	**5.98**	**25.31**	**23.65**	**16.06**	**16.33**	**16.42**	**16.50**	**16.54**

4.2 In respect of each Financial Year, Fujitsu Services shall provide SI Support Services to Post Office at the charges set out in the row labelled "SI Support Services" in the table in paragraph 4.1.

4.3 In respect of each Financial Year, Fujitsu Services shall provide to Post Office the services of the Core SI Team at no additional charge up to the value of "Pre-paid Capacity" set out in the table in paragraph 4.1, subject to the provisions of Schedule 20.

4.4 The value of the Core SI Services provided by Fujitsu Services to Post Office in relation to such Pre-paid Capacity shall be calculated on a time cost basis in the same way as they are calculated for Additional Resources in paragraph 6.2.

4.5 Unless otherwise agreed in accordance with paragraph 11.16 of Schedule 20, the value of Core SI Services (calculated in accordance with paragraph 4.3) provided in a Work Period exceeds the Pre-paid SI Capacity for that Work Period, the amount of such excess shall be charged to Post Office on the basis described in paragraph 4.4.

4.6 Fujitsu Services' Charges in respect of materials and expenses in connection with Core SI Services shall be calculated in the same way as they are calculated for Additional Resources in paragraph 6.2.

4.7 Of the figure of £3.67 million in respect of Pre-paid SI Capacity for the Financial Year ending 31 March 2003 in the table in paragraph 4.1, the following amounts are 'pre-allocated' and as such are not available for other Development Services:

4.7.1 £0.62 million for systems integration work on NBS;

4.7.2 £0.25 million for E2E Re-Architecting feasibility study;

4.7.3 £0.20 million for EMV feasibility study;

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4.7.4 £0.15 million for Bureau de Change requirements and early design work; and

4.7.5 £0.20 million for Mails Phase 4 early work.

4.8 The SI Commitment Fee includes the costs for infrastructure facilities used by the Core SI Team.

5. VARIATION OF OPERATIONAL CHARGES

5.1 Help Desk Service

5.1.1 The Help Desk Service Charge in the Operational Charges Table is a fixed charge for the provision of capacity for:

5.1.1.1 the volume of Branch originated Incidents recorded at the Help Desk set out in the relevant column of the first row in the table below; and

5.1.1.2 120 TSD Calls,

per calendar month.

	Financial Years ending 31 March							
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
	(thousands per calendar month)							
Permissible limit for the purposes of paragraph 5.1.3 of Branch originated Incidents recorded at the Help Desk	13.00	13.00	13.00	12.75	12.50	12.25	12.00	11.75
Minimum capacity	7.80	7.80	7.80	7.65	7.50	7.35	7.20	7.05
Maximum capacity	18.20	18.20	18.20	17.85	17.50	17.15	16.80	16.45

5.1.2 The Service Levels for the Help Desk Service shall be applicable whilst the number of Branch originated Incidents recorded at the Help Desk per calendar month is equal to or less than the relevant number referred to from paragraph 5.1.1.1. If the number of Branch originated Incidents recorded at the Help Desk per calendar month exceeds that number, there will be no additional charge for the Help Desk Service, but Fujitsu Services will be entitled to Service Level relief in respect of the Help Desk Service in accordance with paragraph 4 of Schedule 15.

5.1.3 Post Office may, upon giving to Fujitsu Services not less than 3 months notice, increase or reduce the capacity of Branch originated Incidents recorded at the Help Desk referred to from paragraph 5.1.1.1 by up to 20% in one step, no more than one step to be invoked in any quarter of a Financial Year. Provided that the capacity required for Branch originated Incidents recorded at the Help Desk remains within the range set by the second and third rows of the table in paragraph 5.1.1 above, the Charge for the Help Desk Service in the Operational

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Charges Table shall, from the date of such increase or reduction in capacity be correspondingly increased or reduced by an amount equal to £18 per Branch originated Incident recorded at the Help Desk by which the capacity is so increased or reduced.

5.1.4 If in any calendar month:-

5.1.4.1 the actual number of TSD Calls received by the TSD exceeds 120; and

5.1.4.2 it is demonstrated by Fujitsu Services that additional resource above the standard TSD headcount has been employed by the TSD to manage those additional incidents; and

5.1.4.3 it is demonstrated by Fujitsu Services that such resource could not have been obtained from the Help Desk without materially prejudicing the Help Desk Service or Help Desk Service Service Levels,

then Post Office shall pay to Fujitsu Services in respect of that calendar month an additional charge of £118 for each such TSD Call in excess of 120.

5.2 System Service

5.2.1 The System Service Charges set out in the Operational Charges Table are based on the number of Horizon Counter Positions set out, month by month, in Annex B. Any increase or decrease in the actual number of Horizon Counter Positions at the end of any calendar month relative to the number in Annex B applicable to that calendar month (the "Monthly CP Difference") will result in a corresponding increase or decrease in System Service Charges. Subject to paragraph 5.2.2, such increase or decrease in respect of any calendar month will be calculated by multiplying the Monthly CP Difference in respect of that calendar month by the unit price shown in the following table in respect of the Financial Year in which such calendar month falls.

	Financial Years ending 31 March							
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
	(£ per calendar month)							
Unit price per Horizon Counter Position	25.13	25.18	25.03	24.05	26.02	25.44	25.54	26.20

5.2.2 The unit prices in the table in paragraph 5.2.1 shall apply provided the total number of Horizon Counter Positions in operation remains above 35,000. If the number of Horizon Counter Positions in operation at the end of any calendar month falls below 35,000 but remains above 30,000, the unit price applicable to such further reductions below 35,000 shall be half the unit price shown in the table in paragraph 5.2.1. If the number of Horizon Counter Positions falls below 30,000, the unit price applicable to such further reductions below 30,000 shall be one quarter of the unit price shown in the table in paragraph 5.2.1.

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5.3 Operational Business Change - Pre-paid

The Operational Business Change - Branch Change (pre-paid) Charge in the Operational Charges Table is a fixed charge for a pre-paid level of Operational Business Change including fixed administrative charges and charges for change up to the limits in paragraph 8.2.

5.4 Data Centre

5.4.1 Fujitsu Services shall no later than 31 January 2003 secure an option from the landlord of the existing data centre premises at Wigan and Bootle to:

5.4.1.1 extend the term of the leases of each of those premises to 31 March 2010; and

5.4.1.2 extend the area subject to the leases from 6,500 sq ft. to 8,000 sq ft.; and

5.4.1.3 secure that those leases shall be subject to termination for convenience on no less than 18 months prior notice by either landlord or tenant, such period of notice not to take effect before 31 December 2005.

5.4.2 The option referred to in paragraph 5.4.1 shall be exercisable until 31 March 2003. Fujitsu Services shall exercise such option if so requested by Post Office on or before 31 March 2003.

5.4.3 The Operational Charges are based on such option being exercised and the tenancy of the premises referred to in paragraph 5.4.1 continuing to 31 March 2010. If the landlord terminates one or both of the leases early, Fujitsu Services shall relocate to equivalent premises before the date of termination of the relevant lease and, other than where such termination is for Fujitsu Services' breach, the costs of such relocation shall be borne equally by Fujitsu Services and Post Office subject to a cap on such costs to be borne by Post Office of £3.00 million. If such termination is for Fujitsu Services breach, the costs of such relocation shall be borne by Fujitsu Services in their entirety.

5.4.4 If Post Office does not request Fujitsu Services to exercise the option referred to in paragraph 5.4.1. by or before 31 March 2003, Post Office and Fujitsu Services shall agree under the Change Control Procedure appropriate changes to the Operational Charges and the other parts of this Agreement which are affected by such change.

5.5 Network Charges – Number of Branches

The Network Charges set out in the Operational Charges Table are based on the assumed numbers of Branches set out, month by month, in Annex B.

5.5.1 Any increase or decrease in the actual number of Branches at the end of each month relative to the number in Annex B applicable to that month (the "Monthly Difference") will result in a corresponding increase or decrease to the monthly

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Network Charge. Such increase or decrease in Charge in each month will be calculated by multiplying the Monthly Difference in respect of that month by the unit price per Branch shown in the following table in respect of the Financial Year in which such month falls:

	Financial Years ending 31 March							
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
	(£ per calendar month)							
Unit price per Branch	86.27	143.34	117.34	101.20	88.07	84.78	83.45	81.82

5.6 Network Charges – Dial-up Transaction Volumes

5.6.1 Pending the introduction of ADSL, the primary technologies for network connection will be as follows:

5.6.1.1 Bronze ISDN for small Branches;

5.6.1.2 Silver Part Time ISDN for intermediate sized Branches with NBS and/or Debit Card peaks occurring at certain times on certain days;

5.6.1.3 Silver FRIACO Daytime for large Branches,

each as determined in accordance with the CCD entitled "Horizon Capacity Management and Business Volumes" (PA/PER/033).

5.6.2 Where such connections are not available, the following second and third choice options will be applied instead:

5.6.2.1 If no FRIACO, Silver Daytime ISDN;

5.6.2.2 If no ISDN, VSAT.

5.6.3 As the availability of the pre-ADSL primary choice technologies improves over time, Fujitsu Services may at its own cost and without adversely affecting the Charges to the Post Office, optimise the use of such availability by installing a primary connection in place of a second or third choice option, provided that Service Levels are not failed by so doing.

5.6.4 As ADSL becomes available, subject to paragraph 5.7.1, Fujitsu Services will implement the ADSL network upgrade as provided for in paragraph 7.1.1, so as to replace as many of the pre-ADSL technology connections as ADSL availability permits.

5.6.5 The following table sets out the baseline percentage for each non-ADSL connection capacity Financial Year by Financial Year after substitution by ADSL as provided for in paragraph 5.7 below.

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	Financial Years ending 31 March						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
	(per cent.)						
Bronze ISDN	50	35	49	56	55	56	55
Silver Part Time ISDN	6	6	6	5	4	3	3
Silver Daytime	44	59	45	39	41	41	42

5.6.6 The assumed monthly volume of Dial-up Transactions carried out in Bronze ISDN Branches and Silver Part Time ISDN Branches, year by year, is as follows:

	Financial Years ending 31 March						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
	(thousands per calendar month)						
Average number of Dial up Transactions	1888	1078	964	827	842	855	868

5.6.7 If in respect of any Financial Year, as assessed at the end of that Financial Year:

5.6.7.1 Fujitsu Services has provided network capacity meeting the Network Mix Criteria; and

5.6.7.2 the number of Dial up Transactions set out in the table in paragraph 5.6.6 is exceeded over that Financial Year taken as a whole,

Fujitsu Services shall be entitled to charge Post Office at the end of that Financial Year for such excess Dial up Transactions at the rate of 2.5 pence per Dial up Transaction.

5.6.8 For the purposes of paragraph 5.6.7 the "Network Mix Criteria" shall be met in respect of any Financial Year if in that Financial Year:

5.6.8.1 the proportions of Silver Daytime and Silver Part Time ISDN relative to the proportion of Bronze ISDN; and

5.6.8.2 the proportion of Silver Daytime relative to the proportion of Silver Part Time ISDN,

are in each case not less than the relative proportions thereof set out in respect of that Financial Year in the table in paragraph 5.6.5 above.

5.6.9 Post Office may request Fujitsu Services to increase the proportion of Silver connections and reduce by an equal amount the proportion of Bronze ISDN connections so as to reduce the number of necessary Dial up Transactions. The price of an upgrade from Bronze ISDN to Silver Part Time ISDN is £53 per month. The price of an upgrade from Bronze ISDN to Silver FRIACO Daytime is £81 per month and to Silver Daytime ISDN £280 per month. If requested to

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upgrade a Branch from Bronze ISDN to Silver Daytime, Fujitsu Services will provide such upgrade by means of FRIACO if FRIACO is available at that Branch.

5.6.10 If in respect of any Financial Year, as assessed at the end of that Financial Year, the average number of Dial up Transactions over that Financial Year taken as a whole is lower than the figure for that Financial Year as calculated by multiplying the relevant number in the table in paragraph 5.6.6 by twelve, and such reduction results from Post Office having made use of the upgrade option described in paragraph 5.6.9 above, then Post Office shall be entitled to a reduction in Operational Changes (Network). The amount of such reduction shall be such as the Parties may reasonably agree reflects the corresponding reduction in costs to Fujitsu Services.

5.6.11 ADSL capacity shall be provided on the basis that 15% of Branches shall have a 20:1 contention connection and the balance will have a 50:1 contention connection. Variations in this percentage, if requested by Post Office, may be agreed at charges which equate to Fujitsu Services Cost of the difference between the two levels of service.

5.6.12 The rates and prices set out in this paragraph 5.6 shall not be adjusted for variations in the Retail Prices Index in accordance with paragraph 10.

5.7 Network Charges – Number of Counter Positions

5.7.1 A pool of 1,500 Horizon Gateway Configurations is required by Fujitsu Services to implement ADSL.

5.7.2 If Fujitsu Services is able to demonstrate that at any time:

5.7.2.1 the maximum limit of Horizon Gateway Configurations set out in row 4 of Annex A is exceeded; and

5.7.2.2 as a result of the foregoing, the number of Horizon Gateway configurations available for ADSL swap out purposes is reduced to less than 1,500; and

5.7.2.3 solely as a result of such shortfall in Horizon Gateway configurations available for ADSL swap out purposes the introduction of ADSL cannot proceed as planned; and

5.7.2.4 Fujitsu Services shall have consulted with Post Office on how best to mitigate the duration and financial impacts of any such delay; and

5.7.2.5 Fujitsu Services shall have used its reasonable endeavours to mitigate the duration and financial impacts of any such delay,

to the extent that Fujitsu Services is reasonably able to demonstrate to Post Office on an Open Book basis that such factors either have caused or will cause Fujitsu Services to incur additional telecommunications rental costs and/or

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additional ADSL related implementation costs over the ADSL implementation period, Post Office shall pay to Fujitsu Services, by way of additional Operational Charge, amounts, not exceeding £0.62 million in any calendar month in aggregate, equal to the amounts of such additional costs incurred by Fujitsu Services over the period of ADSL implementation as a direct consequence of the delay.

5.8 Network Charges – ADSL coverage

5.8.1 Certain levels of ADSL coverage are assumed year by year. If, on a yearly basis, such percentage availability is either exceeded or not achieved with respect to the network of Branches taken as a whole, adjustments to Network Charges shall be made in accordance with this paragraph 5.8.

5.8.2 The Network Charges in the Operational Charges Table shall be reduced or increased according to the following yearly formulae (a positive result denoting a Charge increase and a negative result a Charge decrease).

5.8.2.1 The Network Charge in respect of the Financial Year ending 31 March 2005 shall be adjusted by an amount in £ calculated in accordance with the following formula:

(7,000,000 * (61 - X) / 61) -Y

Where 'X' is equal to the actual percentage of Branches which are in locations in which ADSL lines are available as at 31 March 2004 and 'Y' is any amount payable under paragraph 5.7 in that Financial Year.

5.8.2.2 The Network Charge in respect of the Financial Year ending 31 March 2006 shall be adjusted by an amount in £ calculated in accordance with the following formula:

(8,600,000 * (73 - X) / 73) -Y

Where 'X' is equal to the actual percentage of Branches which are in locations in which ADSL lines are available as at 31 March 2005 and 'Y' is any amount payable under paragraph 5.7 in that Financial Year.

5.8.2.3 The Network Charge in respect of the Financial Year ending 31 March 2007 shall be adjusted by an amount in £ calculated in accordance with the following formula:

(9,900,000 * (80 - X) / 80) -Y

Where 'X' is equal to the actual percentage of Branches which are in locations in which ADSL lines are available as at 31 March 2006 and 'Y' is any amount payable under paragraph 5.7 in that Financial Year.

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5.8.2.4 The Network Charge in respect of the Financial Year ending 31 March 2008 shall be adjusted by an amount in £ calculated in accordance with the following formula:

(9,900,000 * (80 - X) / 80) -Y

Where 'X' is equal to the actual percentage of Branches which are in locations in which ADSL lines are available as at 31 March 2007 and 'Y' is any amount payable under paragraph 5.7 in that Financial Year.

5.8.2.5 The Network Charge in respect of the Financial Year ending 31 March 2009 shall be adjusted by an amount in £ calculated in accordance with the following formula:

(9,900,000 * (80 - X) / 80) -Y

Where 'X' is equal to the actual percentage of Branches which are in locations in which ADSL lines are available as at 31 March 2008 and 'Y' is any amount payable under paragraph 5.7 in that Financial Year.

5.8.2.6 The Network Charge in respect of the Financial Year ending 31 March 2010 shall be adjusted by an amount in £ calculated in accordance with the following formula:

(9,900,000 * (80 - X) / 80) -Y

Where 'X' is equal to the actual percentage of Branches which are in locations in which ADSL lines are available as at 31 March 2009 and 'Y' is any amount payable under paragraph 5.7 in that Financial Year.

5.9 Network Charges – Change of supplier

5.9.1 The subcontract with Energis is due to expire on 31 March 2007. If it is agreed by 31 March 2006 that:

5.9.1.1 a new network supplier be subcontracted by Fujitsu Services and as a consequence there is a change in Fujitsu Services Cost with respect to operational costs or the change brings about transition costs; or

5.9.1.2 a new network supplier be subcontracted by Post Office directly and as a consequence Fujitsu Services ceases to incur the operational costs of such supply but may incur additional costs brought about by transition; or

5.9.1.3 the existing subcontract be extended by Fujitsu Services but as a consequence there is a change in Fujitsu Services Cost with respect to operational costs;

the Parties shall agree revisions to the Operational Charges and, if applicable, to Implementation Charges such that Fujitsu Services is neither better nor

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worse off. Fujitsu Services shall make available to Post Office such information as is reasonably required on an Open Book basis to enable such revisions to be agreed. Fujitsu Services has based its Network Charges beyond 31 March 2007 on the assumption that supply prices will reduce year on year by 2.5% on average, before indexation in line with increases in RPI.

5.9.2 If so requested by Post Office, Fujitsu Services will investigate the possibility of early termination of the Energis sub-contract and will notify Post Office of the likely cost and impact. If Post Office requests Fujitsu Services to terminate the sub-contract early the Parties shall agree revisions to the Operational Charges and, if applicable, to Implementation Charges on a basis and in a manner which is substantially similar to that set out in paragraph 5.9.1.

5.10 CCNs – Services expected to be of limited duration

5.10.1 Charges for services which are expected to have a limited life, having been introduced by CCN, are aggregated and are set out in the "CCN Service List" at Annex C. Such aggregated Charge shall be added to the Operational Charge.

5.10.2 Post Office may terminate any of the Services introduced by CCN (as listed in the CCN Service List), including the Charge component for that CCN set out in the CCN Service List, by raising a CCN to terminate such Service, subject to Fujitsu Services being entitled to reimbursement of its reasonable costs incurred in the termination of such Service. The changes to this Agreement required to give effect to such termination shall be agreed under the Change Control Procedure.

5.10.3 Periodic review of the CCN Service List to update it for additions and deletions shall be managed by the Commercial Forum.

5.11 End to End Rearchitecture (1)

For every calendar month after 31 March 2004 during which the objectives described in the first column of the table in Annex B of Schedule 12 (simplification of system boundaries and improvement of reference data processes) shall not have been achieved by reason of any relevant delay or failure on the part of Post Office (or its agents or subcontractors) in relation to the achievement of such objectives Post Office shall pay to Fujitsu Services, by way of additional Operational Charge, one twelfth of the sum set out in the following table in respect of the Financial Year in which such calendar month falls:

	Financial Years ending 31 March					
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
	(£ millions)					
Additional Operational Charge	0.20	0.60	0.60	0.60	0.60	0.60

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5.12 NBS Audit Record Queries

If Post Office exercises its option pursuant to paragraph 3.10.6 of the CCD entitled "Service Description for Security Management Service" (CS/SER/016) to vary the maximum number of Audit Record Queries and Old Format Queries which Fujitsu Services is required to carry out, the portion of the Security Management Charges that relates to NBS Audit Record Queries shall be varied pro rata to reflect that revised maximum, with effect from the same date that that revised maximum becomes effective.

6. VARIATION OF SI COMMITMENT FEE AND ADDITIONAL SYSTEMS INTEGRATION CHARGES

6.1 SI Committed Capacity

6.1.1 End to End Rearchitecture (2)

For every calendar month after 31 March 2005 during which the objectives described in the first column of the table in Annex A of Schedule 12 (replacement of current TIP and APS feeds by Single Data Source and revised accounting methods) shall not have been achieved by reason of any relevant delay or failure on the part of Post Office (or its agents or subcontractors) in relation to the achievement of such objectives Post Office shall pay to Fujitsu Services, by way of additional SI Commitment Fee, one twelfth of the sum set out in the following table in respect of the Financial Year in which such month falls:

	Financial Years ending 31 March				
	2006	**2007**	**2008**	**2009**	**2010**
	(£ millions)				
Additional SI Support Services	0.45	0.47	0.47	0.47	2.80
Additional Pre-paid SI Capacity	2.25	2.33	2.33	2.33	0.00
Additional SI Commitment Fee	2.70	2.80	2.80	2.80	2.80

6.1.2 Changes to Requirements Capture, Documentation and Testing Regime

For every calendar month after 31 March 2005 during which the requirements specifically imposed upon Post Office by paragraphs 8.11, 8.12 and 8.13 of Schedule 20 shall not have been met, Post Office shall pay to Fujitsu Services, by way of additional SI Commitment Fee, one twelfth of the sum set out in the following table in respect of the Financial Year in which such calendar month falls:

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	Financial Years ending 31 March				
	2006	**2007**	**2008**	**2009**	**2010**
	(£ millions)				
Additional Support Charge	0.23	0.23	0.23	0.23	1.40
Additional Pre-paid SI Capacity	1.17	1.17	1.17	1.17	0.0
Additional SI Commitment Fee	1.40	1.40	1.40	1.40	1.40

6.1.3 Financial Year ending 31 March 2010

If by 31 March 2009, this Agreement shall have been extended beyond 31 March 2010:

6.1.3.1 the table in paragraph 4.1 shall be modified in respect of the Financial Year ending 31 March 2010 as follows:

	Financial Year ending 31 March
	2010
	(£ millions)
SI Support	9.70
Pre-paid SI Capacity	6.80
Total SI Commitment Fee	**16.50**

6.1.3.2 if paragraphs 6.1.1 or 6.1.2 apply, the additional charge payable in the Financial Year ending 31 March 2010 shall be divided between SI Support Services and Pre-paid SI Capacity in the same proportions as applied in the Financial Year ending 31 March 2009.

6.1.4 Early termination

If Post Office notifies Fujitsu Services of a termination date which is earlier than 31 March 2010, the adjustment to the table in paragraph 4.1 shall be made so that as regards the unexpired period from the date of such notice until such terminations date or the final twelve (12) months of this Agreement, whichever is the shorter, the allocation of the SI Commitment Fee to SI Support Services and Pre-paid Capacity shall be varied by reducing the figure for Pre-paid SI Capacity for such period to zero and increasing the figure for SI Support Services accordingly. Where any Pre-paid SI Capacity affected by this adjustment has been allocated to Work Orders, Post Office will pay to Fujitsu Services the cost to Fujitsu Services of providing Additional Resources to replace the Core SI Resources previously allocated to such Pre-paid SI Capacity.

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6.2 Additional Resources

6.2.1 Unless otherwise agreed, if in any Financial Year Post Office requires Fujitsu Services to provide Additional Resources pursuant to Schedule 20, Post Office shall pay for such services on a time-cost basis (the "Additional SI Charges") according to the following rates:

Professional Service Grade	Rate per working day
Software Engineer	£631
Project Manager	£757
Consultant 1	£1,010
Consultant 2	£1,332
Senior Management	£1,523

6.2.2 Where the conditions set out in paragraph 10.5.5 of Schedule 20 apply, Post Office shall receive a discount of 20% on the charges, which relate to the applicable man days. In relation to paragraph 6.2 of Schedule 20, Fujitsu Services may on a case by case basis offer additional discounts.

6.2.3 Post Office shall be entitled to a rebate against Additional SI Charges in relation to Underwritten Utilisation of the Core SI Team, in accordance with the provisions of paragraph 11 of Schedule 20.

6.2.4 Fujitsu Services will be entitled to be reimbursed by the Post Office for all reasonable expenses incurred by it or its personnel in providing such Additional SI Services, including (without limitation) travel and subsistence expenses. Fujitsu Services shall notify Post Office of any unusual anticipated expenses, such as international travel.

6.2.5 The Charges based on the table above shall be calculated on the basis that a working day is equivalent to 8 hours work by one individual, on whichever day of the week or at whatever time of day that work takes place. Having calculated the number of working days worked by an individual (by dividing the total number of hours worked by that individual by 8) the charges due in respect of any remaining period of less than 8 hours shall be the charge for the working day reduced pro rata.

6.2.6 Fujitsu Services shall, unless otherwise agreed, be entitled to charge for materials, equipment, licences, support and other third party charges reasonably incurred by Fujitsu Services in performing such system integration services so as to make a 10% margin in relation to those bought in elements of Fujitsu Service Cost (which for this purpose shall not include any Fujitsu Services labour costs).

6.2.7 The Charges for such time and materials services will be assessed after the work has been done on an Open Book basis as set out in Schedule 11.

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6.2.8 If a fixed price basis is used, Fujitsu Service Cost may include a level of contingency and the Fixed Price will be assessed and agreed in advance on an Open Book basis.

6.2.9 Alternatively, risk/reward models may be considered in accordance with the principles of Schedule 11.

6.2.10 A credit of £150,000 will be allowed to Post Office in respect of CCN 1019 against charges for new Work Orders.

7. IMPLEMENTATION CHARGES

7.1 Charges in relation to changes required to underpin the Operational Charges

7.1.1 The Parties agree that certain changes will be implemented to the Horizon Service Infrastructure (referred to in the table below) which are required to justify the amount of the Operational Charges set out in paragraph 2 that, without those changes, would be greater than those specified in that paragraph. If Fujitsu Services carries out the work referred to in the first column of the table below, it shall be entitled to charge Post Office for the Fujitsu Service Cost of that work. For the purposes of this paragraph 7.1, the Fujitsu Service Cost of that work shall be deemed to be fixed in accordance with the following table, subject to:

7.1.1.1 Post Office procuring that the conditions stated in row 9 of Annex A are met; and

7.1.1.2 adjustment in accordance with paragraphs 7.1.2, 7.1.3 and 7.1.4.

	Financial Years ending 31 March			
	2004	**2005**	**2006**	**2007**
	(£ millions)			
Data centre: Dynix to Solaris conversion	0.00	2.49	0.00	0.00
ADSL network upgrade including integration work	1.72	3.22	0.43	0.13
Memory procurement	1.04	0.00	0.00	0.00
Re-architecting: software licences	0.52	0.52	1.04	0.00
Total	3.28	6.23	1.47	0.13
Cumulative total	3.28	9.51	10.98	11.11

7.1.2 Fujitsu Services shall be entitled to adjust the individual components of charge for the four activities listed in the table in paragraph 7.1.1 by up to 20% above the relevant amount set out in that table to reflect actual work done by Fujitsu Services, provided that the actual cumulative Charges for all four activities from 1 January 2003 does not exceed:-

7.1.2.1 £3,444,000 by 31 March 2004;

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7.1.2.2 £9,985,500 by 31 March 2005;

7.1.2.3 £11,110,000 by 31 March 2006; and

7.1.2.4 £11,110,000 by 31 March 2007.

7.1.3 If the work required in respect of any of the four activities identified in paragraph 7.1.1 is not undertaken in whole or part in the Financial Years anticipated in the table in paragraph 7.1.1 any component Charges for those activities which are not charged by the end of the Financial Year in question ("Year One") shall be carried forward to the next Financial Year ("Year Two") and likewise from Year Two to the next Financial Year ("Year Three") and so on.

7.1.4 Variations in excess of the caps described in paragraph 7.1.2 will be subject to the Open Book provisions of Schedule 11. Increases must be justified by demonstrating related reductions in Operational Charges which are at least as great taking account of the time value of money.

7.1.5 Notwithstanding that Fujitsu Services shall have incurred direct costs in purchasing the memory upgrade computer chips (as further described in Note 1 of Schedule 12) on the timetable set out in paragraph 7.1, Post Office shall have the option to pay Fujitsu Services for such memory upgrade procurement by way of a monthly charge over a period not exceeding thirty six (36) months, such monthly charge to include interest on the unpaid balance calculated at an annual interest rate of ten (10) per cent.

7.2 Capacity additions

7.2.1 The capacity planning and performance and volume monitoring carried out as an Operational Service may from time to time identify that forecast volumes of Post Office business are likely to exceed those allowed for and the consequent need to add capacity to an element of infrastructure (Branch equipment, communications network or data centre) so as to maintain Fujitsu Services' capability to achieve Service Levels.

7.2.2 Such additions will be supported by analysis carried out in accordance with the CCD entitled "Horizon Capacity Management and Business Volumes" (PA/PER/033) and be subject to the Change Control Procedure.

7.2.3 Fujitsu Services shall be entitled to recover from Post Office its reasonably incurred, increased direct costs and expenses of performing its obligations under this Agreement to the extent that such increased direct costs and expenses were the result of a Design Limit being exceeded. Fujitsu Services shall use all reasonable endeavours to mitigate the amounts payable in accordance with this paragraph and shall provide an Open Book statement of such increased direct costs and expenses incurred for approval by Post Office, such approval not to be unreasonably withheld.

7.2.4 Phase 2 capacity enhancement in relation to Network Banking shall be governed by the provisions of Annex D.

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7.3 Other enhancements to the Horizon Service Infrastructure may be required from time to time. The principles set out in Schedule 23 will apply to such enhancements, which shall be subject to the Change Control Procedure. Unless otherwise agreed, the pricing principles are as follows:

7.3.1 Fujitsu Services shall be entitled to Charge for the work undertaken by it in relation to such enhancements on the time and materials basis set out in paragraph 6.2. The Charges for such work will be assessed after the work has been done on an Open Book basis as set out in Schedule 11.

7.3.2 If a fixed price basis is to be used in relation to such work, such fixed price will be assessed and agreed between Post Office and Fujitsu Services in advance on an Open Book basis. In arriving at such fixed price, Fujitsu Services shall be entitled to include a level of contingency above Fujitsu Services Cost.

7.3.3 As an alternative to the charging mechanisms described in paragraphs 7.3.1 and/or 7.1.2, risk/ reward models may be considered in accordance with the principles of Schedule 11.

8. OPERATIONAL BUSINESS CHANGE

8.1 Post Office shall pay Fujitsu Services for:

8.1.1 Operational Business Change - Branch at the prices set out in the CCD entitled "Operational Business Change Catalogue" (CS/REQ/006);

8.1.2 Operational Business Change - AP Client Service take-on at the prices set out in the CCD entitled "Service Description for AP Client Take-On Service" (CS/SER/011);

8.1.3 Operational Business Change - AP Client Delivery Agreement Change Service at the prices set out in the CCD entitled "Service Description for AP Client Delivery Agreement Change Service" (CS/SER/012); and

8.1.4 Operational Business Change - AP Client File Resend Service at the prices set out in the CCD entitled "Service Description for AP Client file Re-send Service" (CS/SER/013).

8.2 Post Office shall be entitled in respect of each Financial Year to a rebate equal to the Charges incurred by it under paragraph 8.1.1 in respect of:

8.2.1 Branch closures during such Financial Year subject to a maximum number of Branch closures equal to 1 per cent of the average number of Branches in operation during the Financial Year (rounded up to the nearest integer); and

8.2.2 Branch openings, relocations and refurbishments during such Financial Year subject to a maximum number of such openings, relocations and refurbishments equal to 1.6 per cent of the average number of Branches in operation during that Financial Year (rounded up to the nearest integer).

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8.3 The maximum numbers referred to in paragraphs 8.2.1 and 8.2.2 do not limit the number of Branch closures, openings, relocations or refurbishments which may be carried out in a Financial Year, but are limits applicable in respect of such rebate only.

8.4 For the purpose of paragraph 8.2:

8.4.1 the average number of Branches in operation in any Financial Year shall be calculated by aggregating the number of Branches in operation at the end of each calendar month during that Financial Year and dividing by twelve; and

8.4.2 following the end of each Financial Year Post Office shall be entitled to select retrospectively which of the Branch closures, openings, relocations and refurbishments carried out by Fujitsu Services in that Financial Year (subject to the limits in paragraph 8.2) should be subject to a rebate of Operational Business Change charges under paragraph 8.2, and Fujitsu Services shall upon notification thereof issue a credit note to Post Office of an amount equal to the aggregate of the Operational Business Change Charges incurred by Post Office under paragraph 8.1 in respect of those Branch closures, openings, relocations and refurbishments.

8.5 New entries to the Operational Business Change Catalogue shall be priced on the following time and materials cost basis:

Operational Business Change categories	**Rate/price**
Service engineer	POCL Core Day: £31.33 per person per hour Outside POCL Core Day: £75.52 per person per hour Public holidays: £84.22 per person per hour Call-out charge: £112.27
Electrician	£33.67 per person per hour
Administrator	£23.57 per person per hour
Project manager	£757 per day
Materials	Price set to produce a margin of 10% calculated by dividing the Fujitsu Service Cost by nine and multiplying by ten.

8.6 Amendments to the rates and prices in the table in paragraph 8.5 shall be made as soon as a change to the equivalent rate or price in the CCD entitled "Operational Business Change Catalogue" (reference CS/REQ/006) is agreed between the Parties under the Soft Change Control Procedure.

8.7 No additional charge shall be made for packaging used by Fujitsu Services. All such packaging shall be removed by Fujitsu Services at no additional cost when no longer required.

8.8 <u>"Off-line" upgrade of Horizon CTO and Post Office demonstration systems</u>

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8.8.1 Subject to the overall constraints in row 2 of Annex A, Fujitsu Services shall provide ad hoc software upgrades to the Post Office estate of counter positions in training centres ("CTOs") and Post Office demonstration systems. For the avoidance of doubt Head Office Counter Positions do not require off-line upgrade.

8.8.2 Post Office shall provide Fujitsu Services with not less than 13 weeks written notice of a requirement to deliver a new build to the CTOs and Post Office demonstration systems specified in 8.8.1 above. Post Office may request this service up to 4 times per Financial Year, provided that a request is not made before implementation of the previous build is complete.

8.8.3 Upon requesting the service Post Office and Fujitsu Services shall agree which elements, as set out in the CCD entitled "Counter Training Office Strategy" (IM/STR/056) above, shall form part of the software build.

8.8.4 The software upgrade will be carried out in accordance with the CCD entitled "Counter Training Offices Strategy" (IM/STR/056).

8.8.5 The costing for the service by requested sample volumes is:

Volume	Fixed	Variable	Total
100	£29,375	£1,500	£30,875
200	£29,375	£3,000	£32,375
300	£29,375	£4,500	£33,875
375	£29,375	£5,625	£35,000
450	£29,375	£6,750	£36,125
500	£29,375	£7,500	£36,875

The charge for replication is £15 per disk.

Note: The charges above are based on visiting 47 locations. If further locations are subsequently added and need visiting for upgrades, this will increase the overall charge by £100 per location.

8.9 Additional EPOSS Data Capture

8.9.1 Fujitsu Services shall provide Post Office a means by which a number of Item Additional Fields as defined in the CCD entitled “Application Interface Specification Reference Data to Pathway for CSR+” (BP/IFS/010) can be associated with an EPOSS product during a customer session.

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8.9.2 Post Office shall submit a Change Request each time it wishes to associate an Item Additional Field with an EPOSS product.

8.9.3 Such Change Request shall specify the number and size of the requested Item Additional Fields, and projected future product volumes. Any additional data storage required due to volume of Item Additional Data to be stored will be chargeable to Post Office.

8.9.4 The Item Additional Data will not appear on any report or Receipt other than the EPOSS session receipt. No product may have more than 10 associated Item Additional Fields, and each Item Additional Field label may not exceed 21 characters.

8.9.5 Post Office shall pay Fujitsu Services' reasonable charges for retrieving, altering, adding to or deleting personal data, captured by additional EPOSS data capture, in order to comply with requests or instructions in connection with the Data Protection Act 1998. Fujitsu Services shall only be obliged to carry out such work following approval of a CCN in response to such written change request for each individual request for Fujitsu Services to retrieve, alter, add to or delete personal data, each such CCN setting out charges that shall be payable by Post Office.

9. DISCOUNTS AND SUPPLEMENTAL CHARGE

9.1 Special Discounts

9.1.1 On 31 March 2003 Fujitsu Services shall issue a credit note against Operational Charges, Availability Fees and SI Commitment Fee to Post Office in the amount of £15 million (a “Special Discount”).

9.1.2 On 31 March 2004 Fujitsu Services shall issue a credit note against Operational Charges, Availability Fees and SI Commitment Fee to Post Office in the amount of £15 million (a “Special Discount”).

9.1.3 On 31 March 2005 Fujitsu Services shall issue a credit note against Operational Charges, Availability Fees and SI Commitment Fee to Post Office in the amount of £10 million (a “Special Discount”).

9.2 Supplemental Charge

On 31 March 2006 a supplemental charge of £10 million (the “Supplemental Charge”) will be invoiced to Post Office by Fujitsu Services to reimburse Fujitsu Services for the £10 million special discount credited to Post Office by Fujitsu Services on 31 March 2005.

9.3 Debit Card Software

The Debit Card software described in Schedule 18 is to be developed by Fujitsu Services for Post Office without additional charge to Post Office.

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10. INDEXATION

10.1 Each of the fixed charges and charging rates contained in this Schedule, other than the additional network charges (if any) described in paragraph 5.6, the Availability Fees, the Special Discounts referred to in paragraph 9.1, the Supplemental Charge referred to in paragraph 9.2 and each of the Services in the table in Part A of Annex C which are marked "Not Indexed" in the column of the table headed "Indexation Provision" are referred to in this paragraph 10 as the Indexed Charges. For the avoidance of doubt, the prices set out in the CCDs referred to in paragraph 8.1 are all included in the Indexed Charges.

10.2 In respect of each Financial Year subsequent to the Financial Year ending 31 March 2003, each of the Indexed Charges shall be multiplied by a percentage equal to 100+ the RPI Percentage applicable to that Financial Year. Such calculations shall be carried out before the start of each new Financial Year and the Indexed Charges as so adjusted shall be recorded in a revised version of this Schedule 10.

10.3 The RPI Percentage applicable to any Financial Year means the difference, expressed as a percentage, between the level of the Retail Prices Index (all items) published by the Office for National Statistics ("RPI") in respect of the December in the previous Financial Year and the level of RPI in respect of the December falling in the Financial Year immediately preceding that previous Financial Year.

10.4 For the avoidance of doubt, any Service provided in one Financial Year but not invoiced until a subsequent Financial Year shall be invoiced at the fixed charge or charging rate applicable to such Service at the time it was supplied.

10.5 The RPI Adjustment Factors to be set out in the following table shall be applied to Liquidated Damages payable in respect of Service Level Measurement Periods falling in the relevant Financial Years:

	Financial Years ending 31 March							
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
RPI Adjustment Factor								

Note: The RPI Adjustment Factor applicable to a Financial Year shall be RPI In respect of the December in the previous Financial Year divided by RPI in respect of May 2002.

11. NETWORK BANKING IMPLEMENTATION CHARGES

The Charges for Network Banking and Pin Pad implementation are set out in Annex D.

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ANNEX A TO SCHEDULE 10

LIMITS

ROW	ITEM	LIMIT	CONDITIONS
1.	Number of Branches and geography	18,250 maximum at any one time during the term of this Agreement.	GB & Northern Ireland.
2.	Horizon Counter Positions	40,390 maximum until 31 March 2004; then 38,890 maximum until 31 March 2005; and subsequently 38,390 maximum.	The initial limit allows for a float of 77 Horizon configurations for Operational Business Change purposes. This increases to 1,500 for ADSL swap out purposes and subsequently to 2,000 for spares purposes.
3.	Single position gateway configurations installed (each having two hard disks and a communications card)	Within the overall limit in row 2 above: 7,600 maximum to 31 March 2004; and subsequently 7,200.	The initial limit allows for a float of 15 single position gateway configurations for Operational Business Change purposes. This increases by 400 for ADSL swap out and spares purposes.
4.	Sum of: Multi-position gateway configurations; and Single position gateway configurations installed (each having a communications card)	Within the overall limit in row 2 above: 18,215 maximum to 31 March 2004; and subsequently 16,715.	The initial limit allows for a float of 35 multi-position gateway configurations for Operational Business Change purposes. This increases by 1,500 for ADSL swap out and spares purposes.

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ROW	ITEM	LIMIT	CONDITIONS
5.	Flat screens installed	34,900 maximum to 31 March 2005; and subsequently increasing to 38,390 maximum as CRTs fail and are replaced.	The initial limit allows for a float of 77 for Operational Business Change purposes. After 31 March 2003, CRTs will be replaced on failure by Flat screens, including additional Flat screens as required.
7.	Mobile Configurations	Within the overall limit in row 3 above: 340 maximum.	This relates to computer based counter configurations which are designed to be removed and stored away from the service position (not to be confused with standard computer configurations on trolleys or in vans). Additional Mobiles may be converted from within the Row 3 Limits at a price to be agreed.
8.	A4 Printers: • Laser or LED (light emitting diode) • Inkjet	 15,500 maximum to 31 March 2005; and subsequently 15,000. 2,750 maximum to 31 March 2005; and subsequently unsupported.	One per Branch The initial limit allows for a float of 35 for Operational Business Change purposes. This increases by 1,000 for spares purposes To be replaced on failure after 31 March 2005 within the LED printer Limit.
9.	ADSL roll out	One implementation visit per Branch.	No site surveys or cabling to be provided by Fujitsu Services. No PSTN lines to be provided by Fujitsu Services.

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ANNEX B TO SCHEDULE 10

VOLUMETRICS (BRANCHES AND COUNTER POSITIONS)

Number of Horizon Counter Positions

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	40,127	40,077	40,028
2004	39,978	39,929	39,819	39,709	39,599	39,489	39,380	39,270	39,160	39,050	38,940	38,896
2005	38,852	38,808	38,764	38,720	38,676	38,632	38,589	38,545	38,501	38,457	38,413	38,369
2006	38,325	38,281	38,237	38,193	38,149	38,105	38,061	38,017	37,973	37,929	37,885	37,841
2007	37,797	37,753	37,709	37,665	37,621	37,577	37,533	37,490	37,446	37,402	37,358	37,350
2008	37,343	37,336	37,329	37,322	37,315	37,307	37,300	37,293	37,286	37,279	37,271	37,264
2009	37,257	37,250	37,243	37,236	37,228	37,221	37,214	37,207	37,200	37,192	37,185	37,178
2010	37,171	37,164	37,157	37,149	37,142	37,135	37,128	37,121	37,114	37,106	37,099	37,092

Number of Branches

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	17,279	17,258	17,236
2004	17,215	17,194	17,112	17,031	16,949	16,867	16,786	16,704	16,623	16,541	16,459	16,378
2005	16,296	16,214	16,133	16,051	15,970	15,888	15,806	15,725	15,643	15,562	15,480	15,398
2006	15,317	15,235	15,154	15,072	14,990	14,909	14,827	14,745	14,664	14,582	14,501	14,419
2007	14,337	14,256	14,174	14,093	14,011	13,929	13,848	13,766	13,684	13,603	13,521	13,505
2008	13,488	13,471	13,455	13,438	13,422	13,405	13,388	13,372	13,355	13,339	13,322	13,305
2009	13,289	13,272	13,256	13,239	13,222	13,206	13,189	13,173	13,156	13,140	13,123	13,106
2010	13,090	13,073	13,057	13,040	13,023	13,007	12,990	12,974	12,957	12,940	12,924	12,907

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ANNEX C TO SCHEDULE 10

CCN SERVICE LIST

CCN	Description of charge	Monthly charge value	Ad hoc services: charge per event	Month in which Monthly Charge first becomes payable	Indexation Provision
CCN641a	Disaster recovery for Huthwaite Gateway:				
	• Equipment rental	£917.00		January 2003	Not indexed
	• Maintenance and support	£1,814.00		January 2003	Subject to RPI
CCN679b	Message Broadcast Service		£105.20 Fixed charge per message PLUS £0.0324 variable charge per outlet per valid message.		Subject to RPI
CCN733b	Automated Payments Client Spec. for DVLNI				
	• Equipment maintenance & ISDN rental	£101.00		January 2003	Not indexed
	• Administration & support	£126.00		January 2003	Subject to RPI

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CCN	Description of charge	Monthly charge value	Ad hoc services: charge per event	Month in which Monthly Charge first becomes payable	Indexation Provision
CCN739	Introduce Standard Life As An AP Client With A Direct Connection To Fujitsu Services				
	• Equipment maintenance & ISDN rental	£101.00		January 2003	Not Indexed
	• Administration & support	£126.00		January 2003	Subject to RPI
CCN800	Connection to Girobank Disaster Recovery site				
	• Equipment maintenance and ISDN rental	£94.00		January 2003	Not indexed
	• Administration and support	£125.25		January 2003	Subject to RPI
	• Preparation and operation of regular test (max two per year)		Up to 10 man days at £835 per day		Subject to RPI
CCN807	Changes to AP Client take-on and Token Verification services				
	• Client Take on Facility	£2296.00		January 2003	Subject to RPI
	• Client Take on (regression) Facility	£919.00		January 2003	Subject to RPI

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CCN	Description of charge	Monthly charge value	Ad hoc services: charge per event	Month in which Monthly Charge first becomes payable	Indexation Provision
CCN832	Introduce Quantrill as an APS Client with a Direct Interface to Fujitsu Services				
	• Equipment maintenance and ISDN rental	£94.00		January 2003	Not indexed
	• Administration and support	£125.25		January 2003	Subject to RPI
CCN869b	Introduce AON Ltd as an APS Client with a Direct Interface to Fujitsu Services				
	• Equipment maintenance	£25.00		January 2003	Subject to RPI
	• ISDN Rental	£69.00		January 2003	Not indexed
	• Administration and support	£188.00		January 2003	Subject to RPI
CCN872	Introduce ESP as an APS Client with a Direct Interface to Fujitsu Services				
	• Equipment maintenance	£25.00		January 2003	Subject to RPI
	• ISDN Rental	£69.00		January 2003	Not indexed
	• Administration and support	£188.00		January 2003	Subject to RPI

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CCN	Description of charge	Monthly charge value	Ad hoc services: charge per event	Month in which Monthly Charge first becomes payable	Indexation Provision
CCN895	Introduce National Savings as an APS Client with a Direct Interface to Fujitsu Services				
	• Equipment maintenance	£25.00		January 2003	Subject to RPI
	• ISDN Rental	£69.00		January 2003	Not indexed
	• Administration and support	£188.00		January 2003	Subject to RPI
CCN937	Introduce First Rate as an APS Client with a Direct Interface to Fujitsu Services				
	• Equipment maintenance	£25.00		January 2003	Subject to RPI
	• ISDN Rental	£69.00		January 2003	Not indexed
	• Administration and support	£188.00		January 2003	Subject to RPI
CCN799	Introduce DVLA as an APS Client with a Direct Interface to Fujitsu Services				
	• Equipment maintenance and ISDN rental	£94		January 2003	Not indexed
	• Administration and support	£167		January 2003	Subject to RPI

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CCN	Description of charge	Monthly charge value	Ad hoc services: charge per event	Month in which Monthly Charge first becomes payable	Indexation Provision
CCN785a	Introduce BBC as an APS Client with a Direct Interface to Fujitsu Services				
	• Equipment maintenance and ISDN rental	£94		January 2003	Not indexed
	• Administration and support	£167		January 2003	Subject to RPI
CCN972	Introduce CAPO as an APS Client with a Direct Interface to Fujitsu Services				
	• Equipment maintenance	£49.24 (reduces to £41.63 with a single PC DO option)		January 2003	Subject to RPI
	• ISDN rental	£130.33		January 2003	Not indexed
	• Administration and support	£187.88		January 2003	Subject to RPI
	• Annual DR test		£501		Subject to RPI

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CCN	Description of charge	Monthly charge value	Ad hoc services: charge per event	Month in which Monthly Charge first becomes payable	Indexation Provision
CCN984	Horizon OPTIP transaction file copies				
	• Fujitsu Services will provide Post Office with a copy of all OPTIP daily tiles every two weeks		£350.00 (exclusive of despatch costs which shall be payable by Post Office) per two weeks of data copying. Invoiced quarterly in arrear.		Not indexed
Total		**£8,855.95**			

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ANNEX D TO SCHEDULE 10

NETWORK BANKING IMPLEMENTATION CHARGES, PIN PAD CHARGES AND PAYPOLE CHARGES

PART A: NETWORK BANKING IMPLEMENTATION CHARGES

1. NETWORK CHARGES

1.1 Types of Branch

1.1.1 There are seven Branch categories referred to in this paragraph 1 for network charging purposes, as follows:

1.1.1.1 Bronze Service Branch;

1.1.1.2 Silver Part Time Service Branch that seeks to use a Fixed Connection for each Banking Transaction (for which a NB Request is generated) occurring in that Branch in the periods 08:30 to 10:30 Monday, 08:30 to 09:30 Tuesday and 08:30 to 09:30 Thursday. For the purposes of this paragraph 1, each such Branch is referred to as "Type A";

1.1.1.3 Silver Part Time Service Branch, that seeks to use a Fixed Connection for each Banking Transaction (for which a NB Request is generated) occurring in that Branch between 08:30 to 12:30 on Saturday. For the purposes of this paragraph 1, each such Branch is referred to as "Type B";

1.1.1.4 Silver Daytime Service Branch that seeks to use a FRIACO Fixed Connection;

1.1.1.5 Silver Daytime Service Branch that seeks to use a non - FRIACO Fixed Connection;

1.1.1.6 Silver 24 Hour Service Branch that seeks to use a FRIACO Fixed Connection; and

1.1.1.7 Silver 24 Hour Service Branch that seeks to use a non - FRIACO Fixed Connection.

1.2 Network Implementation Phase

1.2.1 The communications network required to support the NBS shall be implemented during the period 1 April 2002 to 31 January 2003 (inclusive) (the "Network Implementation Phase").

1.2.2 Fujitsu Services' Charges for the communications network during the Network Implementation Phase shall be in accordance with the following table:

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Item	Unit Charge	Number of units	Total Charge: during Network Implementation Phase	Payments made and payments due
Bronze Service Branch Charges	£27,777.78 per month in the Network Implementation Phase	9	£250,000.00	Payment of the Unit Charge for 8 units has been paid by Post Office. Payment of the Unit Charge for 1 unit is due on 31 January 2003
Silver Daytime Service Branches (FRIACO)	(a) £55,555.56 per month in the Network Implementation Phase; plus	9	£500,000.00; plus	Payment of the Unit Charge for 8 units has been paid by Post Office. Payment of the Unit Charge for 1 unit is due on 31 January 2003
	(b) £81 per month for each of the 1,350 FRIACO Ports provided in the Network Implementation Phase, being a monthly Charge of £121,500.00		£1,093,500.00	
Installation of communication links to Data Centres	£166,500	One	£166,500	Payment made on 1 July 2002.
Total	-		£2,010,000	

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1.3 Implementation of network infrastructure

Fujitsu Services' Charge for completing the implementation of the NBS communications network infrastructure shall be the fixed sum of £205,129, payable in two monthly instalments as set out in Part C of this Annex.

2. DESIGN, DEVELOPMENT, TESTING AND IMPLEMENTATION OF THE NBS

2.1 NB T&M Work

2.1.1 The rates which shall be used to calculate Fujitsu Services' Charges:

2.1.1.1 for NB T&M Work including, without limitation, the following work:

(a) design, development and testing of the NBS;

(b) development of software to support the NBS communications network;

(c) PIN Pad development;

(d) remote PIN Pad key management development, and

2.1.1.2 for the purposes of the NB T&M Budget for each NB T&M Work task in the NB Project Plan,

shall be as set out in the following table:

Professional Service Grade	Rate per working day
Software Engineer	£626.25
Project Manager	£751.50
Consultant 1	£1,002.75
Consultant 2	£1,323.00
Senior Management	£1,512.00

2.1.2 Subject to paragraph 2.1.3 of this Annex D, the Charges based on the table above shall be calculated on the basis that a working day is equivalent to 8 hours work by one individual, on whichever day of the week or at whatever time of day that work takes place. Having calculated the number of working days worked by an individual (by dividing the total number of hours worked by that individual by 8) the charges due in respect of any remaining period of less than 8 hours shall be the charge for the working day reduced pro rata.

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2.1.3 All Fujitsu Services personnel who are identified in the organisational charts provided to Post Office in accordance with paragraph 8.5.1 of Schedule 24 as holding manager or director positions or as being within Fujitsu Services' Business Consultants Group shall be charged at no more than 8 hours per day (including days worked on weekends) and Post Office shall not be charged overtime in respect of those personnel.

2.1.4 Subject to the NB T&M Budget, Fujitsu Services personnel other than those identified in paragraph 2.1.3 above may be charged to Post Office for extended day working where such working is necessary to achieve the dates for achievement of tasks set out in the NB Project Plan.

2.1.5 Subject to paragraph 2.2.3 below, Fujitsu Services shall be entitled to invoice Post Office and Post Office shall pay for NB T&M Work up to the NB T&M Budget in respect of such work (as reallocated between tasks or increased in accordance with the provisions of Schedule 24) specified in or derived from the NB Project Plan.

2.1.6 To the extent that a Default by Fujitsu Services causes additional NB T&M Work to be carried out by Fujitsu Services which would not otherwise have been necessary (at any Level in the NB Project Plan) that work shall be carried out at Fujitsu Services' cost.

2.2 NB T&M Work Payment Dates and Retention

2.2.1 The following events (each an "NB Event") relate to payments due to Fujitsu Services for the provision of the NBS:

2.2.1.1 NB Event 1 occurs upon the achievement of NBS Stage Progression from the NBS Testing Stage to the NB Full E2E Testing Stage, as defined in paragraph 6.3.2.1 of Schedule 24;

2.2.1.2 NB Event 2 occurs upon achievement of NBS Acceptance as defined in paragraph 6.3.1 of Schedule 24, but cannot in any event occur before NB Event 1; and

2.2.1.3 NB Event 3 occurs upon the installation (for the first time) of the Software used for NB Event 2 (as updated at the time of installation) in all automated Counter Positions, mobile configurations (as described in row 7 of Annex A to Schedule 10) Admin Positions and trolley based solutions where the NBS is to be made available.

2.2.2 The target dates for each NB Event (each a "NB Target Date") and other commercial dates are set out below. References in other provisions of this Annex A to such NB Target Dates shall, be construed as references to such NB Target Dates as adjusted in accordance with the applicable provisions of Schedule 24 unless the original NB Target Date is expressly referred to. References to the NB Rate Reduction Date in this Agreement shall be construed as references to the initial NB Rate Reduction Date given below, as adjusted in accordance with the applicable provisions of Schedule 24.

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2.2.2.1 The NB Target Date for NB Event 1 was 11 October 2002. NB Event 1 occurred on 11 October 2002.

2.2.2.2 The NB Target Date for commencement of NB Pilot (Soft Launch) is 13 January 2003.

2.2.2.3 The NB Target Date for NB Event 2 is 7 February 2003.

2.2.2.4 The NB Target Date for NB Event 3 is 31 March 2003

2.2.2.5 The initial NB Rate Reduction Date is 11 October 2002.

2.2.3 Post Office shall retain a proportion of the value of all payments for NB T&M Work due to Fujitsu Services as follows:

2.2.3.1 Between NB Event 1 and NB Event 2, the proportion retained by Post Office shall be 10% of the value of payments due to Fujitsu Services for NB T&M Work carried out between NB Event 1 and NB Event 2. One half of the amount retained shall be allocated to NB Retention Pot 2, the remaining half shall be allocated to NB Retention Pot 3.

2.2.3.2 Between NB Event 2 and NB Event 3, the proportion retained by Post Office shall be 5% of the value of payments due to Fujitsu Services for NB T&M Work carried out between NB Event 2 and NB Event 3. The amount retained shall be allocated to NB Retention Pot 3.

2.2.4 The sums held in each NB Retention Pot by Post Office shall become due and payable to Fujitsu Services as follows:

2.2.4.1 upon the earlier of occurrence of NB Event 2 and the date 3 calendar months after the commencement of NB Pilot (Soft Launch), the sum held in NB Retention Pot 2 shall become due and payable to Fujitsu Services;

2.2.4.2 upon the occurrence of NB Event 3, the sum held in NB Retention Pot 3 shall become due and payable to Fujitsu Services, save that Post Office shall be entitled to withhold one tenth of the value of NB Retention Pot 3 for each NB Medium Severity NBS Acceptance Incident still outstanding at that time, and Post Office shall be entitled to withhold a further one tenth of the value of NB Retention Pot 3 should there be any NB Low Severity NBS Acceptance Incidents outstanding at that time;

2.2.4.3 the sum withheld under paragraph 2.2.4.2 above in respect of each NB Medium Severity NBS Acceptance Incident shall become due and payable to Fujitsu Services once that incident is rectified;

2.2.4.4 the sum withheld under paragraph 2.2.4.2 above in respect of all NB Low Severity NBS Acceptance Incidents shall become due and payable to Fujitsu Services once all such low severity incidents have been rectified; and

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2.2.4.5 Fujitsu Services shall be entitled to invoice Post Office (and Post Office shall pay) for each sum held in a NB Retention Pot, after that sum becomes due and payable in accordance with paragraphs 2.2.4.1 to 2.2.4.4 above.

2.3 Charges for correction of Acceptance Incidents

Fujitsu Services will be entitled to charge Post Office for the correction of NBS Acceptance Incidents outstanding at NB Event 1 until the NB T&M Budget for NB Event 1 plus the NB T&M Budget for the Level 2 product finalisation tasks identified in the NB Project Plan which are due to take place after NB Event 1 are exhausted, and Fujitsu Services shall thereafter correct any remaining NBS Acceptance Incidents which were outstanding at NB Event 1 at its own expense.

2.4 Payment of NB T&M Budget underspend

Fujitsu Services shall, upon rectification of all NBS Acceptance Incidents outstanding at NB Event 1, be entitled to a sum (which shall be paid by Post Office) equal to 25% of the underspend on the aggregate NB T&M Budget for all tasks in the NB Project Plan due to be completed on or before NB Event 1. Such underspend shall be calculated as the difference between that NB T&M Budget for NB Event 1 and the aggregate of the sums due to be paid to Fujitsu Services for NB T&M Work to achieve NB Event 1 and the sum due to be paid to Fujitsu Services to achieve the rectification of all NBS Acceptance Incidents outstanding at NB Event 1.

2.5 NBS Implementation Charges

Fujitsu Services' Charge for completing NBS Deployment shall be the fixed sum of £543,631, payable in three instalments as set out in Part C of this Annex.

3. HARDWARE AND SOFTWARE PROCUREMENT

3.1 Phase 2 Hardware upgrade

If Post Office gives Phase 2 Notice to Fujitsu Services pursuant to paragraph 1.5(B) of the CCD entitled “Horizon Capacity Management and Business Volumes” (PA/PER/033) the following Charges shall apply:

3.1.1 If the date specified in the Phase 2 notice for commencement of Phase 2 (the “Commencement Date”) is between 1 September 2003 and 31 May 2004 (inclusive) Fujitsu Services' Charges for upgrading NBS Hardware to support Phase 2 Contracted New Business Volumes shall be the sum of:

3.1.1.1 £404,452.00, which sum shall become due for payment 5 calendar months prior to the Commencement Date; plus

3.1.1.2 £1,059,743.00, which sum shall become due for payment 1 calendar month prior to the Commencement Date.

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3.1.2 If the Commencement Date is between 1 June 2004 and 31 March 2005 (inclusive) Fujitsu Services' Charges for upgrading NBS Hardware to support Phase 2 Contracted New Business Volumes shall be agreed under the Change Control Procedure and shall be consistent with prices generally offered in the United Kingdom (at the time the Phase 2 Notice is given) for products of the type required for that Hardware upgrade, provided on similar terms.

3.1.3 Post Office and Fujitsu Services acknowledge that pursuant to CCN 1014 Phase 2 correspondence servers have been introduced prior to 1 September 2003. To the extent that charges are payable pursuant to paragraph 3.1.1 above, such charges are, for the avoidance of doubt, inclusive of the charges associated with such correspondence servers and to the extent charges are payable pursuant paragraph 3.1.2 above, that part of the charge allocated to correspondence servers shall reflect the then market value of those correspondence servers.

3.2 WebRiposte Software licence

A further payment of £971,481.88 will become due to Fujitsu Services on the NB Acceptance Date.

4. OTHER NBS CHARGES

4.1 The elements of the NBS or services associated with the NBS set out in the table below shall be charged for by Fujitsu Services on a time and material basis using the rates specified:

Reference	Summary (for information purposes only)	Applicable rates and basis of Charges
Schedule 2, paragraph 7.3.1	Co-operation and assistance (following NB Go Live) with developing Post Office's network banking automation security policy	Rates specified in the table in paragraph 2.1.1.2 of this Annex. Charges to be calculated by dividing the total number of hours worked by each individual by 8 (such 8 hour period constituting a working day to which the relevant day rate shall apply) and in respect of any remaining period of less than 8 hours worked by an individual, that day rate shall be reduced pro rata
Schedule 2, paragraph 7.4.5	Co-operation and assistance in respect of security breaches and threats	Rates specified in the table in paragraph 2.1.1.2 of this Annex. Charges to be calculated by dividing the total number of hours worked by each individual by 8 (such 8 hour period

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		constituting a working day to which the relevant day rate shall apply) and in respect of any remaining period of less than 8 hours worked by an individual, that day rate shall be reduced pro rata
Schedule 21, paragraph 1.11	Co-operation and assistance with business continuity and fail-over testing of End to End Banking	Rates specified in the table in paragraph 2.1.1.2 of this Annex. Charges to be calculated by dividing the total number of hours worked by each individual by 8 (such 8 hour period constituting a working day to which the relevant day rate shall apply) and in respect of any remaining period of less than 8 hours worked by an individual, that day rate shall be reduced pro rata
Network Banking Transfer Service	The service set out in paragraph 4 of Schedule 22 to be provided upon termination of the NB/PIN Pad Services or this Agreement, as applicable	Rates specified in the table in paragraph 2.1.1.2 of this Annex. Charges to be calculated by dividing the total number of hours worked by each individual by 8 (such 8 hour period constituting a working day to which the relevant day rate shall apply) and in respect of any remaining period of less than 8 hours worked by an individual, that day rate shall be reduced pro rata

4.2 The Charges set out in this Annex include Fujitsu Services' charges for icons used in NBS software in the Release known to the parties as "BI3". Following Release BI3 Fujitsu Services' Charges for any additional icons, which may be required shall be as set out in the CCD entitled "Horizon Icon Service Prices" (CS/PDN/019).

5. PAYMENT OF NBS AND NBS RELATED CHARGES

5.1 Unless expressly stated to be due on a particular date, the amount due for payment by Post Office in respect of each monthly Charge or monthly instalment of a Charge set out or referred to in this Annex D shall accrue on daily basis commencing the first day of that month, the daily increment being a sum equivalent to the monthly Charge or instalment in question divided by the number of days in that month.

5.2 The total aggregate Charges for NB T&M Work carried out under the Network Banking CCNs during the period 12 April 2001 to 31 December 2001 (inclusive) was £3,124,898, of which £2,499,918 (less the payments already made) became payable to Fujitsu

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Services by the Amendment Date and the balance of £624,980 was allocated 50% to NB Retention Pot 1, 25% to NB Retention Pot 2 and 25% to NB Retention Pot 3.

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PART B: PIN PAD, PIN PAD SERVICE AND PAYPOLE CHARGES

1. PIN PADS

1.1 PIN Pad Hardware Procurement

1.1.1 Fujitsu Services' Charges for procuring PIN Pad Units in accordance with paragraph 5.2.1 of Schedule 24 shall be as follows:

Unit	Unit price	Total number procured (to be delivered in batches):	Total Charge (fixed):
PIN Pad	£221.8290	38,000	£8,429,502.00
Y Cable	£4.4444	38,000	£168,887.20
Smart card reader cover	£0.3333	38,000	£12,665.40
Cable strap	£0.3333	38,000	£12,665.40
		TOTAL	£8,623,720.004

The Charges for each batch of PIN Pads, cable straps, Y cables and/or smart card reader covers (making up each PIN Pad Unit) delivered to Post Office shall become due for payment upon such delivery.

1.1.2 If Post Office gives notice to increase the number of PIN Pads Units to be procured by Fujitsu Services pursuant to paragraph 5.2.2 of Schedule 24, Fujitsu Services' Charges for each additional PIN Pad Unit procured shall be as set out in the table in paragraph 1.1.1 above. The Charges for each batch of PIN Pads, cable straps, Y cables and/or smart card reader covers (making up each such additional PIN Pad Unit) delivered to Post Office shall become due for payment upon such delivery.

1.1.3 If Post Office gives notice to increase the number of PIN Pads to be held as OBC stock pursuant to paragraph 5.4.2 of Schedule 24, Fujitsu Services' Charge for each additional PIN Pad Unit procured shall be the sum of £274.00, which sum shall become due for payment upon delivery of that PIN Pad Unit to Fujitsu Services. The Charge for each PIN Pad specified in this paragraph 1.1.3 is subject to the proviso that notice is given to increase the number of PIN Pad Units held for OBC purposes by no more than 1000 on each occasion that such notice is given. For the avoidance of doubt, the Charges specified in this paragraph 1.1.3 shall be in addition to any Charges agreed in respect of PIN Pad related services set out in the Operational Business Change Catalogue.

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1.2 PIN Pad Paypoles

1.2.1 Fujitsu Services' Charges for procuring Paypoles in accordance with paragraph 5.2.1 of Schedule 24 shall be as follows:

	Unit charge:	**Total number procured (to be delivered in batches):**	**Charge (fixed):**
Paypole	£37	37,000	£1,369,000.00
Paypole boxes (for delivery of Paypoles)	£0.97	37,000	£35,890.00
		Total Charge (fixed):	£1,404,890.00

The Charges for each batch of Paypoles (and boxes) delivered to Post Office shall become due for payment upon such delivery.

1.2.2 If Post Office gives notice to increase the number of Paypoles to be procured by Fujitsu Services pursuant to paragraph 5.2.2 of Schedule 24, Fujitsu Services' Charge for each additional Paypole procured shall be the sum of £37.97 (including box), which sum shall become due for payment upon delivery of that Paypole to Post Office.

1.2.3 If Post Office orders further Paypoles in accordance with paragraph 5.5.5 of Schedule 24 (on 100 days' notice), Fujitsu Services' Charge for each additional Paypole procured (including box) shall be the sum of £40.47, which sum shall become due for payment upon delivery of that Paypole to Post Office. The Charge for each Paypole specified in this paragraph 1.2.3 is subject to the proviso that each such order for is for no more than 1000 Paypoles.

1.3 PIN Pad Implementation Service Charges (other than maintenance)

Fujitsu Services' Charge for completion of the PIN Pad Implementation Service (other than the maintenance element of that service) shall be as follows:

1.3.1 The fixed sum of £94,245, payable in five monthly instalments as set out in Part C of this Annex.

1.3.2 In respect of each No Fault Found PIN Pad described in paragraph 5.3.5 of Schedule 24, (where a charge is payable in accordance with that paragraph) which is returned to Fujitsu Services in accordance with paragraph 5.3.3.4 of Schedule 24, the sum of £72.50.

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1.3.3 In respect of each PIN Pad installation completed by Fujitsu Services in the circumstances described in paragraph 5.3.13 of Schedule 24, (where a charge is payable in accordance with that paragraph), the sum of £68.50.

2. PAYMENT OF PIN PAD CHARGES

2.1 Unless expressly stated to be due on a particular date, the amount due for payment by Post Office in respect of each monthly instalment of a Charge set out or referred to in this Part B shall accrue on a daily basis commencing the first day of that month, the daily increment being a sum equivalent to the monthly Charge or instalment in question divided by the number of days in that month.

2.2 All Charges set out or referred to in this Part B which become due for payment in each month shall be invoiced monthly in arrear in accordance with Schedule 9 and shall be paid by Post Office in accordance with the provisions of paragraph 11 of Schedule 9.

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PART C - FIXED MONTHLY CHARGES

IMPLEMENTATION OF NETWORK INFRASTRUCTURE (Paragraph 1.3 of Part A)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	SUB TOTAL	TOTAL
2002-3	-	-	-	-	-	-	-	-	-	£175,825	£29,304	-	£205,129	
2003-4	-	-	-	-	-	-	-	-	-	-	-	-	-	
2004-5	-	-	-	-	-	-	-	-	-	-	-	-	-	£205,129

NBS IMPLEMENTATION CHARGES (Paragraph 2.5 of Part A)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	SUB TOTAL	TOTAL
2002-3	-	-	-	-	-	-	-	-	-	£417,395	£109,009	-	£526,404	
2003-4	-	-	-	-	-	£17,227	-	-	-	-	-	-	£17,227	
2004-5	-	-	-	-	-	-	-	-	-	-	-	-	-	£543,631

PINPAD IMPLEMENTATION SERVICE CHARGES (OTHER THAN MAINTENANCE) (Paragraph 1.3.1 of Part B)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	SUB TOTAL	TOTAL
2002-3	-	-	-	-	-	-	-	-	-	£36,390	£17,859	£17,859	£72,108	
2003-4	£14,530	£7,607	-	-	-	-	-	-	-	-	-	-	£22,137	
2004-5	-	-	-	-	-	-	-	-	-	-	-	-	-	£94,245

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SCHEDULE 11

VALUE FOR MONEY

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON311.doc

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SCHEDULE 11

VALUE FOR MONEY

1. INTRODUCTION

1.1 The Parties have agreed that one of the three value for money assurances described in paragraphs 2, 3 and 4 below shall apply to the Services referred to in those paragraphs and any new services introduced under the Change Control Procedure.

1.2 In addition, the Parties have agreed that the risk/reward models described in paragraph 5 below and other risk/reward models may be applied to new services. Neither Party shall be compelled to enter into any such risk/reward arrangement as a precondition for contracting for a new service.

2. BENCHMARKING

2.1 On and from 1 September 2005, Post Office shall have the right, subject to paragraph 2.2 below, to benchmark:

2.1.1 any of the Operational Services set out in paragraph 2.4 below (each a "Benchmarkable Service"); and

2.1.2 any change to any of the Benchmarkable Services where such change has been requested by Post Office under the Change Control Procedure but there is disagreement between the Parties as to the appropriate Charge for the new or modified aspect of the Benchmarkable Service.

Unless the Parties agree it would be more appropriate to benchmark the entire Benchmarkable Service, any benchmarking carried out under paragraph 2.1.2 above shall be in respect of the new or modified aspect of the Benchmarkable Service only.

2.2 No particular Benchmarkable Service (or change to a Benchmarkable Service) may be benchmarked more frequently than once every two years (unless otherwise agreed by the Parties);

2.3 The option of whether to initiate benchmarking will be at Post Office's sole discretion.

2.4 Benchmarking may be carried out in respect of Charges relative to output for:

2.4.1 Horizon System Help Desk Service and Technical Service Desk (taken together);

2.4.2 Engineer Service; and

2.4.3 Data Centre Operations Service.

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2.5 Post Office shall notify Fujitsu Services of its intention to benchmark a Benchmarkable Service in writing not less than three (3) months prior to the carrying out of such benchmark.

2.6 Post Office shall appoint a third party benchmarking consultant (the "Benchmarker") for each benchmarking. The Benchmarker shall be an independent recognised expert at providing benchmarking services in respect of the Benchmarkable Service being benchmarked and shall be agreed with Fujitsu Services (such agreement not to be unreasonably withheld).

2.7 Prior to 1 September 2005 the Parties shall negotiate in good faith to agree a form of non-disclosure agreement (the “Agreed Form NDA”) for use in connection with any benchmarking exercise. If requested by either Party, the Benchmarker shall be required to execute an Agreed Form NDA. Neither Fujitsu Services nor Post Office will be obliged to disclose any of its confidential information to the Benchmarker until an Agreed Form NDA has been executed by the Benchmarker. Nothing in this paragraph 2.7 shall prevent Post Office, Fujitsu Services and the Benchmarker mutually agreeing an alternative form of non-disclosure agreement.

2.8 The Parties will consult with the appointed Benchmarker over the setting up of any appropriate benchmarking criteria (the “Benchmarking Criteria”) which may be necessary in addition to the Like for Like Criteria defined in paragraph 2.11 below in order to determine the competitiveness of the Benchmarkable Service in terms of overall value for money. Where the Benchmarker, exercising his reasonable judgement, determines that it is not possible to carry out a direct "like for like" comparison, he shall propose to the Parties a price weighting mechanism to adjust for any relevant differences including (without limitation) differences in specifications, conditions or environment such that the benchmarking can be carried out.

2.9 If the Parties:

2.9.1 agree on the price weighting mechanism proposed by the Benchmarker, such price weighting mechanism shall be applied to the benchmarking;

2.9.2 agree on amendments to the price weighting mechanism proposed by the Benchmarker, such amended price weighting mechanism shall be applied to the benchmarking; or

2.9.3 cannot agree on the price weighting mechanism proposed by the Benchmarker or on appropriate amendments to such price weighting mechanism within thirty (30) days of the price weighting mechanism being proposed by the Benchmarker, such dispute shall be referred to the Dispute Resolution Procedure using expert determination as the final Stage (as defined in the Annex 2 to Schedule 4) if prior Stages have failed to resolve the dispute. The role of such expert shall be to determine the price weighting mechanism which shall be used by the Benchmarker.

2.10 The Parties shall instruct the Benchmarker to:

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2.10.1 evaluate the Benchmarkable Service on an overall "like for like" comparative basis, applying the:

2.10.1.1 Like for Like Criteria; and

2.10.1.2 the Benchmarking Criteria (if any);

2.10.2 compare the Benchmarkable Service to services provided by other suppliers who are recognised in the UK market to be leaders in the provision of IT services (the "Relevant Suppliers");

2.10.3 apply the price weighting mechanism (if any) agreed by the Parties or determined by an expert in accordance with paragraph 2.9 above;

2.10.4 complete its analysis within thirty (30) calendar days or such other period as may be agreed between the Parties and to present a written report to each of Post Office and Fujitsu Services. Such report shall:

2.10.4.1 set out, in respect of each benchmarked Benchmarkable Service the lowest available charges available from the Relevant Suppliers (such charges adjusted to reflect the price weighting mechanism (if any)) on a "like for like" basis; and

2.10.4.2 clarify any differences between each benchmarked Benchmarkable Service and the equivalent service provided by the Relevant Supplier in respect of each of the Benchmarking Criteria taken into account by the Benchmarker (including any difference in associated technology used to provide those services).

2.11 In determining what is "like for like" as referred to in paragraph 2.10 above, the Benchmarker shall take into account the following criteria (the “Like for Like Criteria”):

2.11.1 the full range of locations in which the Benchmarkable Service is provided;

2.11.2 the Service Level and availability provisions of this Agreement applicable to the Benchmarkable Service;

2.11.3 the performance of that Benchmarkable Service in respect of the provisions referred to in paragraph 2.11.2 above;

2.11.4 all other provisions of this Agreement relevant to the costs of providing the Benchmarkable Service including, without limitation, provisions relating to system and service security, Fujitsu Services’ liability and the functionality and specification of the Benchmarkable Service;

2.11.5 the need to compare services (equivalent to the Benchmarkable Service) supplied to similarly sized organisations conducting a similar type of business as Post Office;

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2.11.6 the total value of the Benchmarkable Service under the Agreement and the term of the Agreement; and

2.11.7 inputs to and outputs from the Benchmarkable Service in relation to other Services,

but shall not take into account any charges available from Relevant Suppliers which are in the reasonable opinion of the Benchmarker temporarily priced at low level to eliminate a competitive threat (predatory pricing).

2.12 Subject to paragraph 2.7 above, within three (3) months of receiving written notification from Post Office that benchmarking will be initiated, or such longer period as may be agreed between the Parties, Fujitsu Services shall make available to the appointed Benchmarker all information relevant to the Like for Like Criteria and the Benchmarking Criteria and each of the Parties shall provide such other information as may be requested from it by the Benchmarker in order to carry out the benchmarking exercise. Such information provided by Fujitsu Services will be provided in manner and format reasonably requested by Post Office. Fujitsu Services shall ensure that such information provided by it is complete and accurate and shall inform the Benchmarker as soon as reasonably practicable upon discovering any inaccuracy.

2.13 If the benchmarking exercise produces verifiable evidence that a benchmarked Benchmarkable Service is less competitive (taking into account all of the matters set out in paragraph 2.10 above) than an equivalent service available to Post Office in the market place, then the parties will negotiate in good faith to agree under the Change Control Procedure a revision of the Charges to match the outcome of the benchmarking exercise.

2.14 If the Parties fail to reach agreement on such revision to the Charges, the dispute will be referred to expert determination in accordance with the Dispute Resolution Procedure. The purpose of such reference shall be to determine what would be a fair and reasonable revision to the Charges to reflect the outcome of the benchmarking exercise.

2.15 In order to give effect to paragraphs 2.13 and 2.14 above, Fujitsu Services will furnish all information reasonably necessary to enable the parties to agree or, failing agreement, to enable an expert to whom it is referred to determine, a fair and reasonable revision to the Charges.

2.16 If Fujitsu Services matches the revision to the Charges determined by an expert in accordance with paragraph 2.14 above, Post Office will accept new Charges on that basis.

2.17 If Fujitsu Services fails to match the revision to the Charges determined by an expert in accordance with paragraph 2.14 then Post Office shall have the right to conduct, and require Fujitsu Services to co-operate and assist with, a tender process for the sub-contracting by Fujitsu Services of the Benchmarkable Service in question to an alternative service provider (the “Replacement Sub-Contractor”). If the Parties agree

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that it would be more appropriate for Fujitsu Services to conduct, and Post Office to co-operate and assist with, the tender process, then the Parties shall procure the same.

2.18 Without prejudice to the generality of the foregoing, Fujitsu Services shall disclose to any bona fide potential Replacement Sub-Contractor (subject to the same executing an Agreed Form NDA or any other form of non-disclosure agreement mutually agreed by Post Office, Fujitsu Service and such bona fide potential Replacement Sub-Contractor) Confidential Information to the extent that such disclosure is reasonably required to enable any potential Replacement Sub-Contractor to prepare a reasonably detailed tender proposal.

2.19 If the outcome of any tender process is such that, if Fujitsu Service were to sub-contract the Benchmarkable Service in question to a Replacement Sub-Contractor identified in the tender process a downward revision to the Charges would be, in the mutual opinion of the Post Office and such Replacement Sub-Contractor deliverable, then Post Office shall have the right to require Fujitsu Services to sub-contract such Benchmarkable Service to such Replacement Sub-Contractor and revise its Charges accordingly so that the Charge for that Benchmarkable Service shall be equivalent to the cost to Fujitsu Services of that sub-contract and the reasonable contract management costs incurred by Fujitsu Services.

2.20 Revisions to the Charges which are agreed pursuant to paragraphs 2.13 or 2.16 above or in connection with the appointment of a Replacement Sub-Contractor pursuant to paragraph 2.19 above shall take effect retrospectively from:

2.20.1 the date of commencement of the relevant benchmarking in the case of a benchmarking related to the terms of paragraph 2.1.1 above; and

2.20.2 the date of approval by both parties of the relevant change in the case of a benchmarking related to the terms of paragraph 2.1.2 above.

2.21 Post Office and Fujitsu Services shall each bear their own costs in relation to any benchmarking exercise, including costs related to the provision of relevant data.

2.22 Post Office shall bear all fees and costs of the Benchmarker and any costs and expenses relating to third party benchmarking consultation and support.

2.23 Post Office and Fujitsu Services shall bear all fees and costs of any expert determination carried out in respect of a benchmarking exercise in accordance with the Dispute Resolution Procedure in equal shares.

2.24 The Parties shall be obliged to perform their respective obligations under this Agreement during any benchmarking exercise.

2.25 The Parties shall use their best endeavours to ensure that any benchmarking exercise causes as little disruption as possible to the respective businesses of the Parties and to the delivery of the Services.

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3. COMPETITION

3.1 Post Office may, at its sole discretion and subject to any express provisions of this Agreement to the contrary, put out to competitive tender its requirement for any new services.

3.2 Where such competitive tender results in fixed price work being awarded to Fujitsu Services, that work will not then be subject to the open book regime described in paragraph 4 below.

4. OPEN BOOK

4.1 Where used in this Agreement, "Open Book" shall mean that Fujitsu Services shall as soon as reasonably practicable upon request by Post Office provide evidence which reasonably demonstrates value for money on the following basis:

4.1.1 use of appropriate methods (including, without limitation, for process or design);

4.1.2 that direct costs are verifiable; and

4.1.3 that methods of applying indirect costs, risk contingency, financing costs (if appropriate) and margin are compliant with any applicable provisions of this Agreement and consistent with generally accepted practice among Relevant Suppliers.

Such evidence shall be in the form of such financial, accounting and other information of Fujitsu Services as Post Office may reasonably require to validate Fujitsu Services charges and/or proposed charges for the service or service modification in question on that basis.

4.2 The use of Open Book is appropriate where:

4.2.1 Post Office and Fujitsu Services are proposing to work together in relation to the proposed new or modified service;

4.2.2 Post Office decides that competition is inappropriate because the Horizon Services Infrastructure contains bespoke design; and/or

4.2.3 the proposed service differs markedly from industry norms.

4.3 Examples of the categories in paragraph 4.2 above are: systems integration and development network communications, specialist operations and support functions.

4.4 Open Book shall be available on request by Post Office only where:

4.4.1 benchmarking or competition is not possible in accordance with the provisions of paragraphs 2 or 3 (respectively) of this Schedule 11; or

4.4.2 a Work Order specifically provides for Open Book.

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4.5 Open Book is not a mechanism to make changes to Charges for Services set out in this Agreement save where the Parties have agreed herein that Charges will be verified on an Open Book basis.

5. RISK/REWARD

5.1 Principles

5.1.1 These paragraphs describe the options and principles for constructing risk/reward models that shall be available for use under the Agreement on a case by case basis. The options are not exhaustive.

5.1.2 Risk/reward shall be an optional arrangement and neither Party shall be compelled to enter into a risk/reward arrangement as a precondition for contracting for a new service. The Parties may modify or adapt the principles set out in this paragraph 5 if they agree that would be appropriate.

5.1.3 Risk/reward may be constructed on the basis of:

5.1.3.1 sponsorship: whereby Post Office provides the initial investment required in order to derive savings;

5.1.3.2 partnership: whereby both inputs and outputs are shared by Post Office and Fujitsu Services; or

5.1.3.3 work-package terms: such as capped time and materials.

5.1.4 The objective of risk/reward is to align purpose and so increase the likelihood and degree of success.

5.1.5 Risk/reward models shall reflect the abilities of each Party to manage risk and contribute to the outcome.

5.1.6 The default by which to judge all risk/reward models is time and materials.

5.2 Risk/reward models

5.2.1 Sponsorship model

Where Post Office sponsors future investment to reduce the cost of a service or improve a service for the same cost, those cost savings or service improvements shall be passed on to Post Office in reduced charges or at no incremental charge respectively.

5.2.2 Joint Venture or Partnership model

5.2.2.1 Fujitsu Services and Post Office shall share the risks and rewards on a “joint venture” basis. There are two ways in which this may be effected:

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(a) Fujitsu Services shall carry out investment and charge to Post Office at cost and rely on a share of Post Office's benefits for its return; or

(b) Fujitsu Services shall carry out investment at its own cost and rely on a significantly greater share of Post Office's benefits to recover both its investment and its return.

5.2.2.2 The target reward (the share of the expected business benefits) shall be calibrated to the value of the financial and intellectual contribution to be made by Fujitsu Services, and the degree of risk in the benefits, on a case by case basis.

5.2.2.3 The expected business benefits shall be discounted year by year at a discount rate of typically 17.5% to 22.5% in constant money (including risk premium) to arrive at a net present value of those expected benefits. Fujitsu Services' percentage share of those expected benefits shall be set so as to equate to the default value of the default time and materials charge plus the value of any out of the ordinary intellectual contribution.

5.2.2.4 The eventual value of the benefit share to Fujitsu Services shall depend on the actual outcome, which accordingly shall be objectively measurable.

5.2.3 Work-package risk/reward model

5.2.3.1 Fixed price

(a) Fixed pricing is appropriate where all key cost drivers and programme dependencies are under a supplier's control. If that is not the case, the supplier will look for significant contingencies of both time and cost, which may not represent value for money for the customer and may impact unnecessarily on time to market.

(b) The supplier shall enjoy the benefit of any cost reduction and conversely shall bear the cost of any over-run. The style of working is characterised by work-package delivery at completion as opposed to joint working.

(c) Fujitsu Services may undertake systems integration work on a fixed price basis where third party or end to end considerations do not dilute its control.

5.2.3.2 Time and materials

(a) The customer shall enjoy the benefit of any cost reduction and conversely shall bear the cost of any over-run.

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(b) The customer may have little control over delivery and the supplier may have insufficient incentive to manage efficiently and well what is under his control. To counter these concerns, the supplier provides open access to customer representatives to scrutinise progress and costs, which may be disruptive and increase cost.

(c) The pervasive degree of third party and end to end dependencies in most delivery plans has historically made time and materials Fujitsu Services' preferred method of trading on systems integration. However, it is open to all other methods of dealing with the external dependencies such that ways are found to move away from this in the future.

5.2.3.3 Capped time and materials

(a) This basis of pricing may be appropriate where the supplier has a substantial amount of control but there are nonetheless significant dependencies on the customer.

(b) The cap places a clear incentive on the supplier to manage delivery in terms of both time and cost.

(c) In using this basis of pricing there should also be a floor to reward (and not penalise) the supplier for efficient quality delivery within time and cost.

(d) The cap can be an absolute time and cost cap or a time cap after which the applicable man-rate is reduced.

(e) In common with the fixed price basis of pricing, the supplier will look for contingency to be included within the cap. The required contingency will be greater if there is no floor and where the cap on price is an absolute cap.

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SCHEDULE 12

TIMETABLE

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON312.doc

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SCHEDULE 12

TIMETABLE

1. PURPOSE

1.1 This Schedule 12 defines the work and events that may take place pursuant to the signing of this Agreement, together with the timeframe within which such work and events must be completed or started where it can be ascertained prior to the signing of this Agreement.

1.2 The work and events are set out in the following Table. Against each row in the table, the item is described together with corresponding dates and dependencies which must be satisfied for the work to be completed or for the event to take place.

1.3 Dates relating to the NB/PIN Pad Services are not shown in this Schedule but in Schedule 24.

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TABLE OF WORK AND EVENTS

Row No.	***Item***	***Date and Time***	***Dependencies***	***Consequences of failed or delayed dependency***
1.	Terms of Reference and allocation of Pre-Paid capacity for Feasibility Study for E2E Re-Architecting to be agreed (see rows 1, 13, 14, 15, 22, 26, 28, 29, 31, 32, 33, 36 and 37).	31st December 2002	None	Start of Feasibility Study delayed by equivalent period.
2.	Commencement of provisions of the Agreement (unless otherwise set out below or elsewhere in the Agreement or CCN 1100).	00.01 hours on 1st January 2003	None	N/A
3.	Each party informs the other of the persons filling each of the roles required by this Agreement to the extent that such roles are changed by the Agreement (see row 7).	31st December 2002	None	Other party not obliged to act on items requiring authorisation.
4.	Update CCD entitled “ICL Pathway Invoice Layouts” (PA/PRP/002)	By 21st January 2003	N/A	Escalation in accordance with Schedule 4.
5.	Update CCD entitled “Change Control Note [form]” (PA/TEM/007)	By 21st January 2003	N/A	Escalation in accordance with Schedule 4.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
6.	Order placed by Fujitsu Services for a single bulk memory purchase sufficient to upgrade all Horizon counter systems. (see Note 1)	By 31st January 2003	N/A	Escalation in accordance with Schedule 4.
7.	All relevant Forums constituted and first meetings held.	By 31st January 2003		Escalation in accordance with Schedule 4.
8.	Agreement of first Resource Plan (see Schedule 20).	By 31st January 2003	Notification of relevant representatives and holding of first Resource Review Meeting.	Escalation in accordance with Schedule 4.
9.	Agreement of Change Management Plan/ Communications Plan - a joint plan required by both Parties in order to launch the amended Agreement and its new working arrangements.	17th January 2003	None	N/A
10.	New Service Level reporting methods to be introduced on an interim measurement basis.	31st January 2003	Agreement on interim methods by reference to nearest existing measurement method.	Delay in reporting Service Levels and calculating related Liquidated Damages until agreement reached.
11.	Agree the range of standard terms and conditions for Work Orders.	31st January 2003	N/A	Escalation in accordance with Schedule 4.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
12.	Post Office to confirm whether it wishes Fujitsu Services to carry out the novation in row 24.	On or before 28th February 2003	Parties to have agreed method of dealing with software on termination. (Note: Continued use of software at termination may argue for acquisition of Pathway instead.)	Novation postponed (unless otherwise agreed).
13.	Post Office and Fujitsu Services to complete E2E Re-Architecting Feasibility Study and deliver financial estimates (Note 5).	28th February 2003	Early involvement of the business sponsors.	Date for completion extended by equivalent period.
14.	Post Office and Fujitsu Services to review approach to procurement and commercial terms for E2E Re-Architecting Programme.	1st March 2003		Date for starting the Requirements Analysis Study will be delayed.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
15.	Post Office and Fujitsu Services to begin Requirements Analysis Study for E2E Re-Architecting Programme on "start up" basis as a follow through of the E2E Re-Architecting Feasibility Study.	1st March 2003	Post Office and Fujitsu Services to have agreed terms of reference and resourcing (including any required Additional Resources) and Post Office to have issued Work Order at least 2 weeks before 1st March 2003 to continue work pending decision on the formal Requirements Analysis Study (row 22). Agreement, prior to commencement of Requirements Analysis Study, that Joint Working ISL shall apply to the Requirements Analysis Study.	Date for completion extended by equivalent period. Date for starting the Requirements Analysis Study will be delayed.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
16.	Post Office to confirm whether it wishes Fujitsu Services to exercise the option to extend the existing data centre leases at Wigan and Bootle (reference paragraph 5.4 of Schedule 10)	31st March 2003	None	If Post Office does not wish Fujitsu Services to exercise the option, the Parties will need to agree: • a transition plan to new premises by 31 December 2005, such premises to be identified and agreed; • an amendment to the Operational Charges in Schedule 10 on an Open Book basis so as to leave Fujitsu Services no better or worse off; and • making all necessary consequential amendments to the Agreement.
17.	Production of Asset Register by Fujitsu Services as required by paragraph 2.2.1 of Schedule 22	31st March 2003	N/A	Escalation in accordance with Schedule 4
18.	Agreement of CCD covering Conceptual Design and Design Proposal as required by paragraph 8.11 of Schedule 20	31st March 2003	N/A	Escalation in accordance with Schedule 4. Delay to E2E Re-Architecting Requirements Analysis Study.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
19.	Agreement of Agreed Form Non-Disclosure Agreements (currently anticipated to cover third party developers; the Expert; Next Suppliers; and Benchmarkers)	31st March 2003	N/A	Escalation in accordance with Schedule 4
20.	Completion of joint study of OBC process rationalisation and use of sub-contractors for engineer visits performing outlet moves and modifications (leading to CCD CSIFS003 "OBC Network Interface Agreement" being amended and agreed).	31st March 2003	Agreement on terms of reference by 31st January 2003.	Delay week on week, with consequent delay to any modifications to the OBC Catalogue.
21.	Resource Planning process fully implemented and a Resource Plan agreed for the full planning period.	31st March 2003	Application of Schedule 4 governance arrangements including the involvement of business sponsors and the placing of Work Orders to commit work.	Poor utilisation of pre-paid SI Team, risk to the Re-architecting programme timescales and unnecessarily slow time to market for new products.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
22.	Post Office and Fujitsu Services to begin formal Requirements Analysis Study for E2E Re-architecting Programme.	1st April 2003	Post Office to assign Pre-Paid Capacity, agree Resource Plan (including any required Additional Resources) and place Work Order for the Requirements Analysis Study at least 2 weeks before 1st April 2003. Agreement, prior to commencement of Requirements Analysis Study, that Joint Working ISL shall apply to the Requirements Analysis Study.	Date for completion extended by equivalent period. Date for starting the Requirements Analysis Study will be delayed by equivalent period.
23.	Commencement of work on Network Re-Invention (Note 2)	1st April 2003	Placing of OBC orders by Post Office which comply with the limits set out in rows 2, 3 and 4 of the table in Annex A to Schedule 10.	Delay in commencement.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
24.	Novation of Agreement from Fujitsu Services (Pathway) Limited to Fujitsu Services Limited on 1st April 2003. Both Fujitsu Services (Pathway) Limited and Fujitsu Services (Pathway Asset Co.) Limited will simultaneously novate relevant subcontracts to Fujitsu Services Limited.	On or before 1st April 2003	(1) Fujitsu Services (Pathway Asset Co.) Limited to have repaid borrowings in full (2) Post Office to have confirmed that it wishes Fujitsu Services to carry out the novation. (3) Fujitsu Services (Pathway Asset Co.) to have determined that consent of third parties to novation of relevant subcontracts is forthcoming	If (1) or (3) not fulfilled, novation delayed until conditions satisfied. If (2) not fulfilled, see row 12.
25.	Debit card Go-Live at data centres and start of roll out to Branches	On or before 30th May 2003	Release Authorisation by Post Office further to Post Office's being satisfied that acceptance criteria have been met.	Escalation to Network Banking Board.
26.	Post Office to state how the E2E Re-architecting Programme is to be divided into Work Packages.	1st June 2003	No delay to row 28.	Delay to starting work on the Design and Commercial Proposals for E2E Re-architecting.
27.	New Service Level reporting methods to be introduced on new measurement basis	30th June 2003	Agreement on new measurement methods by 31st January 2003.	Introduction delayed until agreement reached, with continued use of interim measures meanwhile.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
28.	Post Office and Fujitsu Services to complete Requirements Analysis Study for E2E Re-architecting Programme.	31st July 2003 (Assumed date of Work Order plus estimated 4 months)	Rows 15 and 22 achieved on time.	Delay to starting work on the Design and Commercial Proposals for E2E Re-architecting.
29.	Fujitsu Services to complete Design Proposal(s) containing Solution Specification(s) for E2E Re-architecting Work Package(s) as defined in row 26, against the output from the Requirements Study in row 28.	31st August 2003	The provisions of Schedule 20 Joint Working ISL shall apply to the preparation of the Design Proposal(s), thereby enabling an overlap between Requirements Analysis and Design Proposal preparation. Post Office to assign Pre-Paid Capacity, agree Resource Plan (including any required Additional Resources) and place Work Order for the Design Proposal(s) at least 2 weeks before 1st June 2003. No delay to rows 28 and 26.	Delay to completion of Design Proposal.
30.	Agreement of CCD covering Testing as required by paragraph 8.12 of Schedule 20	31st August 2003	N/A	Escalation in accordance with Schedule 4. Delay to completion of Commercial Proposal for E2E Re-architecting Work Package(s).

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
31.	Fujitsu Services to begin Solution Build and Test work for E2E Re-architecting Programme on "start up" basis as a follow through of the E2E Re-Architecting Design Proposal	1st September 2003	Post Office to have agreed Pre-Paid Capacity, agree Resource Plan and issued Work Order at least 2 weeks before 1st September 2003 to start Solution Build and Test work for E2E Re-architecting Programme pending decision on Fujitsu Services Commercial Proposal.	Date for completion extended by equivalent period.
32.	Fujitsu Services to complete Commercial Proposal for E2E Re-Architecting Work Package(s).	30th September 2003	No delay to row 28.	Delay to completion of Commercial Proposal for E2E Re-architecting Work Package(s).
33.	Fujitsu Services to begin formal Solution Build and Test work for E2E Re-architecting Programme.	Target 30th October 2003	Row 28 achieved on time. Post Office to assign Pre-Paid Capacity, agree Resource Plan and place Work Order no later than two weeks beforehand.	Delay in completing the E2E Re-architecting Programme.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
34.	ADSL implemented in Post Office Branches.	1st April 2004	(A) Post Office to provide Release Authorisation authorising : 1) Field Trial started by 31st October 2003. 2) General Release started by 1st April 2004 having agreed the SLA measurement mechanism required by Schedule 15. (B) Compliance with the conditions set out in paragraph 5.7 of Schedule 10 and the related Limits set out in rows 3 and 4 of Annex A of Schedule 10 with respect to release of spare Gateway configurations to enable swap outs.	Where ADSL implementation is delayed for the reasons described in paragraph 5.7.2 of Schedule 10, the provisions of paragraph 5.7 of Schedule 10 shall apply except if the result from the Field Trial is unsatisfactory.
35.	Reductions in Operational Charges referred to in Schedule 10 paragraph 5.11 come into effect.	1st April 2004	Satisfactory completion of those parts of E2E Re-architecting Programme as are referred to in Row 2 of the table in Annex B below. (See Note 4)	The Operational Charge will be increased until such time as the condition is fulfilled according to the provisions of paragraph 5.11 of Schedule 10.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
36.	Fujitsu Services to complete Pilot Implementation work for E2E Re-architecting Programme.	31st March 2005 (Assumed date of Work Order plus estimated 18 months).	Implementation work to start on completion of Solution Build and Test work (row 33). Pilot Implementation completed within 3 months of start date. Commencement of Solution Build and Test work on date in column 3 of row 33.	See row 33.
37.	Reductions in SI Commitment Fees referred to in Schedule 10 paragraph 6.1.1 come into effect.	1st April 2005	Satisfactory completion of E2E Re-architecting Programme. Full Implementation completed within 3 months of successful completion of Pilot Implementation. (See Note 4)	The SI Commitment Fees Charge will be increased until such time as the condition is fulfilled according to the provisions of paragraph 6.1.1 of Schedule 10

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
38.	Last date for Post Office to provide Release Authorisation for Windows 2000 upgrade of counters (See Note 3)	30th September 2005	(A) Fujitsu Services shall have provided an impact assessment and Release Plan to Post Office at least six months prior to the required Release Authorisation date. (B) Windows 2000 upgrade plan shall have been agreed at least three months prior to the required Release Authorisation date.	Microsoft may withdraw support for Windows 2000 before Fujitsu Services is able to secure licenses for same, so that such upgrade may no longer be possible, the associated support risks may be increased and facilities available on counter be constrained. Where reason for failure is Fujitsu Services' failure to meet condition (A), escalation in accordance with Schedule 4.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
39.	Agreement to be reached as to whether to allow Energis subcontract to expire (on 31st March 2007)	By 31st March 2006	Agreement: (1) that Post Office will procure a replacement service provider according to the variations in price and/or recovery of implementation costs as set out in Schedule 10 (Fujitsu Services having provided such impact assessments to Post Office no less than six months previously); and (2) on the technical and service implications of changing supplier and on an outline plan to effect such change including appropriate risk management actions and SLA reliefs.	In the event of failure to reach agreement by 31st March 2006: (1) Fujitsu Services will be entitled either to extend the Energis subcontract or make alternative arrangements without further reference to Post Office; and (2) if unable to do so on terms no less favourable than those referred to in Schedule 10, to increase the Operational Charges by the difference, demonstrating such increase on an Open Book basis.
40.	Planned date for completion of implementation of Windows 2000 in all Branches.	31st Dec 2006		
41.	Support for Windows 2000 from Microsoft ceases	From 1st Jan 2007	Microsoft not changing its current intent.	The parties recognise that Microsoft support for Windows 2000 operating system will cease from the date shown.

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Row No.	*Item*	*Date and Time*	*Dependencies*	*Consequences of failed or delayed dependency*
42.	Fujitsu Services to deal with and provide Post Office with relevant information in relation to termination matters	From no later than 1st October 2008 or earlier if Post Office serves termination notice	Service of termination notice if termination date is to be before the date of the Expiry of the Agreement.	As set out in Schedule 22.
43.	Last date for Post Office to notify Fujitsu Services that it wishes to extend the Agreement	31st March 2009	N/A	If notice not received by 31st March 2009 unutilised Pre-Paid Capacity for the Financial Year commencing 1st January 2009 and the Pre-Paid Capacity for the shortened Financial Year commencing 1st January 2010 will be devoted to work required in connection with the termination of the Agreement and transfer on termination and will not be available for Work Orders.
44.	Expiry of Agreement and related matters.	31st March 2010	N/A	

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Note 1: Fujitsu Services shall purchase sufficient memory chips (to be charged to Post Office at the lesser of Fujitsu Services Cost or the cap in paragraph 7.1.1 of S10) to upgrade all Counter configurations (including Gateway configurations) by the addition of 128 megabytes of main memory to each configuration. This memory will then be installed by Fujitsu Services to its stock of spare system units and to any other unit that is returned to Fujitsu Services for repair or recycling (including return as a result of the Network Re-Invention Programme). Fujitsu Services will upgrade the memory in Gateway configurations as and when ADSL communications capability is installed. Those configurations not passing through Fujitsu Services' hands will not be upgraded unless required by Post Office.

Note 2: Network Re-invention is a programme of Branch changes and closures to improve the efficiency of the Post Office Branch network. This programme will result in a reduction in the number of operational Post Office Branches and shall release Horizon counter systems which will be returned to Fujitsu Services. The programme is to be managed by Post Office. Post Office shall task Fujitsu Services to carry out moves and changes through OBC orders (the process for which may be modified according to the review referred to in row 20) to comply with the limits in Schedule 10 Annex A, rows 2, 3 and 4.

Note 3: Unless a viable alternative is agreed, it is planned to update the counter operating system to Windows 2000 to facilitate potential adoption of future application packages, which are unlikely to be made available on Windows NT4. Implementation in all outlets intended by 31st Dec 2006.

Note 4: Post Office will initiate a joint programme of analysis, which will deliver a baseline requirement for Post Office Back-office systems and their linkage to Horizon counters. The objectives for the study are to specify E2E changes required to improve Post Office operational cost base and to simplify the Horizon Solution such that operational and future System Integration costs are minimised. These objectives are expected to be achieved by simpler business processes, elimination of duplicate effort or system functions, and greater automation within business process execution. The work programme will commence with a Feasibility Study, to be followed by a Requirements Analysis Study. The Feasibility Study will set out the elements of Post Office back-office operation that are to be addressed as part of the E2E re-architecting programme. The Feasibility Study will consider business processes for Accounting, Stock Management, Product Management, Customer and Client Support, MIS, Reference Data Management and replacement of existing business systems (eg. CBDB, OpTIP, and RDS). The two elements of E2E Re-Architecting which are particularly required for cost reduction are (1) consolidation of existing systems and hence replacement of current TIP and APS feeds by Single Data Source and revised accounting methods; and (2) simplification of system boundaries and improvement of reference data processes. The required characteristics and dependency timescales for each are set out in Annexes A and B respectively.

Note 5:

1. It is envisaged that the E2E Re–Architecting Programme (the "Programme") will be carried out in five Development Process Stages: Feasibility Study (rows 1 and 13), Requirements Analysis (rows 15, 22 and 28), Solution Specification/Commercial Proposal (rows 29 and 32), Solution Build & Test

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(row 31 and 33), and Implementation (row 36). It has been agreed between the Parties that these stages will be commissioned and carried out in the following manner and that Fujitsu Services will produce the following deliverables (among others):

in the course of the Feasibility Study:

(1) an estimate of the savings in the Charges which will result if the Programme is satisfactorily completed (as envisaged in the Feasibility Study) and, if this figure differs from the figure referred to in paragraphs 5.11 and 6.1.1 of Schedule 10, a reconciliation and explanation of the difference; and

(2) an estimate of the likely charges which would be incurred by Post Office in respect of all future Development Process Stages of the Programme were the Programme to be carried out in the manner envisaged in the Feasibility Study.

in the course of the Requirements Analysis:

(1) an estimate of the savings in the Charges which will result if the Programme is satisfactorily completed (as envisaged in the Feasibility Study) revised to reflect the information resulting from the Requirements Analysis and, if this figure differs from the estimate produced as part of the Feasibility Study, a reconciliation and explanation of the difference; and

(2) the indicative costs which would be incurred by Post Office in respect of all future Development Process Stages of the Programme were the Programme to be carried out in the manner envisaged in the Feasibility Study (as revised by the Requirements Analysis),setting out all significant assumptions used in arriving at that indicative cost on an 'open book' basis.

in the course of the Solution Specification/Commercial Proposal Stage:

(1) a firm estimate of the savings in the Charges which will result if the Programme is satisfactorily completed (as envisaged in the Solution Specification) and, if this figure differs from the estimate produced as part of the Feasibility Study, a reconciliation and explanation of the difference; and

(2) the Commercial Terms on which Fujitsu Services would be prepared to carry out the Solution Build & Test Stage and the Implementation Stage were the Programme to be carried out in the manner envisaged in the Solution Specification Stage.

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2. Where any of the above deliverables contains an estimate of the savings in the Charges which varies from the figure which at the time in question appears in paragraphs 5.11 and 6.1.1 of Schedule 10 by more than 10%, the Parties shall agree:

- that the Operating Charges shall be amended by the difference if the reason is a change in scope of requirements as compared with that itemised in Annexes A and B of this Schedule 12; or
- that Post Office requirements will be simplified or changed to enable the intended savings to be achieved; or
- that Fujitsu Services will seek other means to make savings.

If such agreement is not reached, the matter shall be subject to escalation in accordance with Schedule 4 leading, if still not resolved, to the Dispute Resolution Procedure.

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Annex A

REPLACEMENT OF CURRENT TIP AND APS FEEDS BY SINGLE DATA SOURCE AND REVISED ACCOUNTING METHODS

Description of Item	Dependency on Post Office	Impact on Fujitsu Services	Head-count reduction in the Core SI Team	Date by which action to be completed
Accounting methods	1) Introduce Trading Day concept to simplify Client related business rules (either no AP reversals allowed after end of Trading Day or reversals passed through to Clients as such);	Reduces complexity of design, development and test of counter applications, reconciliation and MIS.	8	Agreement to rules by 1st June 2003 as part of the Requirements Study detailed in Rows 15, 22 and 28
	2) Define a single coherent set of business rules based on the use of Trading Day as the basis for all accounting periods (and so eliminate the potential for mismatches between Client reporting and the Single Data Source);	Eliminates need for multiple end of day markers and complex rules over when data should be transmitted to the centre.	5	
	3) Adopt Outlet/Branch-produced Liability Statement in place of the Manual Cash Account and rely on the electronic transaction and summary data.	Enables adoption of standard retail EPOS processes and of standard accounting product, and reduces complexity of design, development and test of counter applications, reconciliation and MIS.	7	

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Description of Item	Dependency on Post Office	Impact on Fujitsu Services	Head-count reduction in the Core SI Team	Date by which action to be completed
Consolidation of Horizon and Post Office existing systems and hence replacement of current TIP and APS feeds by Single Data Source	1) Single data source to apply Trading Day concept (above) to transaction data recorded either at the counter or the Branch back office (see below), Single Data Source to ensure that both Clients and Post Office back-office have the same view of transactions	Reduces the number of data feeds, agents, and system boundaries, reducing the complexity of their design, development and test and the need for reconciliation and MIS.	None (included above)	Agreement on each of these, in principle, by 1st June 2003 as part of the Requirements Study detailed in Rows 15, 20 and 28. Removal of digital signatures to be subject to a detailed fraud/risk analysis and agreement on any potential/consequential liabilities.
	2) Data delivery from SDS to Post Office Accounts/Ledgers, Stock Management etc. systems to be straight pass through and transient (retained only until receipt confirmed);	Limits the data storage and retrieval functions to transaction level audit for the duration of data transfer from Fujitsu Services to Post Office domains: simplifies design, development and test.	5	
	3) Reduce the number of Product and Client facing platforms and applications by adopting and securing Client agreement to a standard suite of systems interfaces based on:	Standardised counter product set means a suite of standard back office systems with minimum levels of duplication and overlap (DRS 2).	10	Progressive migration to token driven and printed value stock transactions agreed with Clients and commissioned, such that by 31 March 2005 no more than 20% of transactions are data entry.
	1. Single APS model to cater for all licensing and other in-pay	EPOSS 2 is assumed to be a customised version of a standard third party product, eliminating a major bespoke element of the	5	

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Description of Item	Dependency on Post Office	Impact on Fujitsu Services	Head-count reduction in the Core SI Team	Date by which action to be completed
	products 2. Network Banking for all banking products; 3. Mails for labels/stamps (Spoilt printed stock to be treated just as spoilt value stock - no reversals); 4. "EPOSS 2" for the rump of transactions not driven by tokens or printed stock 5. Single reconciliation engine (DRS 2) for all Client transactions (items 1, 2, and 3 above); 6. Agreement that digital signatures are not required. 4) Local MIS and a message "append" facility (by post masters) to be the (sole) means by which	current system. "No reversals rule" for Mails (Mails is assumed to be committed by CCN early in year ending 31 March 2004) is as for APS. Removing the need for digital signatures reduces the security overhead on new application development and SI. Restricting "enrichment" to local data entry means that there is no need to allow for changes to data in the centre. This greatly	None (included above) 5 5	E2E development work commissioned as part of Solution Build and Test work detailed in row 31. New interfaces tested E2E as part of the Implementation work detailed in row 35 by 1st January 2005.

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Description of Item	Dependency on Post Office	Impact on Fujitsu Services	Head-count reduction in the Core SI Team	Date by which action to be completed
	data from vouchers is entered to enhance rump EPOSS transaction data (without changing the original message or data).	simplifies the design of the SDS.		
No new data warehouse	If such a facility is required, adopt "Shadow Correspondence Servers" as a means of enabling ready access to copies of transaction data in their original form, thereby avoiding the data manipulation and reconciliation requirements which go with data warehouse methods. Explore use of new search and retrieval techniques to access and analyse data efficiently.	Data warehouse methods tend to be inefficient and costly because they involve copying data into a different form and system and then keeping it in step with the prime data. Unless designed for, historic restatements of aggregations are not possible on data warehouse data and need to be carried out on the prime data. Exploiting prime data by new search and retrieval methods eliminates design, development and test of a separate system and the need to retain certain skill types.	5	Reach agreement at least 12 months before facility is required
Documentation	Continued application of paragraph 8.12 of Schedule 20 on the simpler solution described in Annex A.	Reduces the number of design documents to be produced and maintained both as part of the Core Document Set and also for Fujitsu Services' own purposes.	5	N/A

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Annex B
SIMPLIFICATION OF SYSTEM BOUNDARIES AND IMPROVEMENT OF REFERENCE DATA PROCESSES

Description of Item	Dependency on Post Office	Date by which agreement to be reached
Simplification of system boundaries: to reduce the scale and complexity of file transfers, product and systems platforms and reconciliation work.	1. System boundaries simplified as in Annex A above; 2. CBDB and OpTIP to be replaced. The assumed saving is £0.4m per annum (ref. the table in paragraph 5.1.1 of Schedule 10).	Agreement on end to end design by 30th September 2003 as part of Solution Specification work detailed in row 29; E2E development work commissioned as detailed in row 31 by 1st September 2003; E2E testing completed as part of the Pilot Implementation work detailed in row 36.
Improvement of reference data processes: to reduce work and improve time to market and customer service.	1. Reduce errors and rework by streamlining the E2E Reference Data processes and simplifying/rationalising the business rules around different Reference Data types and their sources/validation; 2. Introduce a Generic model of product data to minimise the number of product types, eliminate “special” product features and increase use of "soft" reference data methods in lieu of "hard" application coding; 3. Apply reference data consistently across all elements of end-to-end solution The assumed saving is £0.2m per annum (ref. the table in paragraph 5.1.1 of Schedule 10).	Agreement on end to end design as part of Solution Specification work detailed in row 29 by 30th September 2003; E2E development work commissioned as detailed in row 31 by 1st September 2003; E2E testing completed by 31 March 2004.

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SCHEDULE 13

Licences

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON313.doc

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SCHEDULE 13

LICENCES

1. THIRD PARTY SOFTWARE

1.1 Table 1 below lists Third Party Software provided for operational use by End Users in accordance with the applicable provisions of Clause 13.4.

Table 1: Third Party Software

Description and Product Name	Scope & purpose	Class
Office Platform Service "Windows NT Workstation" "Riposte"	 Operating system Riposte desktop, messaging and journal systems	 Third Party Software (Microsoft) Third Party Software (An Post/Escher)
OBCS Counter Application (also known as Electronic Stop Notice System - Enhanced ("ESNS+"))	Counter Application to support the checking and subsequent management of order books.	Third Party Software (An Post/Escher)
Auditor access to TMS	To provide auditor access to TMS Journal records	Third Party Software (An Post/Escher) & Fujitsu Services' Software
WebRiposte	An enhanced version of Riposte providing additional services based upon web-enabled functionality	Right to use granted to Post Office in accordance with paragraph 2 of this Schedule 13.
Asset Manager	A component of Riposte providing mechanisms for managing financial information and accessing transaction data	Right to use granted to Post Office in accordance with paragraph 2 of this Schedule 13.

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Description and Product Name	Scope & purpose	Class
Framework	A bespoke set of software components facilitating the development of Horizon financial transactions	Right to use granted to Post Office in accordance with paragraph 2 of this Schedule 13.
Hypercom PIN Pad Software	The software used to support the operation of PIN Pads as part of the NBS.	Third Party Software (Hypercom)
Mails	Escher Mails product (version 3.0) allows the introduction of country specific services and charges and the future implementation of size based pricing for non-standard letters and packets, including track and trace facilities. Current licence is for field trials only.	Third Party Software (Escher) subject to licensing terms set out in CCN 1022B and 1023

1.2 Table 2 below lists the software which Post Office sub-licences to Fujitsu Services in accordance with Clause 14 of this Agreement.

Table 2: Software provided by Post Office

Original supplier and Software product name	Purpose and applicable Service	Any additional restrictions on the sub-licence
Siemens Metering Ltd Name: “SML Software” Version numbers for the SML Software will initially be agreed between the parties and may be	Smart card security capable of being executed on a personal computer operating Windows 95 or Windows NT. Automated Payments Service for Quantum and	There is no right to modify the Software. The specific sub-licensing terms and conditions including any further restrictions are specified in the CCD entitled

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amended from time to time in accordance with the CCD entitled "Software Sub-licence for Smart Card Security Software" (ICL Pathway reference AP/DOC/004).	SPM smart cards.	"Software Sub-licence for Smart Card Security Software" (ICL Pathway reference AP/DOC/004)

2. ESCHER UPGRADE SOFTWARE

2.1 General

2.1.1 This paragraph 2 specifies the terms on which the Escher Upgrade Software may be used by Post Office and Escher Software Users in connection with the Services.

2.1.2 For the purposes of paragraph 2 of this Schedule 13:

2.1.2.1 **"Escher"** means Escher Group Ltd, having its principal office at 101 Main Street, Cambridge, Mass. 02142;

2.1.2.2 **"Escher Upgrade Software"** means WebRiposte, Asset Manager and Framework and references to the "software" in this paragraph 2 of Schedule 13 shall, unless the context clearly indicates otherwise, be a reference to the Escher Upgrade Software;

2.1.3 "**Escher Software User**" means:

2.1.3.1 any person authorised by Post Office to use the Services in a franchise post office or sub-post office, including without limitation sub-post masters on a non-franchise contract and franchisees of post offices or sub post offices (together with their employees); and

2.1.3.2 any employee of Post Office or employee of Royal Mail Group plc or its subsidiaries on behalf of Post Office involved in the development, operation, receipt and/or management of the Services; and

2.1.4 **"Existing Licences"** means the licensing agreements between Fujitsu Services and Escher dated 20 December 2000 and 8 May 2001 relating to the Escher Upgrade Software together with variation agreements dated 18 April 2002 and 26 June 2002 for each of these licence agreements.

2.2 Terms of Use

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2.2.1 Fujitsu Services grants to Post Office and to all Escher Software Users from time to time (together with Post Office the "Licensed Persons") a right to use and (for the purposes only of loading, execution, storage, transmission or display) copy the Escher Upgrade Software to the extent necessary for the Licensed Persons to receive the Services in connection with the system known as "Horizon" currently in use by Post Office and as upgraded by the Escher Upgrade Software.

2.2.2 Fujitsu Services warrants that it has the right to grant the rights stated to be granted by it under paragraph 2 of this Schedule 13 and that it has the right to make such back-up copies of the Escher Upgrade Software as are reasonably necessary for the provision of the Services.

2.2.3 The rights granted by paragraph 2.2.1 of this Schedule 13 are subject to the following conditions:

2.2.3.1 Post Office shall notify Fujitsu Services of all actual or threatened breaches of Escher's trade secret, patent, copyright, and other ownership rights in the Escher Upgrade Software of which it becomes aware and shall use reasonable endeavours to provide Fujitsu Services with assistance as may be reasonably requested by Fujitsu Services in relation to the prevention and/or challenge of such actual or threatened breaches.

2.2.3.2 Notwithstanding paragraph 2.2.3.1 of this Schedule 13, Post Office may at its absolute discretion notify Escher directly of such actual or threatened breach in addition to notifying Fujitsu Services.

2.2.3.3 All use of the Escher Upgrade Software by Post Office and/or Escher Software Users shall take place within the United Kingdom or its territories.

2.2.3.4 On termination of this Agreement, Fujitsu Services shall at Post Office's request procure the direct licence of the Escher Upgrade Software to either Post Office or a replacement for Fujitsu Services appointed by Post Office (as Post Office requests) at no charge and on substantially the same terms as the Existing Licences. The obligations of Fujitsu Services and the rights of Post Office under this paragraph 2.2.3.4 shall survive termination of this Agreement.

2.2.3.5 Post Office's rights granted by Fujitsu Services by paragraph 2.2.1 of this Schedule 13 shall terminate upon the grant of a direct licence in accordance with paragraph 2.2.3.4 of this Schedule 13.

2.2.3.6 Save to the extent required under English law, the rights granted by paragraph 2.2.1 of this Schedule 13 shall not be construed so as to allow Post Office to modify, reverse engineer, disassemble or reverse

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compile the Escher Upgrade Software or take any other action to disclose Escher's source code. To the extent that Post Office is permitted by law to take such action for interoperability or otherwise, such reverse engineering or related activity shall be limited to the minimum amount required and may not be undertaken unless Fujitsu Services has refused or is unable to make or procure such adaptations after Post Office requests that it do so. Fujitsu Services shall be entitled, subject to the prior approval of Post Office to charge Post Office its reasonable costs for making and/or procuring such adaptations as Fujitsu Services makes or procures and Post Office shall pay such charges.

2.3 Intellectual property rights

Post Office and Fujitsu Services each agree that Escher's copyright legend shall be displayed on all software and associated documentation and media under their respective control in a manner consistent with the CCD entitled *"Horizon OPS Style Guide"*, reference SD/STD/001.

2.4 Confidentiality

2.4.1 Post Office agrees that any information disclosed to it in connection with the Escher Upgrade Software which is designated by Fujitsu Services as "Escher Confidential Information" shall be kept in strictest confidence and not disclosed to any party except as permitted under paragraph 2 of this Schedule 13.

2.4.2 Escher Confidential Information shall not comprise Confidential Information for the purposes of this Agreement and, accordingly, the provisions of Clause 50 shall not apply to Escher Confidential Information.

2.4.3 Post Office shall:

2.4.3.1 take all reasonable precautions to protect the confidentiality of Escher Confidential Information;

2.4.3.2 not duplicate or reproduce Escher Confidential Information except as necessary for the purposes of this Agreement; and

2.4.3.3 upon termination of the Existing Licences, immediately return all documents and other materials which contain or relate to Escher Confidential Information.

2.4.4 The non-disclosure and confidentiality provisions contained in paragraph 2 of this Schedule 13 will survive the termination of any or all of its other provisions but shall expire 20 years after the expiry or termination of this Agreement. Post Office acknowledges and agrees that Fujitsu Services and any third party are, in addition to other remedies, entitled to seek an injunction to prevent Post Office

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from disclosing Escher Confidential Information in breach of paragraph 2 of this Schedule 13.

2.4.5 Post Office may with Fujitsu Services' written consent disclose Escher Confidential Information to third parties. If Fujitsu Services agrees to allow Post Office to disclose Escher Confidential Information to a third party, prior to making any such disclosure, Post Office shall first obtain such third party's written agreement to comply with all non-disclosure and confidentiality terms herein.

2.4.6 Post Office shall keep a record of all disclosures by it of Escher Confidential Information to third parties including the names of the persons to whom Escher Confidential Information was disclosed by Post Office and a description of the Escher Confidential Information disclosed.

2.4.7 Post Office may disclose Escher Confidential Information:

2.4.7.1 if and to the extent required by law, regulation or by order of a court of competent jurisdiction provided, however, that Post Office shall in each case notify Fujitsu Services in advance of such disclosure;

2.4.7.2 to its professional advisers for the purposes of audit or receiving professional advice;

2.4.7.3 to employees and staff of Royal Mail Group plc to the extent that such disclosure is necessary for such employees or staff to perform functions relating to the development, operation, receipt or management of the Services;

2.4.7.4 where such information was already in the public domain at the time it was disclosed or otherwise received by the other party;

2.4.7.5 where such information becomes part of the public domain after disclosure by means other than breach of the confidentiality obligations contained in paragraph 2 of this Schedule 13; or

2.4.7.6 where such information came into a party's possession lawfully from a third party that was, itself, lawfully in possession of that information and entitled to distribute it.

2.4.8 Where Escher Confidential Information is disclosed under paragraphs 2.4.7.2 or 2.4.7.3 of this Schedule 13, Post Office shall procure that the third parties referred to in those paragraphs shall not disclose that Escher Confidential Information without the prior written consent of Fujitsu Services.

2.4.9 The Existing Licences and their contents are deemed Escher Confidential Information and, subject to paragraph 2.4.7 of this Schedule 13, Post Office

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may not disclose the Existing Licences to a third party without the express written consent of Fujitsu Services, except that Post Office may disclose those elements of the Existing Licences which relate to the use of the Escher Upgrade Software to the operator replacing Fujitsu Services in the event a direct licence is to be granted to that replacement operator under paragraph 2.2.3.4 of this Schedule 13 provided that such operator has, in advance of such disclosure, entered into substantially equivalent confidentiality provisions with Post Office as are set out in paragraph 2 of this Schedule 13.

2.4.10 Escher Upgrade Software related documentation, defect reports, and all other non-public information related to the Escher Upgrade Software, are and shall be deemed Escher Confidential Information.

2.5 Breach

2.5.1 If either party believes the other to be in breach of any obligation imposed by paragraph 2 of this Schedule 13, the non-breaching party shall provide written notice of such breach to the other.

2.5.2 Upon receipt of such notice, if such breach exists, the recipient shall have twenty (20) days to remedy such breach or provide assurances in a form reasonably acceptable to the non-breaching party that the breach will be corrected within such longer period as the non-breaching party may specify.

2.6 Termination

2.6.1 If a breach by Post Office of any obligation imposed by paragraph 2 of this Schedule 13 has not within the twenty (20) day period provided under paragraph 2.5.2 of this Schedule 13 been remedied or assurances, in a form reasonably acceptable to Fujitsu Services, provided to Fujitsu Services that the breach will be corrected within such longer period as Fujitsu Services may specify Fujitsu Services may by notice in writing to Post Office terminate the rights granted by paragraph 2.2.1 of this Schedule 13 and Fujitsu Services shall be relieved of its obligations under paragraph 2.2.3.4 of this Schedule 13.

2.6.2 Upon termination under paragraph 2.6.1 of this Schedule 13 of the rights granted to Post Office by paragraph 2.2.1 of this Schedule 13, Post Office shall cease to use the Escher Upgrade Software and shall, as directed by Fujitsu Services, either return or destroy all copies of such software.

3. LISTED DOCUMENTATION

3.1 Purpose

3.1.1 This paragraph 3 lists the Listed Documentation which Fujitsu Services shall license to Post Office under the provisions of Clause 13.1.

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3.1.2 Any copying in part or modification of the Listed Documentation which Post Office is allowed to carry out under Clause 13.1 shall be solely to enable the presentation of information to different groups of readers and shall not materially change or misrepresent the meaning of information set out in the Listed Documentation.

Table 3: Documentation

Reference	Document
SD/DES/005	Horizon OPS Reports and Receipts – ICL Pathway Horizon Office Platform Service
SD/STD/001	Horizon OPS Style Guide
RS/FSP/001	Security Functional Specification
CR/FSP/004	Service Architecture Design Document
	TMS Technical Documentation, including (without limitation): (a) Generalised API for OPS/TMS (TD/STD/004) (excluding its Appendices, to the extent that such use, copying (in whole or in part) and/or modification thereof is regulated, restricted or prohibited by any confidentiality restrictions in force from time to time between the parties); (b) TMS Architecture Specification TD/ARC/029.
BP/TRN/001	Training and User Awareness Baseline Document
BP/DES/003	Counter Hardware Design Specification
BP/PRO/003	Post Office Site Failure Contingency Procedures
	Release Contents Description for each Release
PA/STR/003	Pathway Release Policy
	Automated Payments Client Specifications
CS/SIP/002	Business Continuity Framework
RS/POL/002	Pathway Security Policy

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Reference	Document
SU/DES/003	OBCS Access Service High Level Design
CS/PRP/001	Counter Transaction Performance – Measurement and Benchmarking
CS/PRO/111	TPS Reconciliation and Incident Management
PA/PER/033	Horizon Capacity Management and Business Volumes
CS/PRO/128	APS Reconciliation and Incident Management
CS/SPE/011	Network Banking End to End Reconciliation Reporting
NB/PRO/002	Network Banking Reconciliation and Incident Management
CS/PER/044	NBS Counter Transaction Times for Release BI3
TD/ARC/030	OPS Architecture Specification
TI/IFS/008	Pathway to Post Office Technical Interface Specification
NB/SDS/008	Network Banking MIS Reports Design
CS/IFS/003	ICL Pathway/POL Interface Agreement for Operational Business Change-Outlet
CR/FSP/006	Audit Trail Functional Specification
VI/STR/001	Testing & Integration Strategy
CS/PRD/058	ICL Pathway/PON Interface Agreement for Operational Business Change-Product
NB/ACS/002	NBS Testing Specifications
NB/ACS/001	NBS Testing Plan
NB/IFS/009	Technical Interface Specification - Horizon to NBE
NB/IFS/008	NBE - Horizon Application Interface Specification
	All Process and Procedures Descriptions (PPDs)

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Reference	Document
NB/PDN/010	PIN Pad Product Specification
NB/SPE/003	Network Banking Counter Dialogue – Activity and Screen Flows
CS/PRD/112	Closure of NBE Link Procedure
IM/MAN/022	PIN Pad Technical Installation Training Guide

4. Deposited Software

[This paragraph will include a list of all Deposited Software. Initially, this paragraph is intentionally left blank because there is none at present.]

5. Specially Written Software

[This paragraph will include a list of all Specially Written Software. Initially, this paragraph is intentionally left blank because there is none at present.]

6. Specially Written Documentation

[This paragraph will include a list of all Specially Written Documentation Initially, this paragraph is intentionally left blank because there is none at present.]

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SCHEDULE 14

CONSUMABLES

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON314.doc

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SCHEDULE 14

CONSUMABLES

1. SPECIFICATION OF POST OFFICE CONSUMABLES

1.1 The consumables required to operate the Services in Branches are identified in the table in Annex 1 to this Schedule 14 (the "Consumables" each a "Consumable").

1.2 Fujitsu Services shall maintain a high level specification for each of the Consumables. In the event that the high level specification is unavailable, being information confidential to the manufacturer, then the table in Annex 1 to this Schedule 14 shall include a list of approved products by brand name where appropriate. The obligations in this paragraph 1.2 shall apply in respect of each Consumable:

1.2.1 prior to the Guaranteed Supply Date for that Consumable specified in that Annex (the "Guaranteed Supply Date"); and

1.2.2 after the Guaranteed Supply Date, if and to the extent that Fujitsu Services has been able to secure a supply of that Consumable in accordance with paragraph 4.3 below, or an acceptable alternative, in accordance with paragraph 4.4 below.

1.3 Fujitsu Services warrants for use in that part of the Horizon Service Infrastructure used to deliver OPS:

1.3.1 the Consumables; and

1.3.2 any additional products contained in the list of approved products, by product identity, which comply with the high level specification for each Consumable which shall be maintained by Fujitsu Services.

1.4 Notwithstanding paragraphs 1.2 and 1.3 above, but subject to paragraph 1.5 below, nothing shall prevent Post Office from using any product as alternatives to the Consumables in any part of Horizon Service Infrastructure.

1.5 Where Post Office uses any product in the Horizon Service Infrastructure which either fails to comply with the high level specification or is not contained in the list of approved products described in paragraph 1.2 above:

1.5.1 Fujitsu Services will be entitled to recover from Post Office any reasonable additional costs and expenses incurred by Fujitsu Services where Fujitsu Services can demonstrate to Post Office (Post Office acting reasonably) that as a result of Post Office's use of such product the limit on monthly engineer site visits set out in Annex 5 to Schedule 15 of this Agreement has been exceeded; and

1.5.2 Fujitsu Services shall be relieved of any contractual remedies which Post Office may have arising from a failure of that part of the Horizon Service Infrastructure

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used to deliver OPS to the extent that such failure is directly associated with Post Office's use of such product.

1.6 In this Schedule 14, unless the context otherwise requires, any reference to a paragraph is to the relevant paragraph of this Schedule.

2. NEW PRODUCTS

2.1 Evaluation

2.1.1 No more than once each calendar year Post Office may request Fujitsu Services to evaluate products for use in the delivery of the Services which are not on the list of approved products maintained in accordance with paragraph 1.2. Such evaluation shall include, where appropriate but not be restricted to, the assessment of the following product features:

2.1.1.1 external mechanical compatibility:

(a) visual inspection to ensure that the product is physically compatible; and

(b) mechanical dimensions and fit;

2.1.1.2 torque measurements:

(a) torque measurements required to move printer ribbons/tally rolls etc., absolute torque and torque variance to be within specification;

2.1.1.3 internal construction:

(a) includes integrity of design and quality of materials used;

2.1.1.4 patent infringement:

(a) check carried out to ensure no patents are infringed;

2.1.1.5 performance:

(a) assessment of representative batch;

2.1.1.6 production samples:

(a) testing of batch from production run.

2.2 When requested to do so in accordance with paragraph 2.1.1 above, Fujitsu Services shall undertake evaluation and shall notify Post Office of the results of the evaluation within one month of the date of the request.

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2.3 If Fujitsu Services evaluates a product as acceptable it shall be added to the list of approved products maintained in accordance with paragraph 1.2 above. Such approval of new products by Fujitsu Services shall not be unreasonably withheld or delayed, but, as stated in paragraph 1.4 above, nothing shall prevent Post office from using any product in any part of the Horizon Service Infrastructure.

2.4 If Fujitsu Services evaluates a product as unacceptable, Fujitsu Services shall provide a report, to Post Office, within one month of Post Office's request for the product to be tested, detailing the reasons for the product's unacceptability.

3. INITIAL SUPPLY

3.1 Fujitsu Services shall provide, free of charge, an initial supply of Consumables to each Branch (whether opened before or after the Amendment Date) for each Counter Position in that Branch, such Consumables to be delivered either at the time of installation of the relevant elements of the Horizon Service Infrastructure in that Branch or, if the Branch is already open, at the time of the opening of a new Counter Position. Such initial supply shall comprise:

3.1.1 Per Counter Position opening:

3.1.1.1 Three (3) single ply tally rolls for use in the counter printer; and

3.1.1.2 One (1) standard black ink printer ribbon for use in the counter printer.

3.1.2 Per Branch opening:

3.1.2.1 One (1) pack of A4 paper (500 sheets) for use by the back-office printer; and

3.1.2.2 The back-office printer will have any required Consumables (e.g. ink jet cartridge, laser toner and drum) pre-installed.

4. ON-GOING SUPPLY

4.1 Following receipt of notification given by Post Office in accordance with Clause 5 and paragraph 6.3.4 (a “Consumables Notice”), Fujitsu Services obligations to commence an on-going supply of each Consumable specified in that Consumable Notice shall be as follows:

4.1.1 if the Consumable Notice is given before the Guaranteed Supply Date for that Consumable, Fujitsu Services shall supply that Consumable throughout the period specified in that notice provided that, in respect of any such period after the Guaranteed Supply Date, Fujitsu Services has been able to secure a supply of that Consumable in accordance with paragraph 4.3, or an acceptable alternative, in accordance with paragraph 4.4.

4.1.2 if the Consumable Notice is given after the Guaranteed Supply Date for that Consumable, Fujitsu Services shall supply that Consumable for the period

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specified in that notice, if and to the extent that it has been able to secure a supply of that Consumable in accordance with paragraph 4.3, or an acceptable alternative, in accordance with paragraph 4.4.

The Supply of Post Office Consumables under this paragraph 4 shall be in accordance with all applicable provisions of this Schedule 14 and where agreed with Fujitsu Services (such agreement not to be unreasonably withheld) any other provisions specified in the Consumables Notice.

4.2 Fujitsu Services shall use all reasonable endeavours to ensure that a supply of all the Consumables can be secured throughout the term of this Agreement. This provision shall apply whether or not Post Office has previously exercised its rights under Clause 5 to procure such Consumables from Fujitsu Services.

4.3 In the event that a Consumable, is unavailable before the expiry of the Guaranteed Supply Date for that Consumable, Fujitsu Services shall, at its own expense, source an alternative acceptable consumable. The price for such alternative consumable shall not be greater than the Consumable for which it is an alternative.

4.4 In the event that a Consumable, is unavailable after the expiry of the Guaranteed Supply Date for that Consumable, Fujitsu Services shall, at its own expense, use reasonable endeavours to source an alternative acceptable consumable. Fujitsu Services shall use reasonable endeavours to ensure that the price for such alternative consumable shall not be greater than the Consumable for which it is an alternative. In the event that reasonable endeavours fail to secure such an alternative consumable for less than or the same price as the Consumable for which it is the alternative, Post Office shall pay Fujitsu Services the price of the alternative consumable, if it chooses to order such alternative consumable from Fujitsu Services.

4.5 In the event that a Consumable is unavailable and an alternative cannot be sourced:

4.5.1 prior to the Guaranteed Supply Date for that Consumable, Fujitsu Services shall not be relieved of its obligations to provide Services under the terms of this Agreement;

4.5.2 on or after the Guaranteed Supply Date, Post Office shall relieve Fujitsu Services of its obligations to provide Services (including Service Levels), if and to the extent that Fujitsu Services can demonstrate to the reasonable satisfaction of Post Office that it has been unable to perform any such obligation as a result of that Consumable not being available.

5. ORDER AND DELIVERY ARRANGEMENTS

5.1 Subject to Post Office giving a Consumables Notice and subject to the provisions of paragraph 4.1, from the commencement of the period specified in such notice:

5.1.1 Fujitsu Services shall accept orders in accordance with Schedule 9, and shall supply Consumables to agreed Post Office managed distribution centres; and

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5.1.2 the lead time for the commencement of deliveries in respect of each individual order shall be agreed between Post Office and Fujitsu Services.

6. PRICES

6.1 All prices offered for the Consumables in the CRD entitled "Horizon System Branch Consumables" (CS/SPE/013) (the "Consumables CRD") are on a product by product basis. Post Office shall not be required to order all Consumables shown in the table in Annex 1 to this Schedule 14 in order to take advantage of the prices quoted in that CRD.

6.2 Post Office shall not be required to order Consumables listed in the table in Annex 1 to this Schedule 14 in order to have new products added to the list in accordance with paragraph 2.1.

6.3 All prices offered in the Consumables CRD and the provision of Consumables are on a fixed price basis subject to the following conditions:

6.3.1 the prices for all Consumables apply to orders placed from 1 March of any year up to 28/29 February of the following year and for delivery before 31 May of each such following year, as shown in the Consumables CRD;

6.3.2 supply of those Consumables which Post Office opts to procure from Fujitsu Services shall be on the basis of the Minimum Order Quantities and Minimum Consignment Quantities specified in the Consumables CRD for orders placed from 1 March of any year to 28/29 February of the following year;

6.3.3 the prices for all Consumables set out in the Consumables CRD (as amended pursuant to paragraph 6.3.5 below) shall after the period specified in paragraph 6.3.2 above, be subject to annual re-quotation, such quotes to be provided by Fujitsu Services by 31 October of each year for the following twelve month period 1 March to 28/29 February;

6.3.4 Should Post Office decide to purchase any Consumables from Fujitsu Services then it shall notify Fujitsu Services of such decision by 31 December for provision of Consumables in the following 12 month period 1 March to 28/29 February; and

6.3.5 on annual re-quotation under paragraph 6.3.3 above, Fujitsu Services shall update the items shown in the table in Annex 1 to this Schedule 14 by listing all Consumables which are then required for the performance of the Services other than Fujitsu Services Consumables.

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Annex 1 to Schedule 14

Consumables

Consumable	High Level Specification	Approved Product	Guaranteed Supply Date
Ithaca Counter Tally rolls (packs of 100) - single ply	As specified in the Ithaca specification 100-2203 Rev C (attached at Annex 2) with the following additional specifications Grammage: 56.4gsm Footage: 73.15m Paper type: 15.5# Tablet Bond	N/A	31 March 2010
Ithaca Counter Printer ribbon (black ink)	N/A	European Article Number (EAN): 5031713 851004 OKI Part No: 5018	31 March 2010
EPSON Stylus 200 Inkjet printer cartridge (black) - supplied in boxes of 100	N/A	S020047	31 March 2010
Compatible EPSON ink cartridges	Specification EDM2-96 for Epson 200 printers	N/A	N/A
Ithaca Counter Tally rolls (packs of 100) - single	As specified in the Ithaca specification 100-2203 Rev C (attached at Annex 2) with the following	N/A	31 March 2010

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Consumable	High Level Specification	Approved Product	Guaranteed Supply Date
ply	additional specifications Grammage: 55gsm Footage: 58m Paper type: White wood free “A” Grade		
OKIPAGE 8P OPC drum	N/A	40709902	31 March 2010
OKIPAGE 8P toner	N/A	00079801	31 March 2010
Compatible Ithaca Counter ribbons	Specification EDM2-89 for Ithaca 94-01 printers	N/A	N/A
Compatible Ithaca Counter Tally rolls	Tally rolls with Ithaca specification EDM2-89 with 17.4mm core for Ithaca 94-01 Printers	N/A	N/A
Panasonic KX-P6500 laser printer process unit	N/A	KX-PEP5	31March 2010
Panasonic KX-P6500 laser printer toner	N/A	KX-P459	31 March 2010
Screen Cleaning Wipes (drum packs of 100)	Any screen cleaning wipes specified as appropriate for cleaning screens on computers or other electronic equipment.	N/A	31 March 2010

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Annex 2 to Schedule 14

Specification for Single Ply Tally Roll

Ithaca Peripherals Incorporated Part Number: 100-2203 (Rev C)

Name: ONE PLY PAPER –3 ½ DIA X 3.23 W

Unit: SERIES 50, 60, 70 & 90 PRINTERS

C	ER-20165	10/96	Mc	NA	NA
B	ER-01006	11/16/94	MLM		
A	ER-00757	12/9/93	MLM		
Rev	Release No.	Date	Dfts	FCC	Safety

REV.B: UPDATED SPECIFICATIONS AND DRAWING

REV.C: SHT#2 – Ø.455±.010 REF WAS Ø.452/.465, Ø.850±.010 WAS Ø.845/.855; CORE

MATERIAL WAS “PLASTIC”, CORE ID WAS “Ø.452/.465”, CORE OD WAS “Ø.845/.855”; SHT #3 – REMOVED WALL THICKNESS & WEIGHT

Initial Release:	Mooney	Date:	12/93
Designer:	Mooney	Date:	12/93
Engineer:	Mooney	Date:	12/93
Drafter:	Mooney	Date;	12/93

Unspecified Specification Tolerances: .XX=+/-.02,.XXX=+/-.005, <=+/-1 deg.

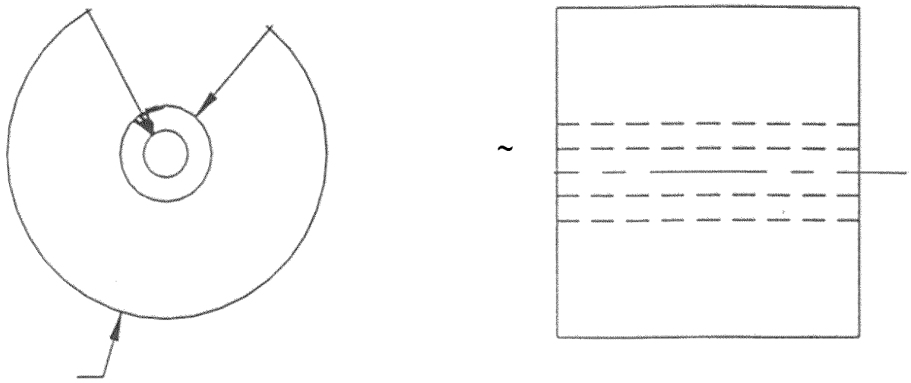
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DO NOT SCALE DRAWING

0.850+.010

0.455-j-010 REF REF



03 1/2 MAX 3.23

SPECIFICATION DESCRIPTION	SPECIFICATION VALUE
WIDTH	3.230 + .000 / - .005
DIAMETER	63 ½ MAX
HOW SHIPPED	50 ROLL CARTON
BRIGHTNESS	80
MOISTURE	5.0
CALIPER	.00306
CORE MATERIAL	FIBER
CORE OD	@.850±.010
OVALITY	.020
DROP FITTEM	.445
WARNING SIGNAL	3' FRO
ROLLCLOSURE	
CORE BOND	NONE
CASE PART NUMBER	100-1667

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SCHEDULE 15

SERVICE LEVELS AND REMEDIES

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON315.doc

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SCHEDULE 15

SERVICE LEVELS AND REMEDIES

1. INTRODUCTION

1.1 This Schedule defines up to three thresholds in respect of each Service Level as follows:

1.1.1 The level of Service ("**Service Level Target**" or "**SLT**") required from Fujitsu Services by Post Office. Not all SLT failures give rise to payment of liquidated damages.

1.1.2 The level of Service which, if not achieved by Fujitsu Services, shall give rise to payment of liquidated damages by Fujitsu Services (the "**Liquidated Damage Threshold**" or "**LDT**"). Payment of liquidated damages notwithstanding, a failure of any LDT shall not (on its own) constitute a Default.

1.1.3 The level of Service below the SLT and (if applicable) the LDT which if not achieved by Fujitsu Services shall give rise to payment by Fujitsu Services of Post Office's Additional Costs or liquidated damages as described (where relevant) in this Schedule (the "**Additional Remedy Level**" or "**ARL**").

2. GENERAL PRINCIPLES

2.1 The purpose of remedies (liquidated damages or any other additional remedy specified in this Schedule 15) is that Post Office shall not be disadvantaged by failures of Fujitsu Services to provide the Services to the agreed specification and reliability.

2.2 All liquidated damage calculations in accordance with the provisions of this Schedule 15 (other than those in paragraphs 5.4, 6.8 and 6.9 of Annex 3) shall be subject to RPI indexation in accordance with the provisions set out in paragraph 10.5 of Schedule 10.

2.3 For the avoidance of doubt, liquidated damages shall be based upon the applicable fixed amounts or rates stated in this Schedule 15 as adjusted by RPI indexation up to the relevant Financial Year in which the LDT or ARL failure occurred.

2.4 The performance of the Services against the SLT, LDT and ARL applicable in respect of each Service Level shall be measured and reported and success or failure against each shall be judged over Service Level Measurement Periods. Additionally, all levels of service shall be monitored on a weekly and monthly basis and any failure to meet a Service Level assessed over that month shall be reported to Post Office by means of the Service Review Book produced on a monthly basis detailing all Service Levels and the actual levels of service achieved.

2.5 Not used.

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2.6 The values applicable to each SLT are not given in this Schedule 15, but are instead set out in the CCD entitled "Service Level Targets for Horizon Services" (SRP/MTG/007). The SLT values in the version of that CCD (as agreed from time to time under the Soft Change Control Procedure) which is in force at the relevant time shall be deemed incorporated by reference in this Schedule, each having a unique identifier in the form "**<XXYY>**".

2.7 In the event that that an SLT value is stated in this Schedule and in the CCD entitled "Service Level Targets for Horizon Services" (SRP/MTG/007), the value in the version of that CCD (as agreed from time to time under the Soft Change Control Procedure) which is in force at the relevant time shall have precedence.

3. SERVICE LEVELS

3.1 The Annexes to this Schedule define the Service Level Targets, Liquidated Damage Thresholds and Additional Remedy Levels for the following groups of Services:

3.1.1 Support Desk Services (Annex 1);

3.1.2 Data Delivery Services (Annex 2);

3.1.3 Banking Services (Annex 3); and

3.1.4 Miscellaneous Services (Annex 4).

4. SERVICE LEVEL RELIEF – VOLUMETRIC LIMITS IN ANNEX 5

4.1 Annex 5 to this Schedule sets out the limits (the "**Volumetric Limits**") which if exceeded over a specified period (the "**Relevant Period**") will entitle Fujitsu Services to adjust the measurements of performance in respect of the Service Levels (SLTs and (if applicable) the LDTs and ARLs) affected by that excess (the "**Affected Service Levels**"). Such adjustment shall be made on the following basis:

4.1.1 If the Relevant Period for a Volumetric Limit is a calendar month and that limit is exceeded, Fujitsu Services shall identify for joint consideration with Post Office the days in that month on which the average daily volume (based upon measurements of actual volumes over the previous three months, or otherwise as agreed by the Parties (acting reasonably)) has been exceeded and shall specify for joint consideration the reasons for that excess if caused or contributed to by Fujitsu Services.

4.1.2 If the Relevant Period for a Volumetric Limit is a day and that limit is exceeded, Fujitsu Services shall specify for joint consideration the reason for that excess if caused or contributed to by Fujitsu Services.

4.1.3 For each day on which the average daily volume referred to in paragraph 4.1.2 or the Volumetric Limit referred to in paragraph 4.1.3 is exceeded:

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4.1.3.1 as a result of Default by Fujitsu Services, no adjustment shall be made to the performance measurements for the Affected Service Levels in respect of that day; or

4.1.3.2 for any reason other than a Default by Fujitsu Services, the performance measurements for the Affected Service Levels in respect of that day shall be disregarded and replaced with an average measurement for that day (based upon actual performance measurements over the previous three calendar months, or otherwise as agreed by the Parties (acting reasonably)).

4.2 Following each Service Level Measurement Period the Parties will assess whether, on average, over the relevant Service Level Measurement Period any of the Volumetric Limits has been exceeded by 10% or more. In making that assessment the Parties shall consider the cause of any daily peaks in excess of daily averages during that period, and disregard the measurements in respect of those days where the peaks have arisen as a result of Fujitsu Service's Default. If having made such assessment, the Parties agree that a Volumetric Limit has been exceeded by 10% (and in the case of monthly Volumetric Limits, those limits have been exceeded in any three consecutive months), the Parties shall meet to discuss and agree (acting reasonably) appropriate changes to the Volumetric Limits and any change to the applicable Service Levels.

4.3 Any dispute arising in connection with the application of this paragraph 4 shall be resolved in accordance with the Dispute Resolution Procedure.

5. SERVICE LEVEL/OBLIGATION RELIEF – BUSINESS VOLUMES CCD

5.1 The CCD entitled "Horizon Capacity Management and Business Volumes" (PA/PER/033) (the "**Business Volumes CCD**") defines various limits on numbers of Transactions or instances of Service as "**Contracted Volumes**" or "**Design Limits**" for EPOSS, APS, OBCS, LFS, Message Broadcast Service, Reference Data Management Service, NBS, DCMoP and on-line Transactions.

5.2 On each day that any of the Contracted Volumes referred to in the table below (and detailed in the Business Volumes CCD) is exceeded, the measures of Fujitsu Service's performance for the Service Levels (SLTs and (if applicable) the LDTs and ARLs) listed in the table below shall be disregarded and replaced with an average measurement for that day (based upon actual performance measurements over the previous three calendar months, or otherwise as agreed by the Parties (acting reasonably)):

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Contracted Volume (to be identified by reference to the volumes or volume sets specified in the Business Volumes CCD)	**Service Levels affected**	**Cross reference to Annex and paragraph of this Schedule 15**
Any 5-Minute volume	NB Request and NB Authorisation transmission times NBS reliability measures	Annex 3, Part A, paragraph 2.1 Annex 3, Part A paragraph 2.3
Any peak day volume, in respect of EPOSS products, EPOSS settlements, APS, OBCS, NBS, Debit Card or on-line transactions	APS File Delivery Data File delivery to TIP OBCS File Delivery MIS Bank Analysis Report Debit Card payment file delivery	Annex 2, paragraphs 2.1.3 Annex 2, paragraphs 2.2.3 Annex 2, paragraphs 2.3.2 Annex 3, Part A paragraph 4 Annex 3, Part B, paragraph 5.1 and 5.2
LFS planned orders	Delivery of SAPADS planned orders to Branches	Annex 2, paragraph 2.4.4.1
LFS advice notices	Delivery of SAPADS advice notes to Branches	Annex 2, paragraph 3.3.2
LFS Pouch collection	Details of SAPADS pouch collected from Branch	Annex 2, paragraph 3.3.1
LFS Pouch delivery	Confirmation of pouch received at Branch	Annex 2, paragraph 3.3.1 paragraphs 2.4.3
LFS cash declaration	Daily cash on hand details	Annex 2, paragraph 3.3.1
LFS stock declaration	Weekly stamp/stock inventory item details	Annex 2, paragraph 3.3.1
Message Broadcast	Message Broadcast data	Annex 2, paragraph 3.4.3

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Contracted Volume (to be identified by reference to the volumes or volume sets specified in the Business Volumes CCD)	Service Levels affected	Cross reference to Annex and paragraph of this Schedule 15
	delivery	

5.3 If the Contracted Volumes referred to in the table below are exceeded, Post Office and Fujitsu Services shall jointly consider the reasons for such excess and whether it is temporary or is or is likely to be continuing. If such excess is or is likely to be continuing Fujitsu Services shall be entitled to make a reasonable and proportionate adjustment to the relevant Contracted Volume and/or the affected Service Levels or obligations specified in the table below, such adjustment to be agreed with Post Office under the Hard Change Control Procedure.

Contracted Volume (to be identified by reference to the volumes or volume sets specified in the Business Volumes CCD)	Service Levels or obligations affected	Cross reference to Annex and paragraph of this Schedule 15 or relevant CCD
APS Client volumes	APS File Delivery	Annex 2, paragraphs 2.1.3
Token definitions for: 1. APS; 2. OBCS; and 3. IIN range for NBS and Debit Card combined, each as a separate limit	The corresponding counter transaction times for APS (magnetic card and smart cards/tokens), OBCS and NBS	The contractual target times referred to in the CCD entitled “Transaction Benchmark Service: Service Description” (CS/SER/010)
Routing gateways (i.e entities for which a set of reconciliation reports are produced by Fujitsu Services)	Daily and weekly NBS and Debit Card reports	Paragraph 3.4 of the CCD entitled “Network Banking Reconciliation and Incident Management” (NB/PRO/002)
	NBS Data Reconciliation Service measures	Annex 3, paragraph 2.4
Reference Data	Reference Data Delivery	Annex 2, paragraph 3.2.3

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5.4 If any of the Design Limits specified in the Business Volumes CCD are exceeded then the measures of Fujitsu Service's performance for any Service Level or other service target involving data processing (requiring either automated or manual processing or both) shall be disregarded to the extent that Fujitsu Services can demonstrate to Post Office's satisfaction (Post Office acting reasonably) that failure to meet the Service Level and/or service target, as the case may be, occurred as a result of a Design Limit being exceeded. Fujitsu Services shall use reasonable endeavours to meet those Service Levels and/or service targets during the period when the measures of Fujitsu Services' performance are disregarded.

5.5 Any dispute arising in connection with the application of this paragraph 5 shall be resolved in accordance with the Dispute Resolution Procedure.

6. OTHER SERVICE LEVEL/OBLIGATION RELIEF

6.1 The Parties shall agree (such agreement not to be unreasonably withheld) appropriate relief from Service Levels if any new facilities or products are introduced, by agreement, with less testing than would otherwise be required to safeguard Fujitsu Services' position.

6.2 For the periods in which the NBS and/or any of the Applications (other than NBS) or Infrastructure Services are suspended in accordance with paragraph 3.4.15 of the CCD entitled "Service Management Service: Service Description" (CS/SER/0014), measurements of Fujitsu Services performance in respect of all Service Levels detrimentally affected by such suspension (in respect of those Applications and Services) shall be disregarded and Fujitsu Services shall be released from those of its obligations in respect of those Applications and Services which it is unable to perform as a result of such suspension.

7. RECTIFICATION PLAN

7.1 In the event that an ARL specified in this Schedule 15 is failed, Fujitsu Services and Post Office shall agree a method of rectification and timetable for the resolution of the cause of that failure (a "Rectification Plan"). For the avoidance of doubt, Fujitsu Service shall remain liable for financial remedies payable in accordance with this Schedule in respect of that failure.

7.2 In the event that the Rectification Plan involves a change to the provision of the Services, such change shall be agreed under the appropriate Change Control Procedure and shall be made at no charge to Post Office.

7.3 Without prejudice to Post Office's rights to remedies provided in this Agreement, during the period the Rectification Plan is being implemented Fujitsu Services shall maintain performance of all other Services in accordance with the Service Levels specified in this Schedule 15 unless otherwise agreed with Post Office as part of the Rectification Plan.

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7.4 In the event that the Rectification Plan is not agreed by the Parties (acting reasonably) within three (3) calendar months of the occurrence of an ARL failure or the Rectification Plan fails to resolve the cause of the ARL failure to which it relates, such that that ARL failure occurs again and is persistent, the following provisions shall apply:

7.4.1 Post Office shall have the right to conduct, and require Fujitsu Services to co-operate and assist with, a tender process for the sub-contracting by Fujitsu Services of the Operational Service in relation to which the ARL failure has occurred to an alternative service provider (the "Service Provider"). If the Parties agree that it would be more appropriate for Fujitsu Services to conduct, and Post Office to co-operate and assist with, the tender process, then the Parties shall procure the same.

7.4.2 Without prejudice to the generality of the foregoing, Fujitsu Services shall disclose to any bona fide potential Service Provider (subject to the same executing an Agreed Form NDA or any other form of non-disclosure agreement mutually agreed by Post Office, Fujitsu Service and such bona fide potential Service Provider) Confidential Information to the extent that such disclosure is reasonably required to enable any potential Service Provider to prepare a reasonably detailed tender proposal.

7.4.3 If the outcome of any such tender process is that if Fujitsu Service were to sub-contract the Operational Service in question to a Service Provider identified in the tender process, the performance in respect of the failed ARL for that Operational Service would be improved then Post Office shall have the right to require Fujitsu Services to sub-contract such Operational Service to such Service Provider at no higher cost to Post Office than was previously the case.

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ANNEX 1 TO SCHEDULE 15 - SUPPORT DESK SERVICE LEVELS

1. INTRODUCTION

1.1 The SLTs for the following Operational Services are specified in this Annex 1 to Schedule 15:

1.1.1 Engineer Service;

1.1.2 Horizon System Helpdesk Service; and

1.1.3 Technical Service Desk Service.

1.2 In respect of each of the above Operational Services:

1.2.1 the SLTs with associated LDTs, and (if any) the ARLs, are described in paragraph 2 of this Annex 1; and

1.2.2 the SLTs with no associated LDTs, and in relation to which no liquidated damages or other express contractual remedy is payable are set out in paragraph 3 of this Annex.

1.3 For the purposes of the SLTs and LDTs set out in paragraph 2 of this Annex 1:

1.3.1 calls made to the Help Desk to report the non-availability of the NBS at a Branch which on analysis are determined to be as a result of failure in the Local Loop shall count as Priority B Help Desk calls. For the purposes of calculating liquidated damages in paragraph 2.1.4 such calls shall be deemed to have caused Downtime at all Counter Positions in the affected Branches; and

1.3.2 all timing measurements for Service Level purposes in respect of calls left on the HSH Voicemail Service shall commence at 08:00 hours on the HSH Day following that call.

1.4 Fujitsu Services shall be entitled to suspend a Help Desk call for reasons which shall include the time that the call is with British Telecom for action, provided there is evidence of management controls and checks on British Telecom by Fujitsu Services during this suspension.

2. SERVICE LEVEL TARGETS FOR WHICH LIQUIDATED DAMAGES APPLY

2.1 Engineer Services - Time to Repair

2.1.1 Incidents which prevent an individual Branch from using the normal (non-fallback) Services shall be resolved in accordance with the SLTs, and liquidated damages shall be payable in respect of any LDTs set out below.

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2.1.2 The location of each Branch is classified as Local, Intermediate or Remote. All Branch changes will be subject to Operational Business Change. A new Branch location will assume the same SLT and LDT as the one it replaces unless it moves postal zone (eg: BT7 1** from BT7 2**) in which case the SLT and LDT to be applied will be agreed with the Post Office Supplier & Service Performance Manager.

2.1.3 The Service Level Targets and Liquidated Damage Thresholds for the Engineer Service and resolution of calls to the Help Desk (categorised as Priority A or Priority B as appropriate) are specified in the table below:

Branch location	**Priority A Calls**			**Priority B Calls**		
	SLT (hours of Downtime)	**LDT (hours of Downtime)**	**ARL**	**SLT (hours of Downtime)**	**LDT (hours of Downtime)**	**ARL**
Local	**<E1.1>** resolved in less than 4 hours	100% resolved in less than 6 hours	N/A	**<E2.1>** resolved in less than 8 hours	100% resolved in less than 10 hours	N/A
Intermediate	**<E1.2>** resolved in less than 6 hours	100% resolved in less than 9 hours	N/A	**<E2.2>** resolved in less than 10 hours	100% resolved in less than 15 hours	N/A
Remote	**<E1.3>** resolved in less than 8 hours	100% resolved in less than 12 hours	N/A	**<E2.3>** resolved in less than 12 hours	100% resolved in less than 24 hours	N/A

2.1.4 Liquidated damages payable by Fujitsu Services in respect of failures to achieve the LDT set out above shall be the total of the Downtime costs calculated in accordance with paragraphs 2.1.4.1 and 2.1.4.2 below.

2.1.4.1 Priority A

Where all Counter Positions in a Local Branch experience Downtime > 6 hours (Local):

Downtime cost =

((Seconds of Branch Downtime - (6 * 3600)) * number of automated Counter Positions in Branch * 0.81 pence);

Where all Counter Positions in an Intermediate Branch experience Downtime > 9 hours (Intermediate):

Downtime cost =

((Seconds of Branch Downtime - (9 * 3600)) * number of automated Counter Positions in Branch * 0.81 pence);

Where all Counter Positions in a Remote Branch experience Downtime > 12 hours (Remote):

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Downtime cost =

((Seconds of Branch Downtime - (12 * 3600)) * number of automated Counter Positions in Branch * 0.81 pence);

2.1.4.2 Priority B

Where at least one Counter Position in a Local Branch, but not all, experiences Downtime > 10 hours (Local)

Downtime cost =

((Seconds of Branch Downtime - (10 * 3600)) * number of automated Counter Positions affected in Branch * 0.81 pence),

Where at least one Counter Position in an Intermediate Branch, but not all, experiences Downtime > 15 hours (Intermediate):

Downtime cost =

((Seconds of Branch Downtime - (15 * 3600)) * number of automated Counter Positions affected in Branch * 0.81 pence),

Where at least one Counter Position in a Remote Branch, but not all, experiences Downtime > 24 hours (Remote):

Downtime cost =

((Seconds of Branch Downtime - (24 * 3600)) * number of automated Counter Positions affected in Branch * 0.81 pence).

3. SERVICE LEVEL TARGETS FOR WHICH NO LIQUIDATED DAMAGES APPLY

3.1 Engineer Service - Time to Repair

3.1.1 Incidents which prevent an individual Branch from using the normal (non-fallback) Services shall be resolved in accordance with the following Service Level Targets:

3.1.1.1 During each Service Level Measurement Period the average actual Downtime for all Incidents, Priority A and B (for all locations i.e., Local, Intermediate and Remote) reported to the Help Desk during that Service Level Measurement Period shall be less than or equal to **<E3.1>** of the average of the SLT Downtime applicable to those Incidents (as set out in the table in paragraph 2.1.3 of this Annex 1 to Schedule 15).

3.1.1.2 The target of **<E3.1>** referred to in paragraph 3.1.1.1 shall be monitored and reviewed and where the profile of the numbers and categories of Incidents and/or location of Branches changes or is likely to change (for example, as a result of the introduction of any new Services) from the profile as at September 2000, that target shall be revised as appropriate under the Soft Change Control Procedure.

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3.1.1.3 More than **<E4.1>** of maintenance and repair visits shall be completed within twenty (20) minutes of arrival.

3.2 Horizon System Help Desk Service

3.2.1 Fujitsu Services shall provide the Horizon System Help Desk Service which shall act as a point of contact for Post Office staff and staff of Post Office Clients having a direct interface with the Horizon Service Infrastructure provided.

3.2.2 Telephone answering Service Levels will be measured from the point the redirected telephone call enters the Help Desk telephone switch.

3.2.3 Hours of Service

3.2.3.1 Fujitsu Services shall provide a continuous Help Desk Service during each HSH Day.

3.2.3.2 The HSH Voicemail Service shall be provided outside of HSH Days with Help Desk ring back commencing at 08:00 hours on the following HSH Day.

3.2.3.3 Arrangements for Bank Holidays shall only vary from a normal HSH Day where agreed with Post Office, having regard to their applicability throughout the United Kingdom.

3.2.3.4 Fujitsu Services shall ensure that calls made to the Help Desk outside specified hours are accepted by Fujitsu Services which may be by the HSH Voicemail Service.

3.2.4 To the extent that such notification is required by law, Fujitsu Services shall be responsible for ensuring that Help Desk staff are properly notified that calls will be recorded and Post Office shall be responsible for ensuring that Users (and others who call the Help Desk on Post Office business) are properly so notified.

3.2.5 Service Level Targets

3.2.5.1 Fujitsu Services shall answer at least **<H1.1>** of all calls to the Help Desk within thirty (30) seconds and the average time to answer in each Service Level Measurement Period shall be less than **<H1.2>** seconds.

3.2.5.2 The percentage of “calls not answered” shall be less than **<H1.3>**. This includes calls where the line is busy as well as calls answered which are put on the “waiting queue” that ring off after 40 seconds.

3.2.5.3 Fujitsu Services shall resolve at least **<H2.1>** of calls assigned to the “first level” (also known as “Level 1”) (as described in the CCD entitled “Horizon Systems Helpdesk: Service Description” (CS/SER/002)) within

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five (5) minutes. The average time to resolve first level calls in the first Service Level Measurement Period after the Amendment Date shall be less than 4.5 minutes. In each subsequent Service Level Measurement Period, the average time to resolve first level calls shall be less than **<H2.2>**.

3.2.5.4 Fujitsu Services shall resolve at least **<H3.1>** of calls assigned to the "second level" (also known as "Level 2") (as described in the CCD entitled "Horizon Systems Helpdesk: Service Description" (CS/SER/002)) within thirty (30) minutes and the average time to resolve second level calls in each Service Level Measurement Period shall be less than **<H3.2>** minutes.

3.2.5.5 The HSH Voicemail Service shall be available during all periods outside of HSH Days. Fujitsu Service's performance against this obligation shall be reported in the Service Review Book.

3.2.5.6 Fujitsu Services shall ensure that all calls recorded by the HSH Voicemail Service will be raised as calls on the Fujitsu Services call logging system on the next HSH Day following the recorded call. Fujitsu Service's performance against this obligation shall be reported in the Service Review Book.

3.2.5.7 Reboot Incidents

(a) Fujitsu Services shall use all reasonable endeavours to ensure that the number of Reboot Incidents reported to the Help Desk and in relation to which the Help Desk has not (whilst acting reasonably) refused authorisation shall be less than the number equal to **<H4.1>** multiplied by the average number of open Counter Positions in any period of four months.

(b) Fujitsu Services shall be entitled to carry out planned reboots outside Working Hours. Such planned reboots shall not count as Reboot Incidents and shall not exceed one per Counter Position per calendar month.

3.3 Technical Service Desk

3.3.1 General

A description of this service can be found in the CCD entitled "Technical Services Desk: Service Description" (CS/PRO/148).

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3.3.2 Hours of Service

Full cover will be provided by the TSD from 08.00 - 20.00 Monday to Saturday (excluding Bank Holidays) and skeleton cover will be provided outside these hours. No cover will be provided on Christmas day.

3.3.3 Service Level Targets

3.3.3.1 Incidents reported to the TSD will be categorised as "Severity Level" 1, 2 or 3 in accordance with the CCD entitled "Technical Services Desk: Service Description" (CS/PRO/148).

3.3.3.2 The following SLTs will apply to TSD Severity Level 1, 2, and 3 Incidents:

(a) **<T1.1>** of all Severity Level 1 updates completed within 30 minutes of initial call logging/previous updates;

(b) **<T1.2>** of all Severity Level 2 updates completed within 60 minutes of initial call logging/previous updates; and

(c) **<T1.3>** of all Severity Level 3 updates completed within 24 hours of initial call logging/previous updates.

3.3.3.3 All calls to the TSD shall be correctly logged and routed. Call logging and call routing shall be measured from time to time using a call recording methodology and sampling period intervals that are to be agreed by the Parties (such agreement not to be unreasonably withheld).

3.3.3.4 Failure to achieve the TSD SLTs set out in paragraph 3.3.3.2 over a three month rolling period will result in a review of the target times and TSD service between Fujitsu Services and Post Office with Fujitsu Services committing reasonable endeavours to joint resolution of the issues between the Parties.

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ANNEX 2 TO SCHEDULE 15 - DATA DELIVERY SERVICE LEVELS

1. INTRODUCTION

1.1 The data delivery SLTs for the following are specified in this Annex 2 to Schedule 15:

1.1.1 APS;

1.1.2 delivery of Transaction data to TIP;

1.1.3 OBCS;

1.1.4 LFS;

1.1.5 Reference Data Management Service; and

1.1.6 Message Broadcast Service.

1.2 In respect of each of the above (in paragraphs 1.1.1 to 1.1.6):

1.2.1 the SLTs with associated LDTs and/or ARLs are described in paragraph 2 of this Annex 2; and

1.2.2 the SLTs with no associated LDTs, and in relation to which no liquidated damages or other express contractual remedy is payable are set out in paragraph 3 of this Annex.

1.3 Subject to any provisions to the contrary in this Annex 2 to Schedule 15 in respect of a particular Service Level, where Service Levels are expressed in terms of performance required by a particular "Day", "**Day A**" means the day of the specified triggering event (such as the date of a Transaction), "**Day B**" means the day following Day A, "**Day C**" means the day following Day B and so on.

1.4 Where Fujitsu Services is obliged to arrange and undertake a visit to a Branch to recover Transaction records as described in the CCD entitled "Engineer Support: Service Description" (CS/SER/005) in order to avoid the Day J Service Levels (SLTs and LDTs) set out in this Annex 2 being failed (each a "Recovery Visit"), in assessing whether there has been a failure of those Service Levels the following principles shall apply:

1.4.1 For the purposes of such assessment, the following shall be disregarded from all relevant Service Level measurements in respect of the Branches in question:

1.4.1.1 days on which Fujitsu Services has been unable to contact a Branch (despite reasonable endeavours to do so) to arrange a Recovery Visit, which includes days on which that Branch is not open for business;

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1.4.1.2 each day of delay caused by a Branch declining the earliest offered date for a Recovery Visit (provided the Recovery Visit offered on that date would not extend beyond the end of Post Office Core Day or, if later, the normal business opening hours of that Branch), which includes days on which that Branch is not open for business;

1.4.1.3 each day of delay caused by a Branch cancelling, refusing or otherwise preventing an arranged Recovery Visit but excluding days on which a Recovery Visit is prevented by a Branch from being completed as a result of that visit extending beyond the normal business opening hours of that Branch without prior agreement of that Branch; and

1.4.1.4 each day that a Recovery Visit, which by prior arrangement with a Branch is scheduled to take place or continue beyond the hours that Branch is open for business, is prevented from being completed by that Branch contrary to that arrangement.

1.4.2 For the purposes of such assessment, the period commencing on the day on which Fujitsu Services becomes aware that a Branch does not have the PSTN telephone capability or "plug-in" PSTN telephone capability required for a Recovery Visit and ending on and including the day on which an ISDN or ADSL connection is re-established to that Branch, shall be disregarded from all relevant Service Level measurements in connection with the application of the Service Levels in this Annex 2 to that Branch.

1.5 Fujitsu Services shall arrange and undertake Recovery Visits in order to achieve the Day J Service Levels set out in this Annex 2, unless prevented from arranging such visits or from undertaking them within Post Office Core Day or, if later, the normal business opening hours of the Branch in question.

2. SERVICE LEVELS TARGETS FOR WHICH LIQUIDATED DAMAGES OR ADDITIONAL REMEDIES APPLY

2.1 APS Service Levels with remedies

2.1.1 Availability

Unless otherwise agreed by Post Office, the APS shall be fully available in a Branch whenever that Branch is open, either through normal procedures or in fallback.

2.1.2 Application of APS Service Levels

The SLTs, LDTs and ARLs specified in paragraph 2.1 of this Annex 2 to Schedule 15 are of generic application to APS Clients and the relevant performance measurements for all APS Clients (for which services are being provided as at the Amendment Date) shall be aggregated for the purposes of

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those SLTs, LDTs and ARLs. All APS Clients introduced after the Amendment Date shall be included in that aggregate unless it is specifically stated otherwise in the applicable CCN.

2.1.3 Data File delivery

2.1.3.1 Delivery of APS Transaction records shall not normally be before 03:00 on the day following the completion of those Transactions (referred to as "Day B" in the tables below).

2.1.3.2 Where Fujitsu Services is required to deliver APS Client files on specified days, the terms Day B, Day C, Day D and Day J used in this paragraph 2.1 of Annex 2 shall be construed as the days on which files could have been delivered as specified in the relevant AP Client Specification. If files may only be delivered Monday to Friday inclusive, then for Transactions completed on Thursday, Day B shall be Friday and Day C shall be Monday.

2.1.3.3 The SLT, LDT and ARL for APS Transaction Data File delivery are as shown in the table below:

Service Requirement	**SLT**	**LDT**	**ARL**
APS Transaction Data File delivery	**<DO1.1>** of all Transaction records delivered by 23:59 hours Day B; **<DO1.2>** of all Transaction records delivered by 23:59 hours Day C (i.e. 1 Day after Day B); **<DO1.3>** of all Transaction records delivered by 23:59 hours Day D (i.e. 1 Day after Day C); **<DO1.4>** of all Transaction records delivered by 23:59 hours Day J (i.e. 6 Days after Day D).	96.5% of all Transaction records delivered by 23:59 hours Day B; 97.5% of all Transaction records delivered by 23:59 hours Day C (i.e. 1 Day after Day B); 98.5% of all Transaction records delivered by 23:59 hours Day D (i.e. 1 Day after Day C); 100% of all Transaction records delivered by 23:59 hours Day J (i.e. 6 Days after Day D).	98% of all Transaction records delivered by 23:59 hours Day D.

2.1.4 Remedies

2.1.4.1 The liquidated damages for late delivery of APS Transaction Data Files shall be calculated when the relevant LDT is breached as follows:

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Liquidated damages =

(((100 - actual level of Service by Day J) / 100) * total number of Transactions * 1.15 pence) +

(((98.5 – (the greater of the ARL (98) and the actual level of Service by Day D)) / 100) * (total number of Transactions - any also failing at Day J) * 1.15 pence) +

(((97.5 - actual level of Service by Day C) / 100) * (total number of Transactions - any also failing at Day D and Day J) * 1.15 pence) +

(((96.5 - actual level of Service by Day B) / 100) * (total number of Transactions - any also failing at Day J, Day D and Day C) * 1.15 pence).

2.1.4.2 Where the level of service falls below the ARL specified in the table in paragraph 2.1.3.3 Post Office shall be entitled to recover in addition to any liquidated damages recovered under paragraph 2.1.4.1, the greater of:

(a) liquidated damages calculated as follows:

liquidated damages =

((ARL (98) – the actual level of Service by Day D) / 100) * (total number of Transactions - any also failing at Day J) * 1.15 pence; and

(b) Post Office Additional Costs.

2.2 Data File delivery to TIP

2.2.1 Data Files shall be delivered to TIP by 03:00 hours and where used in this paragraph 2.2, “Day” shall be construed accordingly.

2.2.2 In respect of all Transactions undertaken on a particular day, the proportion of Transaction records delivered to TIP in the first Data File and subsequent Data Files following that day (i.e. Transactions on Day A, delivery to TIP by 03:00 Day B, Day C, Day D and Day J) shall be measured by Fujitsu Services.

2.2.3 The Service Levels for Data File delivery to TIP are as set out in the table below:

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Service Requirement	SLT	LDT	ARL
Transaction Data File delivery to TIP	**<DO2.1>** of all Transaction records delivered by 03:00 hours Day B; **<DO2.2>** of all Transaction records delivered by 03:00 hours Day C (i.e. 1 Day after Day B); **<DO2.3>** of all Transaction records delivered by 03:00 hours Day D (i.e. 1 Day after Day C); **<DO2.4>** of all Transaction records delivered by 03:00 hours Day J (i.e. 6 Days after Day D).	96% of all Transaction records delivered by 03:00 hours Day B; 97% of all Transaction records delivered by 03:00 hours Day C (i.e. 1 Day after Day B); 98% of all Transaction records delivered by 03:00 hours Day D (i.e. 1 Day after Day C); 100% of all Transaction records delivered by 03:00 hours Day J (i.e. 6 Days after Day D).	98% of all Transaction records delivered by Day D.

2.2.4 Remedies

2.2.4.1 The liquidated damages for late delivery of Transaction Data Files to TIP shall be calculated when the relevant LDT is breached as follows:

Liquidated damages =

(((100 – actual level of Service by Day J) / 100) * total number of Transactions records * 1.15 pence) +

(((98 – (the greater of the ARL (98) and actual level of Service by Day D)) / 100) *(total number of Transactions records – any also failing at Day J) * 1.15 pence) +

(((97 - actual level of Service by Day C) / 100) * (total number of Transactions records - any also failing at Day D and Day J) * 1.15 pence) +

(((96 - actual level of Service by Day B) / 100) * (total number of Transactions records - any also failing at Day J, Day D and Day C) * 1.15 pence).

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For the avoidance of doubt, no liquidated damages will be payable under the formula above in respect of failures to achieve the Day D LDT for so long as the ARL is equivalent to that LDT.

2.2.4.2 Where the level of service falls below the ARL specified in the table in paragraph 2.2.3 Post Office shall be entitled to recover, in addition to any liquidated damages recovered under paragraph 2.2.4.1, the greater of:

(a) liquidated damages calculated as follows;

liquidated damages =

((ARL (98) – the actual level of Service by Day D) / 100) *(total number of Transactions records – any also failing at Day J) * 1.15 pence; and

(b) Post Office Additional Costs.

2.3 OBCS data and stop list delivery Service Levels

2.3.1 Hours of Service

Fujitsu Services shall provide the OBCS at all Branches at which OBCS is required during the normal working hours of those Branches.

2.3.2 OBCS Data Delivery Service Levels and remedies

2.3.2.1 Fujitsu Services shall deliver Data Files to the Department of Work and Pensions and, whilst this shall not normally be later than 06:00 on the day following the completion of the Transactions contained in that file, the Service Levels in respect of such delivery shall be as set out in paragraph 2.3.2.2 below.

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2.3.2.2 The OBCS data delivery SLT, LDT and ARL are set out in the table below:

Service Requirement	SLT	LDT	ARL
OBCS data made available to DWP systems	**<DO3.1>**of all Transaction records to be delivered by 23:59 hours Day B; **<DO3.2>** of all Transaction records to be delivered by 23:59 hours Day C; **<DO3.3>** of all Transaction records to be delivered by 23:59 hours Day D; **<DO3.4>** of all Transaction records to be delivered by 23:59 hours Day J.	97% of all Transaction records to be delivered by 23:59 hours Day B; 99% of all Transaction records to be delivered by 23:59 hours Day C; 100% of all Transaction records to be delivered by 23:59 hours Day D	98% of all Transaction records to be delivered by 23:59 hours Day D.

2.3.2.3 Liquidated damages for late delivery of OBCS data shall be calculated when the relevant LDT is breached as follows:

Liquidated damages =

(((100 – (the greater of the ARL (98) and the actual level of Service by day D)) / 100) * total number of Transactions * 1.15 pence) +

(((99 - actual level of Service by day C) / 100) * (total number of Transactions - any also failing at day D) * 1.15 pence) +

(((97 - actual level of Service by day B) / 100) * (total number of Transactions - any also failing at day D and day C) * 1.15 pence).

2.3.2.4 Where the level of service falls below the ARL specified in the table in paragraph 2.3.2.2 Post Office shall be entitled to recover, in addition to any liquidated damages recovered under paragraph 2.3.2.3, the greater of:

(a) liquidated damages calculated as follows:

liquidated damages =

((ARL (98) – the actual level of Service by day D) / 100) * total number of Transactions * 1.15 pence; and

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(b) Post Office Additional Cost.

2.3.3 OBCS Stop List delivery and remedies

2.3.3.1 For the purposes of the OBCS Stop List SLT, LDT and ARL specified in paragraph 2.3.3.3:

(a) Day A means each 24 hour period commencing at 03:00:01;

(b) Day B means the next Post Office Core Day after Day A (which will be the day on which Day A ends, if that day is a Post Office Core Day);

(c) Day C means the next Post Office Core Day after Day B, Day D the next Post Office Core Day after Day C, and so on.

2.3.3.2 Post Office shall ensure that that OBCS Stop List data is made available to Fujitsu Services by the end of Day A.

2.3.3.3 The OBCS Stop List data SLT, LDT and ARL are set out in the table below:

Service Requirement	**SLT**	**LDT**	**ARL**
Stop list maintenance – delivery of OBCS Stop List Data made available to Fujitsu services by the end of Day A (03:00)	The fully updated version of the OBCS Stop List to be available at the start of: (i) Day B for **<DI1.1>**; (ii) Day C for **<DI1.2>**; (iii) Day D for **<DI1.3>**, and (iv) Day J for **<DI1.4>**, of automated Counter Positions providing or intended to provide OBCS.	As referred to in paragraph 2.3.3.4.	N/A

2.3.3.4 The Parties agree that, for the purposes of paragraphs 1.1.2 and 2.5.1 of Schedule 15, a LDT in respect of OBCS Stop List data delivery shall be deemed to have been set in respect of OBCS Stop List data delivery so that Post Office shall be entitled to recover liquidated damages in

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respect of each Service Level Measurement Period (at the end of that period) on the following basis:

Liquidated damages (£) = A multiplied by B, where

A = the number of OBCS encashments which occurred in the Service Level Measurement Period in question (which number shall be notified by Post Office to Fujitsu Services); and

B = £0.024 per 1000 OBCS encashments

2.4 LFS Service Levels

2.4.1 Purpose

Fujitsu Services shall provide the LFS at all Branches for all of the hours that they are open for business.

2.4.2 Services Measures

The LFS measures are categorised as follows:

2.4.2.1 transfer of data from Branch to SAPADS; and

2.4.2.2 transfer of data from SAPADS to Branch.

2.4.3 Branch to SAPADS Data Transfer

The SLT and LDT for Branch to SAPADS data transfer are set out in the table below:

Service Requirement	**Data available at the Branch by:**	**SLT**	**LDT**	**ARL**
Confirmation of Pouch received at Branch	19:00 on Day A	**<DO4.1.2>**, of pouch confirmation messages available by 19:00 on Day A to be delivered to SAPADS by 08:00 on Day B	99% of pouch confirmation messages available by 19:00 on Day A to be delivered to SAPADS by 08:00 on Day B	N/A

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2.4.4 SAPADS to Branch Data Transfer

2.4.4.1 The SLT and ARL for SAPADS to Branch data transfer are set out in the table below:

Service Requirement	**Data available at the SAPADS/ LFS boundary by**	**SLT**	**LDT**	**ARL**
Delivery of SAPADS Planned Orders to Branches	06:00 on Day A	**<DI2.1.1>** of planned orders available by 06:00 on Day A to be at the Branch(es) by 08:00 on Day A; **<DI2.1.2>** at the Branch(es) by 12:00 on Day A.	N/A	95% of planned orders available by 06:00 on Day A to be at the Branch(es) by 12:00 on Day A.

2.4.4.2 Delivery of SAPADS planned orders to Branches which occur by 06:00 on Sundays shall not be included in the calculation of the SLT and ARL set out in the table above. On Sundays, Fujitsu Services shall use reasonable endeavours to achieve the SLT set out in the above table for delivery of SAPADS planned orders to Branches.

2.4.5 LFS Remedies

2.4.5.1 In the event that either of the Service Level Targets specified in the tables in paragraphs 2.4.3 or 2.4.4.1 are not achieved, Fujitsu Services shall provide Post Office with an analysis of the reason for the failure. Fujitsu Services and Post Office shall agree a reasonable rectification and improvement plan to address the failure.

2.4.5.2 Liquidated damages in respect of failures to achieve the LDT for Branch to SAPADS data transfer set out in the table in paragraph 2.4.3 shall be calculated as follows:

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Liquidated Damages =

(L-(0.01 * T)) * £3.00, or zero if the result of that calculation is negative, where

L = the number of times (summed for all Branches) that a pouch delivery confirmation entered at a Branch before 19.00 has been delivered to SAPADS after 08:00 the next day; and

T = the number of times (summed for all Branches) that a pouch delivery confirmation has been entered at a Branch before 19.00.

For the purposes of L and T, each delivery will have a single confirmation, whether that delivery comprises one pouch or multiple pouches.

2.4.5.3 In the event that Fujitsu Services fails to achieve the ARL in respect of SAPADS to Branch data transfer set out in the table in paragraph 2.4.4.1, Post Office shall be entitled to recover Post Office Additional Costs from Fujitsu Services.

3. SERVICE LEVEL TARGETS WITH NO ASSOCIATED LIQUIDATED DAMAGE, THRESHOLDS OR ADDITIONAL REMEDY LEVELS

3.1 APS Client Data

3.1.1 APS Client Data is reference data created by an APS Client. Post Office shall procure that such data is provided by the Client to Fujitsu Services, for distribution to Branches.

3.1.2 All APS Client data received by Fujitsu Services by 20:00 hours shall be available at all relevant Counter Positions in accordance with the Service Levels set out in the table in paragraph 3.1.3.

3.1.3 The Service Level Targets for APS Client data are set out in the table below:

Service Requirement	SLT (applicable in respect of APS Client data received by 20:00 on Day A)
Delivery of APS Client data	**<DI3.1>** of Counter Positions can access the data at the start of the next Post Office Core Day (i.e.Day B); **<DI3.2>** of Counter Positions can access the data at the start of the second Post Office Core Day following Day A (i.e. Day C); **<DI3.3>** of Counter Positions can access the data at the start of the third Post Office Core Day

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Service Requirement	SLT (applicable in respect of APS Client data received by 20:00 on Day A)
	following Day A (i.e. Day D); **<DI3.4>** of Counter Positions can access the data at the start of the ninth Post Office Core Day following Day A (i.e. Day J).

3.2 Reference Data

3.2.1 Post Office Reference Data shall be delivered to Fujitsu Services within the lead-times specified in the CCD entitled "Fujitsu Services (Pathway) Ltd/Post Office Ltd Interface Agreement for Operational Business Change – Reference Data" (CS/PRD/058). Post Office shall be responsible for final validation and authorisation of Post Office supplied Reference Data, the date of such authorisation being referred to in this paragraph 3.2 as the "**Authorisation Date**".

3.2.2 For each delivery of Reference Data that is to be released to the live estate Post Office and Fujitsu Services shall agree a release date (the "**Agreed Release Date**") which shall be at least one working day later than the Authorisation Date and be the date on which Fujitsu Services initiates the release of that Reference Data to the live estate.

3.2.3 The Service Level Targets for Post Office Reference Data are set out in the table below:

Service Requirement	SLT
Reference Data delivery	**<DI4.1>** of Counter Positions will have received the correct version of the Reference Data by the start of Post Office Core Day on the day following the Agreed Release Date (i.e. by Day B); **<DI4.2>** of Counter Positions will have received the correct version of the Reference Data by the start of Post Office Core Day two days after the Agreed Release Date (i.e. by Day C); **<DI4.3>** of Counter Positions will have received the correct version of the Reference Data by the start of Post Office Core Day

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Service Requirement	SLT
	three days after the Agreed Release Date (i.e. by Day D); **<DI4.4>** of Counter Positions will have received the correct version of the Reference Data by the start of Post Office Core Day nine days after the Agreed Release Date (i.e. by Day J).

3.3 LFS Service Levels

3.3.1 SLTs for Branch to SAPADS data transfer are set out in the table below:

Service Requirement	Data available at the Branch by	SLT
Confirmation of Pouch received at Branch	19:00 on Day A	**<DO4.1.1>** of pouch confirmation messages available by 19:00 on Day A to be delivered to SAPADS by 22:00 on Day A; **<DO4.1.3>** of pouch confirmation messages available by 19:00 on Day A to be delivered to SAPADS by 22:00 hours on Day I.
Details of SAPADS Pouch Collected from Branch	19:00 on Day A	**<DO4.2.1>** to SAPADS by 22:00 on Day A; **<DO4.2.2>** to SAPADS by 08:00 on Day B; **<DO4.2.3>** to SAPADS by 22:00 hours on Day I.
Daily Cash on Hand details	19:00 hours on Day A	**<DO4.3.1>** to SAPADS by 23:59 hours on Day A.

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Service Requirement	Data available at the Branch by	SLT
Weekly Stamps/Stock and Inventory Items details	19:00 hours on Wednesday (Day A), Thursday (Day B) or Friday (Day C)	**<DO4.4.1>** of Wednesday transactions to SAPADS by 23:59 on the following Friday; **<DO4.4.2>** of Thursday transactions to SAPADS by 23:59 hours on the following Friday; **<DO4.4.3>** of Friday transactions to SAPADS by 23:59 on the same day; **<DO4.4.4>** of transactions occurring Wednesday to Friday during a week to SAPADS by 22:00 on the second Thursday following that week.

3.3.2 SLTs for SAPADS to Branch data transfer are set out in the table below:

Service Requirement	Data available at SAPADS / LFS Boundary	SLT
Delivery of SAPADS Advice Notes to Branches	18:00 on day A	**<DI2.2.1>** at the Branch(s) by 08:00 on Day C.

3.3.3 In the event that any of the Service Level Targets in this paragraph 3.3 are not met, Fujitsu Services shall provide Post Office with an analysis of the reason for the failure. Fujitsu Services and Post Office shall agree a reasonable rectification and improvement plan to address the failure.

3.4 Message Broadcast Service

3.4.1 Introduction

3.4.1.1 This paragraph 3.4 sets out the Service Levels which apply to the Message Broadcast Service ("**MBS**").

3.4.1.2 Notwithstanding paragraph 2.4 of Schedule 15, Fujitsu Services shall not be required to report performance against the SLT specified in paragraph 3.4.3.

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3.4.1.3 For the avoidance of doubt there is no LDT or ARL applicable to the MBS.

3.4.2 Hours of service

Fujitsu Services shall provide the MBS such that:

3.4.2.1 messages can be submitted at any time during the Post Office Core Day;

3.4.2.2 messages stored at a Branch can be viewed at the Branch at any time that the OPS is available.

3.4.3 Message delivery

For valid messages successfully passed to Fujitsu Services in accordance with the standards and procedures set out in the CCD entitled "Message Broadcast: Service Description" (CS/SER/004), the SLT shall be that all messages shall be available for onward transmission to the Branches, within 3 hours of the "message receipt time" as defined in that CCD such that valid messages would be expected to be available to be viewed in each targeted Branch within 4 hours of the "message receipt time", provided that the targeted Branch is operating and communicating normally. The 3 and 4 hour targets only apply within the hours of the Post Office Core Day, will not be reported upon and will have no associated remedies or termination rights, but from time to time Post Office may monitor performance by inspection. Fujitsu Services' sole obligation with regard to the 3 and 4 hour target times shall be to use reasonable endeavours to achieve them.

3.4.4 Report delivery

The report of Branches which may have been unable to receive messages shall normally be available to Post Office by 08:00 the following Post Office Core Day.

3.4.5 Volumes

3.4.5.1 As a minimum, the MBS shall have sufficient capacity to support:

(a) the submission of 6 messages per day by Post Office; and

(b) 3 new messages for any given Branch per day.

3.4.5.2 Fujitsu Services shall use reasonable endeavours to process messages above these volumes, up to:

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(a) the submission of a maximum of 13 messages per day by Post Office; and

(b) a maximum of 7 new messages for any given Branch per day.

3.4.5.3 The message delivery service levels in paragraph 3.4.3 above shall only apply to message volumes up to the limits set out in paragraph 3.4.5.1 above. For message volumes above these limits, no service levels shall apply.

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ANNEX 3 TO SCHEDULE 15 - BANKING SERVICES

PART A - NBS SERVICE LEVELS AND REMEDIES

1. NBS SERVICE LEVEL PRINCIPLES

1.1 This Part A of Annex 3 to Schedule 15 specifies the SLTs and ARLs and the performance measurements required in respect of them for the NBS. No LDTs are specified for the NBS in this Annex, but liquidated damages shall be payable by Fujitsu Services in accordance with paragraph 3 and 4 of this Annex 3.

1.2 For the purposes of this Annex 3:

"**ADSL Congestion Measure**" means the proportion (expressed as a percentage) of the samples taken each day where the measured available bandwidth is less than twice the Guaranteed Minimum ADSL Bandwidth (such sampling and measurement to be carried out in accordance with paragraph 1.6.1 of this Annex 3);

"**Availability Period**" means one of the following periods:

1.2.1 if the NB Initial Period expires between 1 April 2003 and 31 March 2004, the period between the day after expiry of the NB Initial Period and 31 March 2004 (inclusive); or

1.2.2 if the NB Initial Period expires between 1 April 2004 and 31 March 2005, the period between the day after expiry of the NB Initial Period and 31 March 2005 (inclusive); and

each Financial Year after the period in paragraph 1.2.1 or 1.2.2 whichever is applicable;

"**Central NB System**" means the elements of the NB System which enable on-line Banking Transactions to be carried out, excluding all:

1.2.3 such elements in Branches (or other Post Office locations where the NBS is available);

1.2.4 network components between each Branch (or other Post Office locations where the NBS is available) and the Data Centres; and

1.2.5 network components between the Data Centres and the NBE;

"**Core NB System Fault**" means a fault in the Central NB System which causes the NBS not to be available in any one or more Branches for the period that fault persists;

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"**Customer Critical Exception**" means a NB Priority Exception in respect of which Fujitsu Services has received a Disputed Banking Transaction Notice;

"**Dial Round Connection**" means a metered network connection to an Branch established when a Fixed Connection cannot be established due to network congestion;

"**FRIACO Congestion Measure**" means the proportion (expressed as a percentage) of the total time each day that Branches are scheduled to have Fixed Connections established (as governed by the allocation of Branches amongst the Silver Part Time ISDN, Silver FRIACO Daytime and Silver Daytime ISDN categories and calculated by adding together the periods of Fixed Connection time scheduled in each Branch, and then totalled for all Branches) that Dial Round Connections are established instead;

"**Guaranteed Minimum ADSL Bandwidth**" means 11.5Kbits/s for branches using a 50:1 ADSL contention ratio and 28.8Kbits/s for Branches using a 20:1 ADSL contention ratio;

"**Non NB Core Hours**" means all hours which are not NB Core Hours.

1.3 The Service Levels described in this Annex 3 relate to the performance of the NBS within the NBS Service Boundaries as measured at the points and/or in the manner described in this Schedule.

1.4 NB Initial Period

1.4.1 During the NB Initial Period, Fujitsu Services' obligations in respect of the Service Levels (SLTs and ARLs) set out in paragraphs 2.1 to 2.4 (inclusive) of this Annex 3 shall be limited to using reasonable endeavours to achieve those thresholds and reporting Fujitsu Services' performance against those thresholds in the Service Review Book. Post Office shall not be entitled to liquidated damages or any other right or remedy provided for under this Agreement in respect of any failure by Fujitsu Services to achieve those Service Levels during the Initial Period, and Fujitsu Services performance in respect of those Service Levels during the Initial Period shall be disregarded for the purposes of assessment of liquidated damages and any other rights or remedies provided for under this Agreement which may be due to Post Office after that period. For the avoidance of doubt, other than as specifically set out in this paragraph 1.4.1, nothing in this paragraph 1.4.1 shall operate to restrict Post Office's rights in the event of any failure by Fujitsu Services to meet its obligations under this Agreement during the NB Initial Period.

1.4.2 Subject to paragraph 1.4.1, no SLTs or ARLs described in this Annex 3 shall apply to the NBS until the first complete Service Level Measurement Period following NBS Acceptance.

1.5 All calculations (including percentages and averages) upon which the SLTs, ARLs or other targets in this Schedule are based shall be calculated, and Fujitsu Services' performance assessed, for the relevant Service Level Measurement Period or Availability Period as a whole. Without prejudice to that calculation and assessment,

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Fujitsu Services' performance against the Service Levels in this Annex 3 shall be reported monthly for service monitoring purposes in the Service Review Book.

1.6 ADSL AND FRIACO Congestion Measures

1.6.1 For the purposes of the ADSL Congestion Measure:

1.6.1.1 Fujitsu Services shall sample all parts of the Branch estate at least once per hour during NB Core Hours;

1.6.1.2 samples which fail to record available bandwidth shall not be included in the ADSL Congestion Measure; and

1.6.1.3 the Parties shall agree by the date set out in row 28 of Schedule 12 for the implementation of ADSL in Branches (such agreement not to be unreasonably withheld) a method of measurement of available bandwidth which discounts reductions in bandwidth which do not arise as a result of increases in the number of simultaneous users of ADSL.

1.6.2 Fujitsu Services shall procure that the Guaranteed Minimum ADSL Bandwidth is available to Branches using ADSL during NB Core Hours. Fujitsu Services shall ensure that Branches have a reasonable and proportionate share of the bandwidth that is shared with third party users of ADSL..

1.6.3 For the purposes of assessing whether Fujitsu Services shall have achieved the Service Levels (SLTs, ARLs and, for the purposes of this paragraph, reasonable endeavours targets) set out in paragraphs 2.1 and 2.3 of this Annex 3:

1.6.3.1 the performance measurements ("**Threshold Measurements**") in respect of those Service Levels which relate to:

(a) Fixed Connections or Dialled Connections shall be disregarded for each day upon which the FRIACO Congestion Measure exceeds 10%; and

(b) ADSL Connections shall be disregarded for each day upon which the ADSL Congestion Measure exceeds 10%,

each such day being referred to in this paragraph as a "**CM Day**", and

1.6.3.2 in respect of each CM Day which follows after the occurrence of 13 of the same days of the week upon which the FRIACO Congestion Measure or the ADSL Congestion Measure (as appropriate in respect of that CM Day) shall have been less than or equal to 10%:

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(a) the average Threshold Measurement for those 13 days shall be used instead of the actual Threshold Measurements on that CM Day, and thereafter

(b) for each subsequent CM Day which falls on the same day of the week, the average Threshold Measurement for the 13 most recent days, which are the same day of the week, upon which either:

- the FRIACO Congestion Measure or ADSL Congestion Measure (as appropriate) was less than or equal to 10%, or
- the actual Threshold Measurements have been replaced with average Threshold Measurements in accordance with (a) above,

shall be used instead of the actual Threshold Measurements disregarded on that CM Day.

1.6.4 If the condition for replacement of the actual Threshold Measurements on a CM Day by an average measure as set out in paragraph 1.6.3.2 of this Annex 3 is not satisfied, then the actual Threshold Measurements for each such CM Day shall be disregarded in accordance with paragraph 1.6.3.1 without replacement by an average value.

1.6.5 If, in any Service Level Measurement Period, more than 30 CM Days occur upon which the condition for replacement of the actual Threshold Measurements on that CM Day by an average measure as set out in paragraph 1.6.3.2 of this Annex 3 is not satisfied, Fujitsu Services shall not be obliged to achieve the Service Levels set out in paragraph 2.1 and 2.3 of this Annex 3 during that Service Level Measurement Period.

1.6.6 For the purpose of the reports referred to in paragraph 1.5 of this Annex 3 in respect of the Service Levels and targets referred to in paragraphs 2.1 and 2.3 of this Annex 3, Fujitsu Services shall report:

1.6.6.1 the relevant averages and/or percentages based upon actual service measurements;

1.6.6.2 the actual FRIACO Congestion Measure for each day that the FRIACO Congestion Measure exceeded 10%; and

1.6.6.3 the actual ADSL Congestion Measure for each day that the ADSL Congestion Measure exceeded 10%.

The adjustments required to reflect the replacement of actual measurements on CM Days with average measures in accordance with paragraph 1.6.3.2 shall be made at

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the end of each Service Level Measurement Period and reflected in the report for that period.

1.7 The architecture of the NB System shall be capable of supporting Banking Transactions (in accordance with applicable Service Levels) carried out in each Branch during the hours that Branch is actually open for business, except during the period from 2000 to 0800 each 24 hour period when Banking Transactions shall not be able to be carried out in Branches due to system management activities (including the introduction of major Releases in accordance with paragraph 3.5.1 of the CCD entitled "Service Management Service: Service Description" (CS/SER/014)), activities in support of software distribution, continuity tests and Reference Data update and such other activities as the parties may agree). Such periods shall be scheduled by agreement with Post Office in accordance with current practices used in respect of the Applications (other than the NBS) and the Infrastructure Services, such agreement not to be unreasonably withheld.

1.8 For the purposes of the NBS, in particular the NBS Service Levels described in this Annex 3 to Schedule 15, the result of the following calculation:

- MCWP minus MAAWP,

(such result being referred to in this paragraph 1.8 as the "**NB Additional Time**") shall not be less than 15 seconds. Once set, or as otherwise specified in the CCD entitled "NBS Definition" (BP/SPE/035), changes to the MCWP and/or MAAWP where the resulting MCWP is less than or equal to 40 seconds and where the resulting NB Additional Time is more than or equal to 15 seconds shall be subject to change under Operational Business Change (as applicable in respect of product change), and changes where the resulting MCWP is greater than 40 seconds and/or the resulting NB Additional Time is less than 15 seconds shall be subject to agreement under the Hard Change Control Procedure.

1.9 This Annex 3 sets out five categories of performance measures:

1.9.1 NB Request and NB Authorisation transmission time measures;

1.9.2 NBS availability measures;

1.9.3 NBS reliability measures; and

1.9.4 Data Reconciliation Service measures.

Of these, paragraphs 1.9.1, 1.9.2 and 1.9.3 above are subject to liquidated damages whilst paragraph 1.9.4 is not.

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2. PERFORMANCE MEASURES

2.1 NB Request and NB Authorisation transmission times

2.1.1 Banking Transactions referred to in this paragraph 2.1 shall be those for which a NB Request is generated and a corresponding NB Authorisation is received from the NBE before the earliest of:

2.1.1.1 the MCWP has expired;

2.1.1.2 the Banking Transaction is Declined by the Clerk; and

2.1.1.3 the Banking Transaction fails,

and no other Banking Transactions shall be included in the calculation set out in paragraph 2.1.4.

2.1.2 For each Banking Transaction, Fujitsu Services shall record the time (for the purposes of this paragraph 2.1 referred to as "T1") which elapses between the NB Request being generated at the relevant automated Counter Position, and the corresponding NB Authorisation being received back at that Counter Position.

2.1.3 For each Banking Transaction Fujitsu Services shall record the time (for the purposes of this paragraph 2.1 referred to as "T2") which elapses between the NB Authorisation Agent generating each NB Request for routing to the NBE and the corresponding NB Authorisation being received back from the NBE by the NB Authorisation Agent.

2.1.4 Fujitsu Services shall calculate a value for "T" for each Banking Transaction as follows:

T = T1 -T2.

2.1.5 The Service Level Targets are that:

2.1.5.1 the average T ("FixedT_{AVE}") for all Banking Transactions conducted in Branches using Fixed Connections taken together, for the periods such Fixed Connections are scheduled to be established, shall not exceed **<B1.1>** seconds;

2.1.5.2 the average T ("ADSLT_{AVE}") for all Banking Transactions conducted in Branches using ADSL Connections taken together, for the periods such ADSL Connections are scheduled to be established, shall not exceed **<B1.2>** seconds; and

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2.1.5.3 the average T ("DialledT_{AVE}") for all Banking Transactions conducted in Branches using Dialled Connections taken together, for the periods in which such Dialled Connections are scheduled to be used, shall not exceed **<B1.3>** seconds.

2.1.6 The Additional Remedy Levels are that:

2.1.6.1 the average T ("Fixed T_{AVE}") for all Banking Transactions conducted in Branches using Fixed Connections taken together, for the periods such Fixed Connections are scheduled to be established, shall not exceed 8 seconds;

2.1.6.2 the average T ("ADSL T_{AVE}") for all Banking Transactions conducted in Branches using ADSL Connections taken together, for the periods such ADSL Connections are scheduled to be established, shall not exceed 9 seconds; and

2.1.6.3 the average T ("Dialled T_{AVE}") for all Banking Transactions conducted in Branches using Dialled Connections taken together, for the periods in which such Dialled Connections are scheduled to be used, shall not exceed 12 seconds.

2.1.7 Fujitsu Services shall use reasonable endeavours to ensure that for:

2.1.7.1 95% of Banking Transactions conducted in Branches:

- using Fixed Connections taken together, for the periods such Fixed Connections are scheduled to be established, T shall not exceed **<B1.4>** seconds;

- using ADSL Connections taken together, for the periods such ADSL Connections are scheduled to be established, T shall not exceed **<B1.5>** seconds; and

- using Dialled Connections taken together, for the periods in which such Dialled Connections are schedules to be used, T shall not exceed **<B1.6>** seconds;

2.1.7.2 99% of Banking Transactions conducted in Branches:

- using Fixed Connections taken together, for the period such Fixed Connections are scheduled to be established, T shall not exceed **<B1.7>** seconds;

- using ADSL Connections taken together, for the periods in which such ADSL Connections are scheduled to be used, T shall not exceed **<B1.8>** seconds; and

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- using Dialled Connections taken together, for the periods in which such Dialled Connections are scheduled to be used, T shall not exceed **<B1.9>** seconds.

The targets in this paragraph 2.1.7 are not Service Level Targets, ARLs or LDTs and there are no remedies provided for in this Codified Agreement applicable in the event of failure to achieve them.

2.2 NBS availability measures

2.2.1 Central Systems Availability

2.2.1.1 Subject to paragraph 2.2.1.2, Fujitsu Services shall record and/or calculate the following:

(a) the number of Core NB System Faults which causes the NBS not to be available in 20% or more of all Branches; and

(b) in respect of each Core NB System Fault, the average period of time ("Average Branch Outage") that the NBS is not available in a Branch affected by that Core NB System Fault, as follows:

Average Branch Outage = A multiplied by B, where:

A = the period, excluding the first five minutes, that a Core NB System Fault causes the NBS not to be available in any one or more Branches;

B = the number of Branches where the NBS is not available as a result of that Core NB System Fault expressed as a proportion of the total number of Branches.

2.2.1.2 For the purposes of the recording and/or calculations referred to in paragraph 2.2.1.1 of this Annex 3 which are to be used for the purposes of paragraph 2.2.1.3 of this Annex 3:

(a) Core NB System Faults that cause the NBS not to be available for 5 minutes or less; and

(b) all non-availability of the NBS due to any of the system management activities referred to in paragraph 1.7 of this Annex 3 or to any other system changes agreed by the Parties,

shall be excluded, and

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(c) Branches referred to in paragraph 2.2.1.1 of this Annex 3 are those Branches where the NBS is required (subject to Clause 2.2) to be available.

2.2.1.3 The Service Level Targets in respect of each Availability Period is dependent upon the duration of that period.

(a) If the Availability Period is between 6 and 12 months duration the following table shall apply:

Service Level Measure	**Service Level Targets for NB Core Hours**	**Service Level Targets for Non NB Core Hours**
The number of Core NB System Faults which causes the NBS not to be available in more than 20% of all Branches shall not exceed:	**<B2.1.1>**	**<B2.1.2>**
The aggregate Average Branch Outage shall not exceed:	**<B2.1.3>** hours	**<B2.1.4>** hours

(b) If the Availability Period is up to 6 months duration the following table shall apply:

Service Level Measure	**Service Level Targets for NB Core Hours**	**Service Level Targets for Non NB Core Hours**
The number of Core NB System Faults which causes the NBS not to be available in more than 20% of all Branches shall not exceed:	**<B2.2.1>**	**<B2.2.2>**
The aggregate Average Branch Outage shall not exceed:	**<B2.2.3>** hours	**<B2.2.4>** hours

2.2.2 Network Availability

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2.2.2.1 Fujitsu Services shall measure the time that each of the following elements of the NBS communications network is available to support the NBS as a proportion of the total time in each Availability Period ("**Network Availability**"):

(a) the network communications between the Data Centres and the switches used by Fujitsu Services (or Fujitsu Services' sub-contractor which operates that network) to:

(1) answer ISDN calls from Branches; or

(2) to convert asynchronous transfer mode (ATM) communications from ADSL Branches into internet protocol (IP) communications,

(the "**Central Network**"); and

(b) the network communication links between the Data Centres and the NBE (the "**NBE Network**").

For the purposes of measuring the time that the NBE Network is available, periods when that network is closed down pursuant to the provisions of the CCD entitled "Closure of NBE Link Procedure" (CS/PRD/112)] or by agreement of the Parties shall be excluded.

2.2.2.2 The Service Level Target for the Central Network in each Availability Period is that:

- Network Availability shall be greater than or equal to **<B2.4.1>** %.

2.2.2.3 The Service Level Target for the NBE Network in each Availability Period is that:

- Network Availability shall be greater than or equal to **<B2.4.2>** %.

2.2.2.4 Fujitsu Services shall use reasonable endeavours to procure availability (as a defined service level from the relevant Sub-contractor (currently Energis Communications Limited)), at least as good as the Network Availability SLT for the Central Network, for that part of the NBS communications network between the switches referred to in paragraph 2.2.2.1(a) and the digital subscriber line access multiplexors (DSLAMs) at the British Telecom local exchanges that handle the ADSL communications from Branches. Having secured such Service Level, Fujitsu Services and Post Office shall agree an amendment to this Agreement to introduce an equivalent Service Level into this Agreement.

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2.3 NBS reliability measures

2.3.1 For the purposes of this paragraph 2.3 and paragraph 3 of this Annex 3, "**Reliability**" means the percentage of all NB Requests (other than NB Requests for Transactions subsequently abandoned by the Clerk before a corresponding Authorisation is received at the Counter Position) written to the local message store at a Counter Position for which a corresponding NB Authorisation indicating no failure has occurred in the Horizon Service Infrastructure is received at that Counter Position before the MCWP has expired.

2.3.2 Fujitsu Services shall calculate Reliability.

2.3.3 The Service Level Targets are that for:

- Branches using Fixed Connections taken together, for the periods such Fixed Connections are scheduled to be established, Reliability shall not be less than **<B3.1>** %;

- Branches using ADSL Connections taken together, for the periods such ADSL Connections are scheduled to be established, Reliability shall not be less than **<B3.2>** %; and

- Branches using Dialled Connections taken together, for the periods in which such Dialled Connections are scheduled to be used, Reliability shall not be less than **<B3.3>** %.

2.3.4 The Additional Remedy Levels are that for:

- Branches using Fixed Connections taken together, for the periods such Fixed Connections are scheduled to be established, Reliability shall not be less than 95.00%;

- Branches using ADSL Connections taken together, for the periods such ADSL Connections are scheduled to be established, Reliability shall not be less than 95.00%; and

- Branches using Dialled Connections taken together, for the periods in which such Dialled Connections are scheduled to be used, Reliability shall not be less than 90.00%.

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2.4 Data Reconciliation Service measures

2.4.1 Fujitsu Services shall measure the time taken to resolve each NB Priority Exception, counting time within MSU Days only, as follows:

2.4.1.1 Where no Disputed Banking Transaction Notice has been received by Fujitsu Services and a Banking Transaction persists in system state category number 4 or 12 as set out in the CCD entitled "Network Banking End to End Reconciliation Reporting" (CS/SPE/011), such measurement shall commence at 0800 on the second MSU Day following receipt by the DRSH of the corresponding C4 Confirmation or D Message (as applicable).

2.4.1.2 Where a Disputed Banking Transaction Notice is received by Fujitsu Services and a corresponding C4 Confirmation or D Message has been received by the DRSH prior to the day of receipt of that Disputed Banking Transaction Notice, such measurement shall commence at the time of receipt of the Disputed Banking Transaction Notice (but not if already commenced in accordance with (a) above, in which case (a) shall apply).

2.4.1.3 Where a Disputed Banking Transaction Notice is received by Fujitsu Services and a corresponding C4 Confirmation or D Message is received by the DRSH on the same day as that Disputed Banking Transaction Notice or on a subsequent day, such measurement shall commence at 0800 on the next MSU Day following receipt of that C4 Confirmation or D Message (as applicable).

In each case above the NB Priority Exception shall be deemed resolved and measurement shall stop at the time Fujitsu Services sends information to Post Office sufficient to enable Post Office to settle that exception with the relevant Bank, as described in the CCD entitled "Network Banking Reconciliation and Incident Management" (NB/PRO/002).

2.4.2 In respect of each NB Priority Exception where Fujitsu Services requires:

2.4.2.1 information from, or access to a Branch; or

2.4.2.2 information from the NBE,

for that exception to be resolved, the following shall not count towards the time for resolution of that exception:

2.4.2.3 the period, if any, during which Fujitsu Services is unable to contact (by telephone or other method agreed by the Parties) the Branch in question or the NBE in order to request that information or access,

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provided that Fujitsu Services has used reasonable endeavours to make such contact; and

2.4.2.4 the period, if any, whilst Fujitsu Services waits for that information or access to be provided by the Branch in question or the NBE, having requested it, provided that Fujitsu Services has repeated such request at reasonably frequent intervals.

The discounting of the periods described in 2.4.2.3 and 2.4.2.4 above shall be subject to Fujitsu Services providing reports to Post Office setting out the reasons for discounting any such periods from the resolution time for a NB Priority Exception and the duration of such periods.

2.4.3 In respect of each Disputed Banking Transaction Notice, Fujitsu Services shall continue to check on each MSU Day following that notice whether a corresponding C4 Confirmation or D Message has been received until either a Customer Critical Exception arises and is resolved or Fujitsu Services and Post Office agree alternative action.

2.4.4 For the purposes of paragraph 2.4 of this Annex 3:

2.4.4.1 "day" means a period running for 24 hours from 00:00; and

2.4.4.2 a C4 Confirmation or D Message received on a day by the DRSH after 21:30 on that day shall be deemed to have been received the next day.

2.4.5 The Service Level Target set out in paragraph 2.4.6 of this Annex 3 shall apply in respect of:

2.4.5.1 all Customer Critical Exceptions; and

2.4.5.2 the first 500 NB Priority Exceptions (other than Customer Critical Exceptions) occurring on each day (excluding those described in paragraph 2.4.5.3),

but shall not apply in respect of

2.4.5.3 NB Priority Exceptions (other than Customer Critical Exceptions) arising from a common cause, in each case where the number of NB Priority Exceptions arising from such common cause is greater than 100.

2.4.6 The Service Level Target is that:

- the resolution time (measured in accordance with paragraphs 2.4.1 and 2.4.2 of this Annex 3) for **<B4.1>** % of the NB Priority Exceptions specified in paragraph 2.4.5 of this Schedule 15 shall not exceed 8 hours.

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3. REMEDIES

3.1 Liquidated Damages.

3.1.1 The liquidated damages payable by Fujitsu Services shall be based on a series of measurements, accumulated over a range of Services. This Schedule specifies the contribution made by the NBS.

3.1.2 In respect of each Service Level Measurement Period the liquidated damages payable by Fujitsu Services for failures to achieve the SLTs set out in paragraphs 2.1.5 and 2.3.3 of this Annex 3 shall equal:

3.1.2.1 the sum of Remedies(Time) and Remedies(Reliability) as referred to in paragraphs 3.3 and 3.5 of this Annex 3 respectively for that period; less

3.1.2.2 the amount recoverable under paragraph 3.1.71 as liquidated damages for any failures of the ARLs corresponding to those SLTs.

3.1.3 In respect of each Availability Period the liquidated damages payable by Fujitsu Services under this Annex 3 shall equal the sum of Remedies(Availability1) and Remedies(Availability2) as referred to in paragraph 3.4 for that period.

3.1.4 In addition to the sums referred to in paragraphs 3.1.2 and 3.1.3 of this Annex 3 Fujitsu Services shall also pay liquidated damages calculated as set out in paragraph 4 of this Annex 3.

3.1.5 The total cumulative sums payable by Fujitsu Services under this paragraph 3 of this Annex 3 shall not exceed £2,000,000 (two million pounds) per Financial Year and the aggregate limit on Fujitsu Services' liability set out in Clause 32.2.3 shall apply to any sums paid by Fujitsu Services under this paragraph 3 of this Annex 3.

3.1.6 Liquidated damages shall never be payable by Post Office under this Annex 3 and if the result of a calculation under paragraphs 3.1.2, 3.1.3 or 4 is negative, Fujitsu Services shall not be obliged to pay liquidated damages in respect of that Service Level Measurement Period or Availability Period (as the case may be) and the negative sum shall be disregarded and not set off against liquidated damages payable by Fujitsu Services in respect of future Service Level Measurement Periods or Availability Periods.

3.1.7 If Fujitsu Services fails to achieve an ARL specified in paragraphs 2.1.6 or 2.3.4 of this Annex 3 in a Service Level Measurement Period, Post Office shall be entitled to recover in respect of that failure the greater of:

3.1.7.1 liquidated damages equal to the sum of Remedies(Time) and Remedies(Reliability) as referred to in paragraphs 3.3 and 3.5 of this Annex 3 for that period, substituting, in making that calculation, the

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figures in the second column in the following table with the figures in the third column:

Term as defined in paragraph 3.2 below	Figure in defined term	Substitute figure
FixedC(NBS)	4	8
DialledC(NBS)	8	12
ADSLC(NBS)	5	9
F	99	95
D	97	90
A	99	95

and

3.1.7.2 Post Office Additional Costs.

3.2 Definitions

In this paragraph 3.2 of this Annex 3, the following expressions shall have the following meanings:

FixedT(NBS) The total number of Banking Transactions carried out using a Fixed Connection in the relevant Service Level Measurement Period.

DialledT(NBS) The total number of Banking Transactions carried out using a Dialled Connection in the relevant Service Level Measurement Period.

ADSLT(NBS) The total number of Banking Transactions carried out using a ADSL Connection in the relevant Service Level Measurement Period.

FixedC(NBS) FixedT(NBS) multiplied by (Fixed T_{AVE} - 4).

DialledC(NBS) DialledT(NBS) multiplied by (Dialled T_{AVE} - 8).

ADSLC(NBS) ADSLT(NBS) multiplied by ($ADSLT_{AVE}$ - 5).

Reliability Reliability in Branches using Dialled Connections taken

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(Dialled)	together, for the periods such Dialled Connections are scheduled to be used.
Reliability (Fixed)	Reliability in Branches using Fixed Connections taken together, for the periods such Fixed Connections are scheduled to be established.
Reliability (ADSL)	Reliability in Branches using ADSL Connections taken together, for the periods such ADSL Connections are scheduled to be established.
F	99 – Reliability (Fixed) divided by 100.
D	97 - Reliability (Dialled) divided by 100.
A	99 – Reliability (ADSL) divided by 100.
Counter Transaction Time	30 Seconds.
V	Aggregate Average Branch Outage (NB Core Hours) – SLT Average Branch Outage (NB Core Hours), or zero if the result of that calculation is negative.
H	Total NB Core Hours in the Availability Period.
A	H - SLT Average Branch Outage (NB Core Hours).
T(D)	Total number of Cash Deposit Banking Transactions.
T(W)	Total number of Non-CAPO cash Withdrawal Banking Transactions + Total number of Non-CAPO Cash Withdrawal with Balance Banking Transactions.
T(B)	Total number of Non-CAPO Balance Enquiry Banking Transactions.

3.3 NB Request and NB Authorisation transmission times

3.3.1 The formula for calculating liquidated damages for excess NB Request and NB Authorisation transmission time shall be as follows:

Remedies(Time) = {Fixed C(NBS) + Dialled C(NBS) + ADSL C(NBS)} x 0.81 pence.

3.3.2 The result of the calculation of Remedies(Time) may be a negative value.

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3.4 NBS Availability

3.4.1 The formulae for calculating liquidated damages for non-availability of the NBS shall be as follows:

3.4.1.1 Remedies(Availability1) = {T(D) + T (W) x 0.8 + T(B)} x {V/A} x £0.30

3.4.1.2 Remedies(Availability2) = {Number of Core NB System faults (Non-NB Core Hours) - Service Level Targets Core NB System Faults (Non-NB Core Hours)) x £2,000.

3.4.2 If the result of the calculation of Remedies(Availability2) is negative, a value of zero shall be substituted as the value of Remedies(Availability2).

3.5 NBS Reliability

3.5.1 The formula for calculating liquidated damages for NBS reliability failures shall be as follows:

Remedies(Reliability) = {F x FixedT(NBS) + D x DialledT(NBS) + A x ADSLT(NBS)} x Counter Transaction Time x 0.81 pence.

3.5.2 The result of the calculation of Remedies(Reliability) may be a negative value.

3.6 Other Service Levels

Without prejudice to paragraph 3.6.8.6 of the CCD entitled “Data Errors / Not Data Errors - Contractual Defintions” (CS/SER/017), liquidated damages shall not be payable by Fujitsu Services in respect of any failures to achieve the Service Level Targets described in paragraph 2.4 of this Annex 3.

4. MIS BANK ANALYSIS REPORT

If the “**MIS Bank Analysis Report**” which Fujitsu Services is obliged to provide under the CCD entitled “Management Information Service: Service Definition” (CS/SER/015) is not provided once a week electronically using “Business Objects” software (or such other software as may be agreed by the parties in writing from time to time) within one (1) working day after the end of the period covered by the Report or such later time as Post Office may specify then Fujitsu Services shall pay to Post Office liquidated damages calculated as follows:

Remedies (MIS Bank Analysis Report) = (number of Transactions on report in question/1,000,000) x (number of working days report is late x£55).

There shall be no Service Level Targets or ARLs in respect of the delivery of the MIS Bank Analysis Report.

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PART B - DEBIT CARD SERVICE LEVELS AND REMEDIES

5. Payment File Delivery

5.1 Fujitsu Services' obligations regarding transmission of Payment Files (as that term is defined in the CCD entitled "DC MoP Functional Description" (ER/SER/001)) to the MA shall be as specified in the CCD entitled "DC MoP Functional Description" (ER/SER/001). In the event that an attempt to transmit a Payment File to the MA in accordance with that CCD fails then those provisions shall be supplemented by paragraph 5.2.

5.2 Where Fujitsu Services attempts to transmit a Payment File to the MA and the attempt is unsuccessful Fujitsu Services shall be required to make one further attempt to transmit that file to the MA on that day. If such further attempt fails, Fujitsu Services shall report the same to the Technical Service Desk. Thereafter, Fujitsu Services shall provide such assistance and co-operation as set out in the Working Document entitled "DC Operational Level Agreement" for the purposes of procuring the transmission of that Payment File to the MA as soon as reasonably practicable.

5.3 In the event that the process specified in paragraph 5.2 above has been followed by Fujitsu Services, no payment of liquidated damages (as specified in paragraph 5.4 below) will be payable by Fujitsu Services due to the relevant Payment File not reaching the MA.

5.4 Subject to paragraph 5.3 above, in the event that a Payment File is not received by the MA by the time specified for such in the CCD entitled "Horizon Streamline Application Interface Specification" (EF/IFS/002) on the day after creation of the Payment File, liquidated damages will be payable by Fujitsu Services to Post Office, by Fujitsu Services issuing Post Office with a credit note, as soon as reasonably practicable following the day on which the MA receives the Payment File. Such liquidated damages (to be applied by way of credit) will be calculated in accordance with the following formula:

Liquidated damages per Payment File not received as stated above (£) =

{(X x Y)/365} x Z where:

X = the value (pounds sterling) of the relevant Payment File;

Y = the figure (expressed as a percentage) representing the base rate of Barclays Bank Plc (prevailing on the day the Payment File is required to be delivered (as specified in the CCD entitled "Horizon Streamline Application Interface Specification " (ER/IFS/002)) plus 3 per cent.; and

Z = the number of days from and including the date after creation of the Payment File until and including the day on which the MA receives the Payment File.

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6. Debit Card Exceptions

6.1 For the purposes of this paragraph 6:

6.1.1 "BIMS Report" means a Business Incident Management Report as defined in the CCD entitled "Network Banking Reconciliation and Incident Management" (NB/PRO/002). Each BIMS Report shall identify one DC Exception only;

6.1.2 "DC Exception" means a DC Transaction which is in system state category number 1 or 6, as set out in the CCD entitled "Network Banking End to End Reconciliation Reporting" (CS/SPE/011);

6.1.3 "DC Exception Reimbursement" means a DC Exception classified as such by Fujitsu Services in the relevant BIMS Report;

6.1.4 "DC Transaction Value" means the transaction value (in pounds sterling) of the relevant DC Exception;

6.1.5 "Measurement Period Expiry Date" means the date falling 6 months after the date on which the Debit Card Conditions are satisfied in respect of the first location in which Debit Card is to be introduced; and

6.1.6 "Relevant Data" has the meaning give to that term in paragraph 6.3 below.

6.2 In the event a DC Exception arises solely as a result of the acts or omissions of Fujitsu Services, Fujitsu Services shall send to Post Office a BIMS Report in accordance with the CCD entitled "Network Banking Reconciliation and Incident Management" (NB/PRO/002).

6.3 Fujitsu Services shall include in the BIMS Report submitted pursuant to paragraph 6.2 above the Merchant ID, the Card Number, Transaction Amount, Transaction Code and Transaction Date for the DC Exception in question. In addition, save in respect of each DC Exception Reimbursement (in which case the provisions of paragraph 6.6 below shall apply), Fujitsu Services shall use reasonable endeavours to obtain from the relevant Branch the following data (the "Relevant Data") (for inclusion in the relevant BIMS Report) from the Receipt for the DC Exception in question:

6.3.1 Issue Number (to the extent that the Issue Number is required by the card scheme issuer for manual settlement (as confirmed in the CCD entitled "Network Banking Reconciliation and Incident Management" (NB/PRO/002))); and

6.3.2 Expiry Date.

6.4 Fujitsu Services' obligation to obtain the Relevant Data as specified in paragraph 6.3 above shall cease in the event that:

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6.4.1 Fujitsu Services has been notified by the NBSC of the closure of the Branch; or

6.4.2 upon contacting the Branch, the information cannot be obtained (including, without limitation, where the Receipt either does not exist, is damaged or the information is illegible).

The detailed process for attempting to contact the Branch and attempting to obtain the Relevant Data shall be documented in the CCD entitled "Network Banking Reconciliation and Incident Management" (NB/PRO/002).

6.5 In respect of each DC Exception (other than a DC Exception Reimbursement), in the event that:

6.5.1 Fujitsu Services fails to provide the Relevant Data;

6.5.2 the circumstances specified in sub-paragraphs 6.4.1 or 6.4.2 above have not arisen; and

6.5.3 Post Office itself obtains the Relevant Data directly from the Branch,

Fujitsu Services shall pay Post Office the sum of £278.57 (representing Post Office's costs of obtaining the Relevant Data and effecting manual settlement).

6.6 In respect of each DC Exception Reimbursement, Fujitsu Services shall pay to Post Office an amount equal to the sum of the DC Transaction Value and £98.56.

6.7 Save where paragraph 6.5 applies (in which event the provisions of this paragraph 6.7 shall not apply), for each DC Exception (other than a DC Exception Reimbursement) Fujitsu Services shall (provided manual settlement has been effected) pay to Post Office the lesser of (i) £98.56 and (ii) the sum specified from time to time in the CCD entitled "Network Banking Reconciliation and Incident Management" (NB/PRO/002) in respect of Post Office's costs of effecting manual settlement.

6.8 Save in respect of a DC Exception Reimbursement, in the event that:

6.8.1 due solely to the acts or omissions of Fujitsu Services the BIMS Report referred to in paragraph 6.2 is not delivered to Post Office within the time period (for the purposes of avoiding "charge backs") specified in the CCD entitled "Network Banking Reconciliation and Incident Management" (NB/PRO/002) or the BIMS Report is delivered within that time period but it does not include the Relevant Data in circumstances where Fujitsu Services is in Default of its obligation in paragraph 6.3 above to obtain such Relevant Data or a payment is required to be made to Post Office pursuant to paragraph 6.5 above; and

6.8.2 the Merchant Acquirer does not reimburse Post Office the DC Transaction Value,

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Fujitsu Services will reimburse Post Office the DC Transaction Value.

6.9 In the event that Fujitsu Services fails to deliver the BIMS Report on time pursuant to paragraph 6.2 above or the BIMS Report is delivered on time but it does not include the Relevant Data in circumstances where Fujitsu Services is in Default of its obligation in paragraph 6.3 above to obtain such Relevant Data or a payment is required to be made to Post Office pursuant to paragraph 6.5 above, it shall pay to Post Office liquidated damages. The liquidated damages shall be calculated in accordance with the following formula:

Liquidated damages (£) = (N x TV x Y) / 365

where:

N = the number of MSU Days, including the day the BIMS Report was due for delivery pursuant to paragraph 6.2 above, that the BIMS Report is delivered late;

TV = the DC Transaction Value; and

Y = the figure (expressed as a percentage) representing the base rate of Barclays Bank Plc (prevailing on the day the BIMS Report was due for delivery (as specified in the CCD entitled "Network Banking Reconciliation and Incident Management" (NB/PRO/002)) plus 3 per cent.

6.10 Post Office shall not be entitled to liquidated damages or any other right or remedy provided for under this Agreement in respect of any failure by Fujitsu Services to achieve its obligations specified in this paragraph 6 until expiry of the Measurement Period Expiry Date, and Fujitsu Services' performance in respect of those obligations before the Measurement Period Expiry Date shall be disregarded for the purposes of assessment of liquidated damages and any other rights or remedies provided for under this the Agreement which may be due to Post Office after that date.

6.11 The Parties acknowledge that the fundamental commercial assumptions underlying the provisions of this paragraph 6 are that (i) the total number of DC Exceptions in any calendar month shall not exceed 100 and (ii) the total number of DC Exception Reimbursements in any calendar month shall not exceed 20. Accordingly, the Parties agree that should these assumptions prove to be incorrect they shall review and in good faith negotiate appropriate amendments to the provisions of this paragraph 6.

7. Debit Card Conditions

For the avoidance of doubt, the provisions of paragraph 5 and 6 above shall not apply until the Debit Card Conditions have been satisfied in respect of the first location in which Debit Card is to be introduced.

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ANNEX 4 TO SCHEDULE 15 - MISCELLANEOUS SERVICES

1. IMPLEMENTATION - SERVICE LEVEL AGREEMENTS: INSTALLATION OF SERVICE INFRASTRUCTURE

General principles for creating Service Levels for each Implementation are set out in paragraph 6.2.2 of Schedule 23.

2. DATA ERRORS AND EXCEPTIONS

2.1 Interpretation

Terms and expressions defined in the CCD entitled "Data Errors / Not Data Errors – Contractual Definitions" (CS/SER/017) shall have the same meaning where used in this paragraph 2 of Annex 4 to Schedule 15.

2.2 Fujitsu Services undertakes to use all reasonable endeavours to ensure that in at least **<DE1.1>** % of instances:

2.2.1 the delay between the occurrence of a Data Error (or in the case of a Data Error detected after the transmission of the relevant record, its detection) and (a) the issue of a Manual Error Report in respect thereof to Post Office or (b) transmission of the Repaired Transaction Data or (without prejudice to paragraph 3.6.6.4 of the CCD entitled "Data Errors / Not Data Errors – Contractual Definitions" (CS/SER/017)) Repaired Cash Account to Post Office over the TIP interface; or

2.2.2 the delay between discovery of a Not Data Error and the issue of a report to Post Office in relation thereto under paragraph 3.6.7 of the CCD entitled "Data Errors / Not Data Errors – Contractual Definitions" (CS/SER/017),

shall not exceed five working days.

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ANNEX 5 TO SCHEDULE 15 – VOLUMETRIC LIMITS]

Service	**Volumetric Limit**		**Relevant Period**	**Affected Service Levels**
Reconciliation Services	100 exceptions		Per day	Annex 4 paragraph 2
Horizon System Help Desk Service	Financial Year	Limit (Branch originated Incidents recorded at the Help Desk)	Per calendar month	Annex 1 paragraph 3.2
	02/03	13000	Per calendar month	
	03/04	13000	Per calendar month	
	04/05	13000	Per calendar month	
	05/06	12750	Per calendar month	
	06/07	12500	Per calendar month	
	07/08	12250	Per calendar month	
	08/09	12000	Per calendar month	
	09/10	11750	Per calendar month	
Technical Services Desk	120 TSD Calls		Per calendar month	Annex 1 paragraph 3.3
Engineer Services	Financial Year	Limit (Site Visits)	Per calendar month	Annex 1 paragraph 2 and 3.1
	02/03	4000	Per calendar month	
	03/04	3925	Per calendar month	
	04/05	3850	Per calendar month	
	05/06	3875	Per calendar month	
	06/07	3900	Per calendar month	
	07/08	4000	Per calendar month	
	08/09	4075	Per calendar month	
	09/10	4175	Per calendar month	

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SCHEDULE 16

POST OFFICE RESPONSIBILITIES

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON316.doc

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SCHEDULE 16

POST OFFICE RESPONSIBILITIES

1. INTRODUCTION

1.1 The CCD entitled "On-going Post Office Responsibilities" (POL/HOR/CON/001) sets out:

1.1.1 in Table A, the actions and responsibilities that Post Office shall fulfil in order to enable Fujitsu Services to meet its corresponding obligations under this Agreement or CCDs;

1.1.2 in Table B, the NBS Responsibilities; and

1.1.3 in Table C, the NBS Obligations.

1.2 It is the intention of the Parties that on or before 31 March 2003:

1.2.1 the wording in Tables A, B and C will be made consistent with the terminology used in this Agreement (in its form after approval of CCN 1100);

1.2.2 the actions and responsibilities set out in Table A shall be extracted from the CCD entitled "On-going Post Office Responsibilities" (POL/HOR/CON/001) and inserted into the appropriate part of this Agreement either:

1.2.2.1 where the corresponding obligation of Fujitsu Services is located; or

1.2.2.2 in a separate annex to, or table in, that part, with a cross-reference to the corresponding obligation of Fujitsu Services;

1.2.2 the cross references in respect of the NBS Responsibilities and the NBS Obligations shall be updated so that they cross refer to the relevant provisions of this Agreement (in its form after approval of CCN 1100).

1.3 The column headed "Reference" in the tables in the CCD entitled "On-going Post Office Responsibilities" (POL/HOR/CON/001) in the case of:

1.3.1 Table A, contains a reference to the corresponding obligation of Fujitsu Services;

1.3.2 Tables B, contains a reference to the location of the NBS Responsibility; and

1.3.3 Table C, contains a reference to the location of the NBS Obligation,

in each case in this Agreement (in its form prior to approval of CCN 1100). The Parties shall use that reference to help facilitate the intention set out in paragraph 1.2 above.

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1.4 The omission from Tables B and/or C below of an obligation or responsibility of Post Office connected with the NBS Application shall:

1.4.1 if the obligation is stated as something for which Post Office "shall be responsible", result in that obligation being classed as a "NBS Responsibility" for the purposes of paragraphs 1.5 to 1.9;

1.4.2 if the obligations is stated to be something which Post Office "shall do" result in that obligation being classed as a “NBS Obligation" for the purposes of paragraphs 1.5 to 1.9;

1.4.3 if the obligation is to make payment to Fujitsu Services result in that obligation being classed as a "NBS Obligation" for the purposes of paragraphs 1.5 to 1.9; and

1.4.4 in all other cases shall be, as the context so requires, a NBS Obligation or NBS Responsibility for the purposes of paragraphs 1.5 to 1.9.

1.5 Any failure by Post Office to carry out a NBS Responsibility shall not be a Default under this Agreement.

1.6 Fujitsu Services shall not be liable to Post Office in respect of any breach of its obligations to provide the NBS Application (including its obligations to achieve any Service Level set out in Part A of Annex 3 to Schedule 15 (the "Dependent Obligations") or any delay in performing the Dependent Obligations to the extent that such breach or delay was caused by the failure by Post Office to carry out a NBS Obligation or a NBS Responsibility (a "Dependency Failure").

1.7 Fujitsu Services shall notify Post Office in writing as soon as reasonably practicable after Fujitsu Services becomes aware of any Dependency Failure or becomes aware of any matters or circumstances which would with the effluxion of time result in a Dependency Failure.

1.8 In the event of a Dependency Failure (other than in relation to any Level 1, Level 2 or Level 3 NB T&M Work task under the NB Project Plan), Fujitsu Services shall be entitled to recover from Post Office such reasonably incurred, increased costs and expenses (if any) which it incurs in performing the Dependent Obligation in question to the extent that such increased costs and expenses were the result of the Dependency Failure. Fujitsu Services shall provide a statement of such increased costs and expenses incurred for approval by Post Office, such approval not to be unreasonably withheld.

1.9 Fujitsu Services shall use all reasonable endeavours to mitigate the amounts (if any is payable under paragraph 1.8 above.

1.10 The obligations and responsibilities of Post Office in respect of Debit Card and the rules in respect thereof shall be as set out in the CCD entitled “DC MoP Functional Description” (EF/SER/001).

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SCHEDULE 17

INFRASTRUCTURE

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON317.doc

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SCHEDULE 17

INFRASTRUCTURE

1. INTRODUCTION

1.1 This Schedule 17 provides an overview of the Horizon Service Infrastructure and the Infrastructure Services that Fujitsu Services shall provide to Post Office in order to deliver the Applications and thereby provide the Services.

1.2 The Horizon Service Infrastructure comprises the:

1.2.1 Branch Infrastructure;

1.2.2 Central Infrastructure; and

1.2.3 Telecommunications Infrastructure.

1.3 The Infrastructure Services provide the functions and capabilities of the Horizon Service Infrastructure (used to deliver the Applications) and comprise the OPS and the TMS.

2. BRANCH INFRASTRUCTURE

2.1 Fujitsu Services shall, subject in each case to the limits in Annex A to Schedule 10, provide equipment as specified in any of the CCD entitled “Counter Hardware Design Specification” and the CCD entitled “Introduction of Mobile Configuration” (CR/SPE/025) in all Branches and any other Post Office authorised location (the “Initial Branch Infrastructure”).

2.2 Changes to the locations and numbers of sets of such equipment requested by Post Office shall be carried out by Fujitsu Services in accordance with the process defined in the CCD entitled “ICL Pathway/POL Interface Agreement for Operational Business Change – Branch” (CS/IFS/003).

2.3 Save as may be agreed under the Change Control Procedure, the use of gateway configurations as Head Office Counter Positions shall not require Fujitsu Services to undertake any additional software development, testing or support, or any site modification or preparation beyond standard site preparation.

3. CENTRAL INFRASTRUCTURE

3.1 Fujitsu Services shall provide all equipment at the Data Centres necessary to provide the Services. This equipment, including the telecommunications equipment, shall have sufficient capacity to meet the business volumes as set out in the CCD entitled “Horizon Capacity Management and Business Volumes” (PA/PER/033).

3.2 The CCD entitled "Core System Release Asset Register" (CS/REP/045) contains an inventory of the hardware and software to be used to provide the host and network

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facilities of the Horizon Service Infrastructure and located in the Data Centres as at Acceptance of CSR+.

3.3 Fujitsu Services shall, within 2 weeks after NBS Acceptance and again within 2 weeks after commencement of phase 2 (as described and set out in the CCD entitled "Horizon New Service Business Volumes" (PA/PER/033)), if Post Office exercises its option set out in that CCD to commence that phase, update the CSR Asset Register to include the hardware and software to be used to provide the host and network facilities of the NBS and Debit Card Application elements of the Horizon Service Infrastructure.

3.4 Throughout the term of this Agreement, Fujitsu Services shall maintain hardware and software in relation to the Horizon Service Infrastructure providing, as a whole, equivalent capability to those listed in the CCD entitled “Core System Release Asset Register” (CS/REP/045) (as updated in accordance with paragraph 3.3). Such hardware and software shall constitute the “Initial Central Infrastructure”.

3.5 Fujitsu Services shall in addition maintain all increases in the capacity of the Horizon Services Infrastructure, which have been made at the request of Post Office.

3.6 Fujitsu Services shall specifically retain all hardware and software provided to a particular Post Office specification, save that Fujitsu Services may substitute identical replacements for such hardware and software.

3.7 Fujitsu Services may replace, upgrade, remove or decommission hardware and software from time to time comprised in the Horizon Service Infrastructure provided that it continues at all times to comply with its obligations in paragraphs 3.4, 3.5 and 3.6 (unless agreed otherwise under the Change Control Procedure).

4. TELECOMMUNICATIONS INFRASTRUCTURE

4.1 The Telecommunications Infrastructure shall use one of the following communications access methods between the Branch Infrastructure and the Data Centres:

4.1.1 Integrated Services Digital Network (ISDN);

4.1.2 Integrated Satellite Business Network (ISBN), generally referred to as VSAT (Very Small Aperture Terminal);

4.1.3 Public Switch Telephone Network (PSTN) as part of the data recovery service;

4.1.4 Asymmetric Digital Subscriber Line (ADSL); or

4.1.5 frame relay.

4.2 The Telecommunications Infrastructure shall include capability to enable connection between the Data Centres and Post Office systems or Client systems. The style of connection and operation may support real time transaction dialogues and/or bulk file transfer as required by the relevant Application specified in Schedule 18.

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4.3 Fujitsu Services shall be responsible for provision of, security of, and management of the communications link between the Data Centres and the NBE (which for the purposes of this schedule shall include the physical routers, encryption devices, file transfer management servers and associated cabling), subject to Post Office complying with (and ensuring that any third party Post Office uses for siting or storage of such equipment complies with) the following:

4.3.1 provision of a suitable physical operating environment for Fujitsu Services' equipment used for or in connection with the communications link including the following:

4.3.1.1 ensuring the physical security of all equipment which is located on Post Office and/or any such third party's premises to protect against unauthorised access; and

4.3.1.2 provision of environmental conditions as reasonably required by Fujitsu Services.

4.3.2 permitting Fujitsu Services to gain access (at reasonable times and on reasonable notice) to all locations where such equipment is held or is to be installed, in order to enable Fujitsu Services to effect or procure the installation, maintenance, repair, renewal and support of such equipment.

5. TECHNOLOGY REFRESH

5.1 No change shall be made to the specification of Equipment to be used within the Branch Infrastructure without prior approval by Post Office.

5.2 For the purposes of this paragraph 5:

"Equipment Event (Spares)" means the reductions in the number of items of Branch Equipment required to release additional maintenance spares as defined in Annex A to Schedule 10 does not take place;

"Equipment Event (MTBF)" means the reliability (as measured by "mean time between failures") of any item of Equipment across the Branch Infrastructure declining by more than thirty per cent (30%) between the Amendment Date and 31 March 2010;

"Equipment Event" means either an Equipment Event (Spares) or an Equipment Event (MTBF);

"Revised Service Plan" means a plan involving a combination of adjustments to Service Levels, Charges, obligations and responsibilities (including any new obligations) reasonable necessary for the continued performance of Services under this Agreement in circumstances where an Equipment Event has occurred or it is likely that an Equipment Event will occur; and

"Technology Refresh" means replacement of any or all of the Equipment in the Branch Infrastructure with equivalent equipment.

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5.3 Fujitsu Services shall:

5.3.1 monitor the Equipment and assess on an on-going basis, for consideration by the Service Management Forum, the occurrence or likely future occurrence of Equipment Events; and

5.3.2 notify Post Office that an Equipment Event has occurred or is likely to occur before this Agreement terminates in accordance with Clause 34 and accordingly that:

5.3.2.1 a Technology Refresh is required;

5.3.2.2 a Revised Service Plan needs to be agreed; or

5.3.2.3 in the case of Equipment Event (Spares), that additional Counter Positions need to be decommissioned to make available sufficient spares,

to avoid, compensate for, or negate (as the case may be) the occurrence of an Equipment Event.

5.4 Following notification in accordance with paragraph 5.3.2 above, Post Office shall:

5.4.1 carry out an appropriate Technology Refresh at Post Office's expense; or

5.4.2 seek to agree the Revised Service Plan (which shall be proposed by Fujitsu Services) under the Hard Change Control Procedure; or

5.4.3 ensure that the required number of Counter Positions are decommissioned to make available sufficient spares,

in order to avoid or negate the occurrence of the Equipment Event.

5.5 If an Equipment Event occurs, until such time as the Technology Refresh, Revised Service Plan or decommissioning of Counter Position described in paragraph 5.4 is completed or agreed (as appropriate), Fujitsu Services shall:

5.5.1 not be obliged to achieve any Service Level (SLT, LDT or ARL) or pay liquidated damages in respect thereof or perform any obligation to the extent that that Service Level or obligation cannot reasonably be achieved or performed as a result of that Equipment Event having occurred; and

5.5.2 be entitled to recover from Post Office its reasonably incurred, increased direct costs and expenses of performing obligations under this Agreement to the extent that such increased direct cost and expenses were the result of that Equipment Event having occurred. Fujitsu Services shall use all reasonable endeavours to mitigate the amounts payable in accordance with this paragraph and shall provide a statement of such increased direct costs and expenses

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incurred for approval by Post Office, such approval not to be unreasonably withheld.

5.6 The Equipment used within the Horizon Service Infrastructure shall be reviewed by Post Office and Fujitsu Services at times reasonably agreed by them to assess whether the most appropriate technology is deployed.

6. OFFICE PLATFORM SERVICE

6.1 Purpose

This Section details the functions and capabilities provided by the OPS that shall be supplied by Fujitsu Services. The OPS is provided using the Equipment installed in Branches which enable the Applications to operate in accordance with the functionality described in Schedule 18.

6.2 Overview

6.2.1 Fujitsu Services shall, in each Branch, install the Equipment used to provide OPS, and provide OPS, subject to the limits specified in Annex A to Schedule 10.

6.2.2 Two categories of Counter Position configurations shall be provided:

6.2.2.1 a range of standard configurations (as specified in the CCD entitled “Counter Hardware Design Specification” (BP/DES/003)) which shall be suitable for the majority of Branches; and

6.2.2.2 a mobile configuration, as defined in the CCD entitled “Introduction of the Mobile Configuration” (CR/SPE/025), which shall be installed in Branches to the maximum number described in Annex A to Schedule 10.

6.3 General Service Description

6.3.1 Demonstrations and marketing

Fujitsu Services shall provide OPS Equipment, which shall be required to demonstrate and market Office Platform Services to Clients and prospective Clients. The Equipment that is required shall be set out in marketing plans as agreed jointly between Post Office and Fujitsu Services from time to time.

6.3.2 Appearance of the Equipment within OPS

6.3.2.1 With the exception of PIN Pads the standards for equipment livery to be used within OPS are defined in the CCD entitled "Counter Hardware Design Specification" (BP/DES/003). The standards for equipment livery for PIN Pads are defined in the CCD "PIN Pad Product Specification" (NB/PDN/010).

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6.3.2.2 The procedures required to maintain the appearance of the Equipment shall be minimal and capable of being undertaken by the local Branch Users. It shall be comparable to the cleaning required of any desk-based office computer system.

6.3.3 Health, Safety and Legal obligations

All Equipment used to provide OPS shall comply with the health, safety and legal requirements laid down in Schedule 2.

6.3.4 Equipment Environmental Considerations

All Equipment used to provide OPS shall comply with the Equipment environmental considerations laid down in Schedule 2.

6.3.5 Continued Support of Operating Systems, Middleware and Applications Software

Fujitsu Services shall fully support the Software in the Horizon Service Infrastructure during the life of the elements of Horizon Service Infrastructure on which such Software is utilised in providing Services.

6.3.6 Capabilities of OPS

6.3.6.1 Fujitsu Services shall provide Horizon Service Infrastructure appropriate for each Branch.

6.3.6.2 Fujitsu Services shall install and support Horizon Service Infrastructure provided as mobile counter configurations, in accordance with the limits set out in Annex A of Schedule 10, where requested by Post Office.

6.3.6.3 In each Branch, at each Counter Position PC, OPS shall comprise Equipment as specified in the CCD entitled "Counter Hardware Design Specification". The capabilities of this equipment shall comply with the manufacturers specification.

6.3.6.4 Fujitsu Services shall ensure that all automated Counter Positions shall have the capability to support the use of PIN Pads (PPR010).

6.3.7 Ability to Provide Authorisation to Post Office Products

Infrastructure Services and Horizon Service Infrastructure shall support authorisations for Post Office products through access to computer systems, which are external to Post Office Services or are within Post Office Services.

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6.4 Availability

6.4.1 User access to OPS

6.4.1.1 Users may only log-on to the OPS in their Branch in accordance with their defined role. Any access to data or services outside of that Branch is controlled exclusively by the relevant counter application.

6.4.1.2 Access to OPS and Post Office Services offered via OPS to Users working in the Branches shall be controlled by a mechanism conforming to the CCD entitled "Horizon OPS Style Guide" (SD/STD/001), offering multiple access levels and providing specific identification of each User.

6.4.1.3 Authentication of all Users logging on to the OPS in the Branch shall be undertaken by the elements of Horizon Service Infrastructure on which OPS is based. Full access control and password management facilities shall be provided. Users shall only access those Applications for which they have been given permission by the Branch. Each User shall be identified by a unique User-id and individual password.

6.4.1.4 The OPS shall provide facilities to enable the Branch Manager to establish new Users and set an initial password for all Users in a Branch. Should a User forget their password the Branch Manager shall be able to reset the password. The same procedure shall apply at single Counter Position Branches and multiple Counter Position Branches.

6.4.1.5 For situations where the sole User (e.g. Branch Manager in a single Counter Position Branch) has forgotten their password, the OPS shall provide the facility to generate a unique key as part of the log on to a specific username. This shall be phoned to the Help Desk who shall provide the corresponding key which when input to OPS shall allow access to the administration facilities. The User shall then be able to reset their User password.

6.4.2 Concurrency

6.4.2.1 The Pathway solution for OPS is based on a PC infrastructure configured such that multiple activities within a Branch do not significantly impact on each other. In particular back office processes (e.g. report production) will be operate on a logically consistent set of data which will not be affected by any concurrent counter transactions.

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6.5 Peripherals

6.5.1 Horizon Service Infrastructure - OPS: Peripheral and input devices Equipment General Requirements

Peripheral and input devices supplied as part of the elements of Horizon Service Infrastructure on which OPS is provided shall be capable of detecting contention, premature removal and swapping of Smart Tokens.

6.5.2 Peripherals Flexibility

6.5.2.1 OPS and the elements of Horizon Service Infrastructure on which OPS is provided shall have the flexibility for additional peripheral equipment to be added in the future, including input devices and printers.

6.5.2.2 The Counter Position PC shall have the capability of having at least four (4) additional RS-232 connected peripherals added to a Counter Position configuration as initially installed at roll out of the Horizon Service Infrastructure.

6.5.3 Future Flexibility for Sharing of Specialist Peripherals

OPS, and the elements of Horizon Service Infrastructure on which OPS is provided, shall be able to be connected via RS-232 ports, and shall support such connection, to specialist peripherals in such a way that the specialist peripherals may be accessed by one or more Counter Position PCs. In such a case it shall be possible to restrict access to a subset of the Counter Position PCs in each Branch. This capability shall not be applicable to PIN Pads which can not be connected to or accessed by more than one Counter Position PC at any one time.

6.6 Security

6.6.1 Security of data and audit trail for OPS

6.6.1.1 All data captured at a Branch either as part of a Transaction performed at a Counter Position or as an administration function shall form part of a unique Transaction which shall be given a unique reference number by Riposte and details stored in the message store. The format of this message store entry shall vary according to the Transaction type but will typically contain:

(a) Post Office ID;

(b) Counter Position ID;

(c) unique Transaction ID;

(d) date;

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(e) time;

(f) User ID;

(g) Application; and

(h) Transaction details.

6.6.1.2 Each Counter Position PC shall contain a journal and all journal entries shall be automatically replicated to all other members of the work group. A work group shall include all the Counter Position PCs in the Branch and one of the correspondence servers, at which TMS is provided. This correspondence server forms part of a "cluster" of correspondence servers of which two are located on one Data Centre site and the remaining two located on the other Data Centre site. All Transactions associated with one correspondence server are automatically replicated to the other site. Within each site all Transactions are reliably mirrored within a multiple disk array, which has no single point of failure.

6.6.1.3 Once data are stored in the message store they shall never be altered. New Transactions shall always be appended to the message store. Retrieval of data using a particular key field shall retrieve all entries containing that field.

6.6.1.4 The security of data held within OPS shall not be compromised by any incident nor when OPS is re-established following any Incident.

6.6.1.5 Fujitsu Services shall provide synchronisation facilities, which shall automatically check the status of the journal for a node when it is re-established following failure. Should the journal be out of step (e.g. through failure of the Counter Position PC) Fujitsu Services shall automatically synchronise the journal and any data files to the same state as all other journals in that work group. Synchronisation may occur from another Counter Position PC (in a multi-Counter Position Branch) or from one of the correspondence servers or the second hard disc referred to in paragraph 8.2.4.2 (in a single Counter Position Branch).

6.6.1.6 The operating system supporting the OPS shall provide assurance of access control and data integrity functions.

6.6.2 OPS Secure Suspension

6.6.2.1 The OPS and the elements of the Horizon Service Infrastructure on which OPS is provided shall provide secure time-out facilities for each Counter Position PC.

6.6.2.2 Fujitsu Services shall provide a User activated suspension which shall enable the User to either:

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(a) clear the screen and leave the Counter Position PC for a short period. In such circumstances, the User session shall be reactivated by the User entering their password. Any Applications, which were active, shall be left active. The display presented when the suspension facility is activated shall be different to any normal desktop or Application screen; or

(b) suspend a customer session and start a second session, and thereafter swap between the two sessions until one of them has been completed.

While an individual Transaction is waiting for input from a peripheral, a pick-list or on-line interaction, or while reports or receipts are printing, these facilities may be inhibited.

6.6.2.3 Should the User who initiated the suspension be unable to re-activate the facility, the following actions may be taken:

(a) after a period of time, during which there is no active session, the session shall be automatically logged-out. A journal message will be created indicating this;

(b) the Branch Manager may assume responsibility for any uncompleted session, the Stock Unit or share thereof, by entering his own User name password;

(c) once the Counter Position PC has logged-out any authorised User may then use that Counter Position PC; and

(d) all the above Events shall be written to the journal.

6.6.2.4 The facility shall allow the User to resume work with the minimum delay consistent with achieving security in accordance with the provisions hereof.

6.6.3 Inactivity Time-out

6.6.3.1 The OPS and the elements of Horizon Service Infrastructure on which OPS is provided shall provide secure inactivity time-out facilities if the Counter Position PC is inactive for a period defined in reference data for each Counter Position PC.

6.6.3.2 Should the User be unable to re-activate the facility, the following actions may be taken:

(a) after a period of time during which there is no active session the session shall be automatically logged-out. A journal message shall be created indicating this;

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(b) the Branch Manager may assume responsibility for any uncompleted session, the Stock Unit or share thereof, by entering his own User name / password;

(c) once the Counter Position PC has logged-out, any authorised User may then use that Counter Position PC; and

(d) the above Events shall be written to the journal.

6.6.3.3 The facility shall allow the User to resume work with the minimum delay consistent with achieving security in accordance with the provisions hereof.

6.6.4 Encryption Key Management

6.6.4.1 The OPS shall support a reliable and secure means for the storage and transfer of data. This shall include the use of techniques used selectively and in agreement between Post Office and Fujitsu Services as specified in the CCD entitled "Security Functional Specification" (RS/FSP/001).

6.6.4.2 With the exception of PIN Pads (in which case paragraph 6.6.4.3 shall apply), a key management system shall be in place so the encrypted data can be deciphered without risk of that cryptographic key being exposed.

6.6.4.3 Fujitsu Services shall support the use of PIN Pads and the associated cryptographic management. PIN Pads shall comply with the requirements of ISO 9564.

6.6.5 Horizon OPS Style Guide

Any Post Office Service to be offered via the OPS shall be provided in accordance with the CCD entitled “Horizon OPS Style Guide” (SD/STD/001) which shall set out, among other things, general guidelines for the Human Computer Interface.

7. TRANSACTION MANAGEMENT SERVICE

7.1 Purpose

This Section details the functions and capabilities provided by the TMS that shall be supplied by Fujitsu Services.

7.2 Overview

7.2.1 The TMS shall provide the interworking between the Branches and the Data Centres using the Telecommunications Infrastructure. TMS shall be provided using both the Branch and the correspondence server Equipment, presenting

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interfaces to the Post Office Client systems or the Post Office systems. Such interfaces shall be implemented using TMS Agents, which are specified in paragraph 7.4.1.

7.2.2 The role of TMS shall be to provide a secure and resilient messaging and journalling service which shall support the transfer of data between OPS and Post Office Client Services, and Post Office Services.

7.3 General Attributes

7.3.1 Scalability

7.3.1.1 Fujitsu Services shall provide TMS such that it shall be scaleable to meet Post Office's future business needs in accordance with the CCD entitled “Horizon Capacity Management and Business Volumes” (PA/PER/033).

7.3.1.2 The modular nature of TMS and the Horizon Service Infrastructure shall be scaleable to enable the workload growth specified in the CCD entitled “Horizon Capacity Management and Business Volumes” (PA/PER/033) to be accommodated, subject to the relevant provisions in Schedules 16 and 18.

7.3.2 Data Integrity

7.3.2.1 An Application or TMS Agent shall be able to be certain, at some level, that data have been positively acknowledged as received by TMS, or a peer Application connected to TMS.

7.3.2.2 Data transfers shall be capable of being despatched as:

(a) immediate;

(b) background / trickle fed; and

(c) time deferred.

7.3.3 Exclusivity

7.3.3.1 No computer system shall be connected to the Central Infrastructure or to those elements of the Telecommunications Infrastructure which are employed exclusively in the provision of the Infrastructure Services without the approval of Post Office.

7.3.3.2 Fujitsu Services shall maintain a register of computer systems with which such connections are allowed.

7.3.3.3 The Central Infrastructure and Telecommunications Infrastructure shall provide links into other computer systems as required to support the

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introduction of new or re-engineered Transactions required by Post Office.

7.3.3.4 The identity of any computer system with which a link is to be established shall be authenticated.

7.3.3.5 Fujitsu Services shall produce reports detailing any attempt to establish a link, which is rejected. Fujitsu Services shall provide these reports to Post Office on request. Such reports will not be required where the link is between TMS and the NBE and the rejection is due to a failure of the NBE or between TMS and the MA and the rejection is due to a failure of the MA.

7.4 General Service description

7.4.1 Interface support

7.4.1.1 TMS shall interface with each instance of OPS within each Branch.

7.4.1.2 Fujitsu Services shall support the interfaces between the Horizon Service Infrastructure and the following:

(a) ESNCS;

(b) NBE;

(c) Merchant Acquirer;

(d) those AP Clients listed as “POL” in the spreadsheet associated with the CCD entitled “AP Client List”; and

(e) Post Office systems connected in accordance with the CCD entitled “Pathway to Post Office Technical Interface Specification” (TI/IFS/008).

7.4.1.3 The development and implementation of the interfaces specified in paragraph 7.4.1.2 shall principally take the form of TMS Agents, which act upon Transactions originated within the Branches, and the Central Infrastructure which receives Transactions or data from Post Office or Client systems or Merchant Acquirer.

7.4.1.4 The TMS Agents described in paragraph 7.4.1.3 shall support the transfer of data between OPS and TMS within a Branch, or between TMS and the Central Infrastructure within the Data Centres. The style of processing carried out by TMS Agents will be one of immediate (in support of real-time transactions), or batch (in support of bulk processing).

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7.4.1.5 Further TMS Agents to support Additional Post Office Services or additional Client services may be agreed from time to time between Post Office and Fujitsu Services.

7.4.2 Data delivery

7.4.2.1 TMS shall provide for the distribution and collection of both file and record level data to and from the OPS.

7.4.2.2 Overnight Fujitsu Services shall produce a report of those Branches which have not been polled in the last 24 hours (including date of report, FAD code of each unpolled Branch and the date when that Branch was last polled), and that report shall be e-mailed to Post Office's Business Support Unit.

7.4.2.3 Large data transfers shall be capable of being delivered in the same order as sent.

7.4.3 File Operations

7.4.3.1 The Central Infrastructure shall support the transfer of files between the data centres and computer systems, which are attached to the Horizon Service Infrastructure.

7.4.3.2 The Central Infrastructure shall provide a file distribution function, which shall be responsible for transfer, monitoring and retry of files.

7.4.3.3 The Central Infrastructure shall support the following functions, without limitation:

(a) triggering of transfers;

(b) reporting of transfer failures and retry of these transfers;

(c) verifying that file transfers are to/from pre-defined computer systems in the register referred to in paragraph 7.3.3.2.

7.4.4 File Processing

7.4.4.1 Data file processing shall be provided by the Central Infrastructure, optionally supported by TMS Agents. Conventional file processing facilities shall be provided as required by the Applications, including without limitation:

(a) validation of data files;

(b) concatenation and merging of files;

(c) generation of many data files from one data file;

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(d) reformatting of the contents of a data file;

(e) generation of control totals;

(f) reconciliation of control totals; and

(g) production of reports, financial and other summaries.

7.4.5 Data Transfer Methods

7.4.5.1 The Central Infrastructure will support the automatic collection and delivery of data files to/from Post Office or Client systems.

7.4.5.2 The interfaces between the Data Centres and Post Office or Client systems shall support real and delayed time initiation of activities.

7.4.6 End to End Recovery

End-to-end recovery facilities shall be performed by Fujitsu Services in accordance with the CCD entitled "Business Continuity Framework" (CS/SIP/002).

8. GENERAL INFRASTRUCTURE SERVICES REQUIREMENTS

8.1 Introduction

This section contains characteristics common to both the OPS and TMS Infrastructure Services.

8.2 Links from OPS to TMS

8.2.1 General

8.2.1.1 Each instance of OPS within Branches shall interface with TMS to allow the transfer, in both directions, of authorised data files and messages.

8.2.1.2 The transfer of data between OPS and TMS shall be secure, complete, accurate and robust.

8.2.1.3 Within OPS it shall be possible for OPS to identify whether data from OPS have been received by TMS or not.

8.2.2 Data Replication

8.2.2.1 Fujitsu Services shall use data replication and synchronisation techniques to ensure that data transfer between Counter Positions at which OPS is provided and between instances of OPS at each Counter Position and the TMS are secure, complete, accurate and robust.

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8.2.2.2 Once a Transaction has been settled at a Counter Position, TMS shall commit the full Transaction details to that Counter Position PC's message store. The Transaction details shall simultaneously be automatically replicated to all other Counter Position PCs in the Branch so that the data are securely captured. In addition, Fujitsu Services shall automatically replicate Transaction details to a remote server at which TMS is provided.

8.2.2.3 The OPS Counter Position PCs and TMS servers are known as "nodes".

8.2.2.4 All data and message transfers from a single node shall be generated in a strict numbered sequence with a unique node identification. Any attempt to introduce a fraudulent message shall be automatically detected and rejected by OPS.

8.2.2.5 An additional pseudo random sequence number produced from a cryptographic algorithm can also be included to provide a very high level of message integrity as agreed between the Parties from time to time, such agreement not to be unreasonably withheld. Details of the use of the cryptographic algorithm are contained in the CCD entitled "Security Functional Specification" (RS/FSP/001).

8.2.2.6 Data and message transfers shall be resilient to either network or node failure. When the failure condition is resolved the nodes shall automatically synchronise and complete any data or message transfers that are required to ensure these nodes are in a consistent state.

8.2.3 Data Integrity

8.2.3.1 Fujitsu Services shall use techniques to ensure data integrity within the OPS and as part of data/message transfer between OPS and TMS, including:

(a) cyclic redundancy checks shall be calculated for all journal records, including Reference Data;

(b) digital signatures shall be used for all data where assurance of content and source are required; and

(c) data encryption used selectively on certain data fields.

8.2.3.2 All messages and data shall have a cyclic redundancy check applied when they are initially committed to the journal and this shall be checked every time the message or data is accessed. This shall protect against accidental corruption and casual tampering. Any failure of a cyclic redundancy check shall cause the message to be rejected and retrieved from alternate nodes.

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8.2.3.3 In the event that nodes fail, recovery shall take place through the use of the following techniques: associating of Post Office and correspondence server nodes, message numbering, marker (message high and low water marks) exchange message transfers to equalise water marks, and in accordance with the CCD entitled "Post Office Site Failure Contingency Procedures".

8.2.3.4 Where Post Office requires the origin of data to be authenticated, Fujitsu Services shall apply a digital signature to the data prior to transmission and shall then check it upon receipt. Digital signature techniques and the data to which they are applied shall be described in the CCD entitled "Security Functional Specification" (RS/FSP/001). This capability is subject to the provisions in Schedule 12.

8.2.3.5 Fujitsu Services shall automatically detect any attempt to alter data and shall log such attempts for subsequent investigation by Fujitsu Services. Details of all such attempts shall be passed to Post Office.

8.2.4 Recovery

8.2.4.1 Fujitsu Services shall perform general recovery processes as specified in the CCD entitled “Business Continuity Framework” (CS/SIP/002).

8.2.4.2 The Counter Position PC in all single Counter Position Branches shall be fitted with a second hard disk, which shall be exchangeable to facilitate rapid exchange of systems and Transaction data in the event of a system failure other than a hard disk failure.

8.3 PIN Pad Firmware Distribution

Fujitsu Services shall provide and maintain firmware distribution facilities from the applicable date specified in the NB Project Plan to ensure the distribution of firmware from the Data Centres to PIN Pads. The facility shall meet the software control requirements of ISOP 9564.

8.4 Functional Title of Code

Fujitsu Services shall ensure that each component of the Horizon Service Infrastructure is clearly marked with a functional title or code so that it can be readily identified in the relevant documentation and related to its proper place in the Horizon Service Infrastructure.

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SCHEDULE 18

APPLICATION MANAGEMENT

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SCHEDULE 18

APPLICATION MANAGEMENT

1. INTRODUCTION

1.1 This Schedule records and specifies the Applications used by Fujitsu Services to provide the Services to Post Office.

1.2 Fujitsu Services shall operate and maintain each Application listed in paragraphs 2 and 4 below in accordance with the terms of this Agreement, the relevant specifications for each Application as set out in this Schedule, all CCDs relevant to an Application as referred to in this Schedule and all Service Levels relevant to an Application as set out in Schedule 15 to this Agreement.

1.3 Fujitsu Services will be invited to bid for future developments to Applications in accordance with the terms of Schedule 20.

1.4 The functionality and interfaces of each Application are defined in the CCDs indicated to relate to an Application in the column headed "Application" in Table A below and the CCDs indicated to relate to that Application in the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/026).

1.5 Application software installed in those Branches and Admin Positions which do not have a network connection point shall not be kept up to date with new Releases other than in accordance with paragraph 8.8 of Schedule 10.

2. HIGH LEVEL DESCRIPTION OF EXISTING APPLICATIONS

2.1 EPOSS

2.1.1 EPOSS is an electronic point of sale service application which provides the following functions:

2.1.1.1 on all Counter Positions in all Branches and Other Authorised Locations:

(a) facilities to Counter Clerks in support of Transactions with Customers;

(b) a "till" function; and

(c) a framework within which other applications can be invoked to support specialised Transactions within a Customer Session;

2.1.1.2 to Users within Branches including:

(a) stock balancing;

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(b) Branch cash accounting;

(c) production of Client summaries; and

(d) User administration tasks;

2.1.1.3 transfer of data to Post Office systems and services outside the Horizon Service Infrastructure; and

2.1.1.4 management information reporting.

2.1.2 EPOSS is implemented with the following major functional components:

2.1.2.1 EPOSS running on every Counter Position;

2.1.2.2 TMS Agent applications running on the Data Centre servers; and

2.1.2.3 host database applications running in the Data Centres.

2.1.3 EPOSS records Transactions to the Riposte message store. These are replicated by Riposte to the message stores on file servers at the Data Centres. The TMS Agents extract and reformat Transaction data and present it for further analysis, summarisation and forwarding by the host database application.

2.1.4 Cash, cheque and voucher methods of payment are handled by EPOSS. For payment using a debit card, EPOSS (from the settlement menu) initiates Debit Card to obtain authorisation of payment.

2.2 APS

2.2.1 APS is a generic application that enables Post Office to provide a range of bill payment and pre-payment services to the customers of many Post Office Clients. APS provides transaction facilities at the counter, integrated into Customer Sessions using facilities provided by EPOSS. APS also supports transfer of data to and from Post Office Client systems and Post Office systems. APS is available at all Counter Positions in all Branches.

2.2.2 APS supports the following range of Tokens conforming to the standards in the relevant CCDs:

2.2.2.1 magnetic stripe cards;

2.2.2.2 bar coded documents; and

2.2.2.3 Smart Tokens comprising:

(a) Quantum token;

(b) Watercard token;

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(c) SPM (no longer in active use); and

(d) Talexus (developed but not deployed in accordance with the terms of CCN 798).

2.2.3 APS is implemented with the following major functional components:

2.2.3.1 APS running on every Counter Position;

2.2.3.2 APS Agents running on Data Centre servers;

2.2.3.3 host database application in the Data Centre; and

2.2.3.4 file transfer capabilities provided by the Central Infrastructure.

2.2.4 APS handles interaction with customer Tokens and records Transactions in the Riposte message store. It also passes Transaction details to EPOSS for incorporation into a Customer Session. Transaction data is replicated by Riposte to the message stores on file servers at the Data Centres. The APS Agents extract and reformat transaction data and present it for further analysis, summarisation and forwarding by the host database application.

2.2.5 The clients and tokens supported by APS are listed in the CCD entitled "Automated Payments System Client List" (BP/DOC/008). Specific payments and the APS Transactions which support them conform to the relevant AP Client Specification, which in turn references the CCD entitled "POCL Automated Payments Generic Rules" (BC/DOC/014) and appropriate Token Technology Specification(s). Data is transferred to AP Clients in accordance with the appropriate Application Interface Specifications.

2.2.6 APS supports the receipt of data from Clients, typically comprising tariff data, as specified in the relevant Application Interface Specification specified in the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/1026). This data will be distributed to APS.

2.3 OBCS

2.3.1 The OBCS application provides various functions mainly associated with the use of bar-coded order books in Branches by Customers who are in receipt of various, typically long-term, benefits (e.g. child benefit and retirement pension). These functions centre around the receipt and use of notices which direct the Counter Clerk to impound an order book with or without payment.

2.3.2 OBCS receives and processes stop list data received from computer systems operated by DWP. OBCS makes this information available at Branches to:

2.3.2.1 check the order book status on receipt at the Branch;

2.3.2.2 check the order book status on issue to a Customer;

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2.3.2.3 record the redirection of an order book if it has been sent to the wrong Branch; and

2.3.2.4 determine whether a payment should not be made or should be restricted in some form.

2.3.3 OBCS accumulates the results of all OBCS Transactions from each Branch during the day, collates these Transactions, and despatches them to the DWP systems in the manner specified in the CCD entitled "DSS Client Interface Specification \ OBCS" (BP/SPE/031).

2.3.4 OBCS is implemented with the following major functional components:

2.3.4.1 OBCS running on every Counter Position;

2.3.4.2 OBCS Agents running on Data Centre servers;

2.3.4.3 host database application in the Data Centre; and

2.3.4.4 file transfer capabilities provided by the Central Infrastructure.

2.3.5 OBCS handles interaction with bar-coded order books and maintains a record of Customers who have previously carried out OBCS Transactions at that Branch. It also passes transaction data to EPOSS for incorporation into a Customer Session. OBCS transaction records are replicated by Riposte to the message stores on NT file services in the Data Centres. OBCS Agents extract, summarise and reformat data from these message stores to be copied to host database files for further processing and forwarding to DWP systems.

2.3.6 A national database of stop payment statuses is held centrally at the Data Centres in a host database, derived from data received from DWP. OBCS obtains status information for customers not known to OBCS at that Branch by exchanging messages with this central database.

2.4 LFS

2.4.1 The LFS application provides an interface between Branches and the Post Office's Advanced Distribution System (SAP/ADS) and is at all Branches.

2.4.2 LFS captures data from Branches for onward transmission to SAP/ADS. Such data includes cash and Stock declarations, outward Remittances including confirmation of SAP/ADS Pouch collection and confirmation of SAP/ADS Pouch receipt at the Branch.

2.4.3 LFS transmits Planned Orders and Advice Notices, created by SAP/ADS, to Branches.

2.4.4 LFS includes the following functional components:

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2.4.4.1 LFS Branch application. This is present on all Counter Positions at all Branches. It provides:

(a) screen dialogues for inputting relevant data which are written to the Riposte message store;

(b) facilities for scanning bar coded labels to monitor movement of cash and stock bags and pouches into and out of the Branch. Data captured from these bar codes are written to the Riposte message store; and

(c) a facility for viewing specialised messages originated by SAP/ADS and transmitted to the Branch.

2.4.4.2 LFS Data Centre application provides an interface to SAP/ADS for the exchange of batch data, and manages the forwarding to, and receipt from, Branches of that data. Data created in Branches is extracted from the Riposte message stores by Agent applications.

2.4.5 LFS is implemented with the following major functional components:

2.4.5.1 LFS running on every Counter Position;

2.4.5.2 LFS Agents running on Data Centre servers;

2.4.5.3 host database application in the Data Centre; and

2.4.5.4 file transfer capabilities provided by the Central Infrastructure.

2.5 Message Broadcast

2.5.1 The Message Broadcast ("MBS") application provides a mechanism for transmitting plain text messages to all Branches or to Branches specified in a list.

2.5.2 MBS comprises:

2.5.2.1 MBS Branch application, which provides facilities for managing messages received, presenting available messages for selection by Users, displaying messages on the Counter Position screen and printing them to the back-office printer. This is available at all Counter Positions in all Branches (but messages can only be received at locations with a data communications link); and

2.5.2.2 MBS Data Centre application, which provides facilities for creating messages by text input (including copying text from other electronic documents including emails received by Fujitsu Services from Post Office) and distributing them to Branches.

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2.5.3 MBS is implemented with the following major functional components:

2.5.3.1 MBS running on every Counter Position; and

2.5.3.2 MBS Agents running on Data Centre servers.

2.6 NBS

2.6.1 The NBS application supports transaction of banking business in Branches. It is installed at all Counter Positions in all Branches, but requires an operational data communications link in order to process Transactions. NBS is invoked from EPOSS by a card swipe (or input of card details) while in serve customer mode other than at the settlement menu. The following Transaction types are supported:

2.6.1.1 cash deposit;

2.6.1.2 cash withdrawal;

2.6.1.3 balance enquiry;

2.6.1.4 withdraw limit; and

2.6.1.5 change of PIN at PIN Pad.

2.6.2 NBS has the following functional components:

2.6.2.1 NBS manages reading of data from magnetic stripe bank cards, presentation of screen dialogues to the User and User data input, input of PIN numbers by customers, and printing of receipts. It also integrates the banking Transactions into an EPOSS Customer Session. NBS writes data to the Riposte message store, including “immediate” messages to initiate message exchange with the Network Banking Engine (“NBE”), and onwards to financial institutions’ systems;

2.6.2.2 NBS Agent applications run on NT servers at the Data Centres. Such servers harvest relevant “immediate” and standard messages. Messages between the Counter Position and the NBE are brokered by the Agent application. Standard messages are harvested by the Agents and summarised and forwarded to the Reconciliation Application; and

2.6.2.3 The Reconciliation Application as used by NBS other Application receives data from the NBS Agents and from the NBE and prepares reports reconciling these data streams and identifying reconciliation exceptions for investigation and corrective action.

2.6.3 NBS is to be deployed in accordance with the requirements set out in Schedule 24.

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2.7 Reference Data Management Application

2.7.1 The Reference Data Management Application is a database application running in the Data Centre. It receives Reference data from the Post Office Reference Data System in accordance with the CCD entitled "Application Interface Specification Reference Data to Pathway for CSR+" (BP/IFS/010). It also provides facilities for the manual input of data by Fujitsu Services' personnel and incorporation of system generated data from other parts of the Horizon Service Infrastructure.

2.7.2 Reference Data from Post Office Reference Data System is delivered in separately identifiable change instructions and loaded into Fujitsu Services' Reference Data Management Centre. These change instructions are then made available to a daily extract process when correct authorisation for each request is received from Post Office. Details regarding the delivery and authorisation of Reference Data are given in the following CCDs:

2.7.2.1 for products, "ICL Pathway/Post Office Interface Agreement for Operational Business Change - Product" (CS/PRD/058); and

2.7.2.2 for Branches, "ICL Pathway/Post Office Interface Agreement for Operational Business Change - Branch" (CS/IFS/003).

2.7.3 Reference Data Management Application is implemented with the following major functional components:

2.7.3.1 Reference Data Management Agents running on Data Centre servers;

2.7.3.2 host database application in the Data Centre; and

2.7.3.3 file transfer capabilities provided by the Central Infrastructure.

2.7.4 Reference Data Management Application provides facilities for version control of Reference Data including start and end dates for its validity. It manages distribution of Reference Data to Branches via the Horizon Service Infrastructure.

2.7.5 Reference Data Management Application provides data used by all the other Initial Applications and has the potential to extend this to additional Applications running on the Horizon Service Infrastructure.

2.7.6 Reference Data Management Application shall check Reference Data consistency and report exceptions.

2.8 Audit Facilities

2.8.1 The Audit facilities provide the mechanisms to record and maintain an audit trail of Transactions and events according to the CCD entitled "Audit Trail Functional Specification" (CR/FSP/006).

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2.8.2 The Audit facilities enable the recording of an operational audit trail and a commercial audit trail as such terms are referred to in the CCD entitled "Audit Trail Functional Specification" (CR/FSP/006). These comprise the audit trail associated with the operation of the Applications operated by Fujitsu Services, and the audit trail of that part of Fujitsu Services' internal commercial records to which Post Office's internal auditors or agents have access, as set out in Schedule 3.

2.8.3 Data within the operational audit trail will be retained for 18 months, although data relating to NBS and Debit Card will be retained for 7 years.

2.8.4 Data within the commercial audit trail will be retained for 7 years, although some data will be retained for the term of the Agreement which may be longer.

2.8.5 Access to audit trail data is provided to authorised Post Office personnel either by interactive access or through a set of standard reports.

2.9 Reconciliation Facilities

2.9.1 The Reconciliation facilities comprise a set of applications which will support Post Office in effecting reconciliation between itself, its Clients and third parties. These facilities will also support the reconciliation of accounting transaction data processed at a Counter Position with the details passed to the Post Office and details contained in the Branches Cash Accounts.

2.9.2 The Reconciliation facilities support the reconciliation of Transactions carried out using APS, EPOSS, NBS and Debit Card.

2.9.3 Reports will be produced and provided to Post Office and Reconciliation facilities will be supported by the processes specified in the set of CCDs referenced under "Reconciliation" for a particular Application in the CCD entitled "Contract Controlled and Referenced Document List " (BP/SPE/026).

2.10 Debit Card

2.10.1 The Debit Card application supports Transaction of Debit Card payments in Branches. It is installed at all Counter Positions in all Branches, but requires an operational data communications link in order to process Transactions. Debit Card can be invoked from EPOSS by a card swipe (or input of card details) when EPOSS is at the settlement menu. The following Transaction types are supported:

2.10.1.1 Debit Card purchase;

2.10.1.2 Debit Card refund; and

2.10.1.3 Explicit Reversal (as defined in the CCD entitled "Debit Card MoP Functional Specification" (EF/SER/001)).

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2.10.2 Debit Card has the following functional components:

2.10.2.1 Debit Card manages reading of data from magnetic stripe debit cards, presentation of screen dialogues to the User and User data input, and printing of receipts. It also integrates the DC Transactions into an EPOSS customer session. Debit Card writes data to the Riposte message store, including "immediate" messages to initiate message exchange with the Data Centre, and onwards to the Merchant Acquirer; and

2.10.2.2 The Debit Card Agents run on NT servers at the Data Centres. Such servers harvest relevant "immediate" and standard messages. Messages between the Counter Position and the Merchant Acquirer are brokered by the Agent application. Standard messages are harvested by the Agents and summarised and forwarded to the Reconciliation Application.

3. ADDING NEW APPLICATIONS

3.1 As a new application is to be added the following actions shall be completed:

3.1.1 a high-level description of the application shall be incorporated into paragraph 4 of this Schedule;

3.1.2 the relevant Schedules to this Agreement shall be updated to record the new application, including:

3.1.2.1 Schedule 1 (Interpretation);

3.1.2.2 Schedule 15 (Service Levels and Remedies);

3.1.2.3 Schedule 16 (Post Office Responsibilities);

3.1.2.4 this Schedule 18 (Application Management), and

other Schedules to this Agreement as relevant.

3.1.3 the following CCDs shall be created and referenced from the table contained in paragraph 5 of this Schedule:

3.1.3.1 Application definition;

3.1.3.2 interface specifications;

3.1.3.3 HCI specifications;

3.1.3.4 reference data requirements (as relevant); and

3.1.3.5 Fujitsu Services and Post Office operational procedures (as relevant).

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4. ADDITIONAL APPLICATIONS

This paragraph will include brief descriptions of each new application. Initially, this paragraph is intentionally blank.

5. LIST OF RELATED DOCUMENTS

Table A below lists those CCDs which provide a high level technical/functional overview of each Application. The CCDs listed in Table B below supplement that Table and relate to more than one Application. Further details of each Application can be found in those CCDs which are indicated to relate to that Application in the CCD entitled "Contract Controlled and Referenced Document List" (BP/SPE/026).

6. SADD

A more detailed specification of those existing Applications described in paragraph 2 (other than NBS and Debit Card) is contained in the SADD. Fujitsu Services shall use reasonable endeavours to update the SADD to reflect the introduction of the NBS by the date 3 months after NBS Acceptance and shall in any event do so by the date 6 months after NBS Acceptance. Fujitsu Services shall only be required to make any other updates to the SADD as may be agreed by the Parties pursuant to the Change Control Procedure.

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Table A

Application	Application Definition or Equivalent
EPOSS – Counter and Branch Administration	EPOSS Definition (BP/SPE/033)
EPOSS – Debit Card Method of Payment	Debit Card MOP Functional Specification (EF/SER/001)
APS	APS Definition (BP/SPE/038)
OBCS	OBCS Definition (BP/SPE/039)
LFS	LFS Definition (BP/SPE/037)
Message Broadcast	Message Broadcast Definition (BP/SPE/036)
NBS	NBS Definition (BP/SPE/035)
Reference Data Management	Reference Data Definition (BP/SPE/040)
Reconciliation	Reconciliation Definition (BP/SPE/034)
Audit	Audit Trail Functional Specification (CR/FSP/006)

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Table B

Document Title	Fujitsu Services Reference
Security Functional Specification	RS/FSP/001
Service Architecture Design Document	CR/FSO/004
ICL Pathway Core Systems Release Plus Contents Description *(This CCD does not apply to NBS)*	PA/STR/013
Supplement to Addendum B of ICL Pathway Core System Release Plus Contents *(This CCD does not apply to NBS)*	PA/STR/014
Horizon OPS Reports and Receipts - Pathway Horizon Office Platform Services	SD/DES/005

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SCHEDULE 19

OPERATIONAL SERVICES

Version History

Version No.	Date	Comments
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SCHEDULE 19

OPERATIONAL SERVICES

1. INTRODUCTION

1.1 This Schedule 19 sets out the Operational Services that shall be performed by Fujitsu Services.

1.2 The three tables in paragraph 2 of this Schedule together set out the Services comprised in the Operational Services. Table A contains the Operational Services corresponding to the Operational Charges Table in Schedule 10. Table B contains the Operational Business Change Services in respect of which additional Charges are payable when such Services are ordered under paragraph 8 of Schedule 10. Table C contains other Operational Services, the Charges for which are not individually itemised in the Operational Charges Table, but are included in the Charges for the Services referred to in the Operational Charges Table.

1.3 The tables in paragraph 2 of this Schedule set out for each Service comprised in the Operational Services:

1.3.1 the name of the Operational Service;

1.3.2 the CCD(s) containing the Operational Service description in accordance with which that Service shall be performed; and

1.3.3 a brief description of the Operational Service and information (where necessary) relevant to the Charges.

2. SERVICES

2.1 Table A: Operational Services in Operational Charges Table in Schedule 10

Operational Service	CCD/Schedule title and reference	Brief Service Description
Horizon Systems Help Desk Service	Horizon Systems Helpdesk: Service Description (CS/SER/002)	The provision of first and second line support to Post Office Branches and other designated groups through the provision of a support desk function. Charge included within the Help Desk Service line in the Operational Charges Table in Schedule 10.

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Technical Service Desk	Technical Services Desk: Service Description (CS/PRO/148)	The service provides a single point of contact for network banking domains (including those involved in Debit Card) reporting the occurrence of technical incidents and problems with banking services. Charge included within the Help Desk Service line in the Operational Charges Table in Schedule 10.
Engineer Service	Engineer Support: Service Description (CS/SER/005)	Service comprises an on-site replacement or repair service for broken or faulty equipment at Branches together with associated back-up, support and administrative functions.
Operational Business Change –Branch (pre-paid element)	Operational Business Change Branch CCDs	A collection of services which can be procured by Post Office in relation to changes the Horizon hardware configuration in Post Office locations. This service supports physical changes in the Post Office branch infrastructure through the provision of a range of services. The service supports both planned and unplanned changes.
Data Centre Operations Service	Service Description for Data Centre Operations Service (CS/SER/007)	Service for managing the central operating infrastructure and data communications network.
Network Service	Schedule 17	Provision of network infrastructure. Operational network management and supplier management of Energis included within Data Centre Operations Service and Service Management Service.

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Systems Management Service	Service Description for Systems Management Service (CS/SER/008)	Event management and software distribution services.
Product Support Service	N/A	Services related to software licences.
Reference Data Management Service	Fujitsu Services (Pathway) Ltd/Post Office Ltd Interface Agreement for Operational Business Change – Product (CS/PRD/058)	Service for the management of Reference Data.
Third Line Software Support Service	Service Description for Third Line Software Support Service (CS/SER/009)	Service for the diagnosis of new software incidents occurring in Branches and the data centre.
Management Information Service	Management Information Service: Service Description (CS/SER/015)	The service provides a mechanism for the reporting and publishing of Fujitsu Services' achievement of Service Levels and targets. The service also provides data for the settlement of liquidated damages, and provides a vehicle for the request of information regarding data captured on the Horizon Service Infrastructure.

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Transaction Benchmarking Service	Transaction Benchmark Service: Service Description (CS/SER/010)	The service defines a benchmarked standard in respect of system components for individual Transactions or an aggregated time for nominated Transactions across each of the Services. Charges included in Management Information Service line in the Operational Charges Table in Schedule 10.
Service Management Service	Service Management Service: Service Description (CS/SER/014)	The objectives of the service are to monitor, manage and maintain the delivery of the Operational Services using the Applications and to report on the same to the Service Management Forum.
Reconciliation Service	Reconciliation Service CCDs	This service provides end-to-end reconciliation and incident management procedures required to investigate, report and resolve reconciliation and business incidents. This includes the Network Banking Reconciliation & Incident Management procedures which shall commence from the start of NB Pilot (Soft Launch).
Security Management Service	Security Management Services (CS/SER/016)	This service provides a wide range of security related activities required for ISO 17799 compliance.

2.2 Table B: Operational Business Change Services

Operational Business Change Services	**CCD title and reference**	**Brief Service Description**
Operational Business Change –Branch	Operational Business Change Branch CCDs	A collection of services which can be procured by Post Office in relation to changes to the Horizon hardware configuration in Post Office locations.

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		This service supports physical changes in the Post Office branch infrastructure through the provision of a range of services. The service supports both planned and unplanned changes.
Message Broadcast Service	Message Broadcast: Service Description (CS/SER/004)	The service enables Post Office to communicate directly with Branches for the purpose of issuing instructions, advice or information urgently.
AP Business Change Services	AP Business Change CCDs	Client Take-On Service Service for the provision of amendments to APS Clients and Tokens. AP Client Delivery Agreement Change Service Service that provides Post Office with the facility to request changes to the delivery agreement for a live APS Client – for instance to change the days of the week when files are to be delivered to the APS Client. AP Client File Re-send Service Service that provides Post Office with the facility to request that APS Client Transaction files are re-sent.
Horizon Icon Service	Icon Business Change CCDs	Service for the provision of new Icons.

2.3 Table C: Other Operational Services

Operational Service	**CCD/Schedule title and reference**	**Brief Service Description**
Capacity Management Service	Horizon Capacity Management and Business Volumes (PA/PER/033)	Service to manage the capacity of the Horizon Service Infrastructure.

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Additional EPOSS Data Capture Service	Paragraph 8.9 of Schedule 10	Service to provide Post Office with a means by which a number of item Additional Fields can be associated with an EPOSS product during a customer session.
Counter Training Service	Paragraph 8.8 of Schedule 10 & the CCD titled Counter Training Offices Strategy (IM/STR/056)	Service to upgrade software in the Post Office estate of training and demonstration counter positions.

3. STRUCTURE OF SERVICE DESCRIPTIONS

3.1 If new Operational Services are introduced under the Change Control Procedure these will be added to the relevant table in paragraph 2 of this Schedule 19 and CCD(s) shall be produced in relation to such new services that contain at least the following information:

3.1.1 description of the service;

3.1.2 service principles to be followed;

3.1.3 detailed service definition;

3.1.4 service availability;

3.1.5 reference to associated Service Levels and limits;

3.1.6 dependencies and Post Office responsibilities (if any); and

3.1.7 associated documentation.

3.2 If Post Office fails to perform any of the responsibilities and/or obligations imposed on it by the CCDs referred to in the tables of paragraph 2 of this Schedule 19, then Fujitsu Services shall be released from performing any of its obligations, to the extent that such performance depends on those Post Office responsibilities and/or obligations being performed.

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SCHEDULE 20

DEVELOPMENT SERVICES

Version History

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SCHEDULE 20

DEVELOPMENT SERVICES

1. INTRODUCTION

1.1 This Schedule 20 deals with Development Services as more specifically defined in paragraph 2 below.

1.2 Development Services consist on the one hand of SI Support Services and on the other hand of various services which are to be ordered through Work Orders.

1.3 This Schedule 20 sets out the Post Office's and Fujitsu Services' agreed approach to contracting for and resourcing Work Packages.

1.4 This Schedule does not deal with (and the Development Services do not include):

1.4.1 except as described in paragraph 2.1.2.4, the implementation of Branch Hardware which is dealt with under Schedule 23; or

1.4.2 the subsequent operation of developed Applications and implemented Systems which are dealt with under Schedule 19.

1.5 Where Post Office chooses to procure a standard or bespoke Application from Fujitsu Services the terms on which it does so shall be set out in one or more Work Packages in accordance with the process referred to in paragraphs 5 to 7 below.

1.6 It is the intention of both Parties that the most suitable procurement method shall be used as the basis for contracting an individual Work Package.

2. DEVELOPMENT SERVICES

2.1 The following Services are referred to together as "Development Services":

2.1.1 SI Support Services (including Fourth Line Support and Fujitsu Services' internal re-architecting projects).

2.1.2 Services which may be procured by Post Office as follows:

2.1.2.1 Professional Services

Professional services comprising the provision of consultancy and technical advice by appropriately skilled Fujitsu Services personnel on a T&M basis under the management of Post Office. Typical work would include strategy, feasibility and requirements studies. Provision of such services is separate from but relates to the services described in paragraphs 2.1.2.2 to 2.1.2.4 below.

2.1.2.2 Software Development

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Software development involves:

(a) Application development, being the design, development, evaluation, tailoring/configuration, testing and validation, of application software; and

(b) infrastructure software development, being the design, development, evaluation, tailoring/configuration, testing and validation, of infrastructure software.

2.1.2.3 Systems Integration

Systems Integration involves:

(a) the selection and integration of components and the testing of those components as part of an end to end suite of systems; and

(b) the implementation of Infrastructure and software upgrades to the Central Infrastructure and Telecommunications Infrastructure to support any new services operating end-to-end as defined by Post Office requirements in the relevant Work Order.

2.1.2.4 Hardware Impact Assessment and Implementation Support (together "Systems Implementation") as described under Schedule 23 but procured under this Schedule 20.

2.1.3 Current Development Services

Current Development Services include additional functionality ordered by Post Office prior to 1 January 2003 and which is being developed by Fujitsu Services, including NBS and Debit Card.

3. APPLICATION DEVELOPMENT AND PROCUREMENT

3.1 Procurement principles

3.1.1 Where Post Office requires additional functionality to be integrated within the Horizon Service Infrastructure, it will, wherever practicable and cost effective (and subject to paragraph 3.2.2) provide such functionality by procuring standard Applications from Fujitsu Services or a third party software provider in preference to carrying out bespoke software development.

3.1.2 Where standard Applications are not available or not suitable, Post Office may:

3.1.2.1 procure a bespoke Application from a third party; or

3.1.2.2 procure a bespoke Application from Fujitsu Services.

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3.2 Procurement from a third party

3.2.1 If Post Office procures a standard or bespoke Application from a third party it may require that such Application is integrated into the Horizon Service Infrastructure by Fujitsu Services.

3.2.2 The selection and deployment of any third party standard Applications or third party bespoke Applications is subject to joint:

3.2.2.1 verification of the Application's technical compatibility and ability to interface with the Horizon Service Infrastructure;

3.2.2.2 assessment of the impact on the Horizon Service Infrastructure (including the costs of implementation) and the Operational Services (including the Service Levels and any limitations on liability);

3.2.2.3 review of the availability of suitable support capability; and

3.2.2.4 assessment against Post Office IT and business strategies,

by Post Office and Fujitsu Services.

3.2.3 The verification, assessment and review activities referred to in paragraph 3.2.2 shall be subject to a Work Order.

3.2.4 The commercial and contractual relationship between the Post Office, Fujitsu Services and any third party Application provider (including the charges payable to Fujitsu Services) shall be agreed on a case by case basis. The Parties may adopt whatever commercial and/or contractual structure is appropriate for the particular circumstances. However, the commercial and contractual arrangement must take reasonable account of the impact on the systems and services provided to Post Office by Fujitsu Services.

3.2.5 Fujitsu Services shall not unreasonably refuse to integrate third party Applications into the Horizon Service Infrastructure, taking into account the proposed commercial terms and the impact such integration will have on the systems and services provided to Post Office by Fujitsu Services.

4. SYSTEMS INTEGRATION AND SYSTEMS IMPLEMENTATION

4.1 Fujitsu Services shall, throughout the term of this Agreement, be the exclusive provider to Post Office of Systems Integration and Systems Implementation services relating to the Horizon Service Infrastructure as at 1 January 2003 and any replacement thereof with similar functionality.

4.2 The terms on which Fujitsu Services supplies the services referred to in paragraph 4.1 shall be set out in one or more Work Orders in accordance with the process referred to in paragraphs 5 to 8 of this Schedule.

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4.3 Where Systems Integration or Systems Implementation services are required in connection with work:

4.3.1 which does not use any components of the Horizon Service Infrastructure; or

4.3.2 where such of the Systems Integration services which do use components of the Horizon Service Infrastructure have been included in a Work Order placed with Fujitsu Services,

Post Office shall appoint a party to provide such Systems Integration or Systems Implementation services on a case by case basis and may carry out such work itself.

5. CONTRACTING FOR DEVELOPMENT SERVICES

5.1 SI Support Services and Current Development Services are provided under the terms of this Agreement and are paid for through the Charges.

5.2 Development Services which fall within paragraph 2.1.2 must be ordered as Work Orders. The basis for development resource planning of Work Packages shall be the Development Process Stages (as such term is defined in paragraph 5.7). Each Development Process Stage shall be the subject of one or more Work Packages and no Work Package shall extend over more than one Development Process Stage (although this will not prevent a degree of overlap between Development Process Stages and their associated Work Packages).

5.3 Post Office shall use all reasonable endeavours to arrange its ordering of Work Orders such that workload is smoothed within each Financial Year of the term of this Agreement and Fujitsu Services shall not unreasonably refuse to agree to Work Orders.

5.4 Except in the case of Development Services to be provided under paragraph 3.2.4, where Development Services are to be provided under the terms of this Agreement the terms of the relevant Work Order will be determined in accordance with one of the IS Landscape ("ISL") approaches set out in paragraph 5.6.

5.5 The ISL is a generic approach to joint working between the Post Office and suppliers (including Fujitsu Services) in relation to development services to support the solution life cycle.

5.6 The ISL proposes two different development approaches:

5.6.1 Competitive ISL, which is described in paragraph 7; and

5.6.2 Joint Working ISL, which is described in paragraph 8.

5.7 Fujitsu Services and Post Office shall operate a standard development (“Development Process”) for Development Services procured by Post Office from Fujitsu Services under this Agreement. The Development Process is made up of six key stages (each key stage being a “Development Process Stage”). The first two Development Process Stages are common to both Competitive ISL and Joint Working ISL and are described in

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paragraph 6.1. The third, fourth, fifth and sixth Development Process Stages are only relevant to Joint Working ISL and are described in paragraph 8.4.

6. COMMON ISL

6.1 The following Development Process Stages will be led by Post Office who may procure professional services from Fujitsu Services to support the work done in the relevant Development Process Stage. These Development Process Stages will be common to both Competitive ISL and Joint Working ISL and will normally be completed before Post Office makes its decision as to whether any further Development Process Stages shall be conducted as Joint Working ISL or Competitive ISL.

6.1.1 Strategic Approval Stage, which defines the strategic and architectural framework within which the IS changes are to be developed and delivered.

6.1.2 Start-up and Feasibility Stage, in which Post Office develops an outline view of a potential business requirement with input, where required, from Fujitsu Services on the indicative cost range for the provision of a potential solution, to assist Post Office in making an informed decision on:

6.1.2.1 the business case for proceeding to later stages of the Development Process; and

6.1.2.2 sourcing of solution components.

6.2 A key objective of Common ISL is to provide sufficient information to Post Office such that it can make an informed decision about the procurement approach to the next stages of the Development Process in respect of a project as a whole and of each solution component. The Parties shall consider jointly the procurement options by reference to Schedule 23, paragraph 8.9 of this Schedule 20 and paragraph 6.2.2 of Schedule 10 before a decision is made by Post Office on whether it will adopt Competitive ISL or Joint Working ISL for the later Development Process Stages.

7. COMPETITIVE ISL

7.1 Where the development approach chosen by Post Office is Competitive ISL, the terms on which any Development Services are provided by Fujitsu Services will be determined through a competitive process. Post Office shall specify the requirements and processes to be applied to such competitive procurement, dividing the tasks into Work Packages and Fujitsu Services shall not unreasonably be refused an opportunity to compete for each of the Work Packages by Post Office.

7.2 Post Office shall, with assistance from Fujitsu Services in relation to those Development Process Stages awarded to Fujitsu Services under Competitive ISL, plan the stages involved in such development work in order to achieve appropriate time to market that may involve overlapping stages between Post Office and its suppliers, including Fujitsu Services. However there shall be discrete decision points such that Fujitsu Services shall be aware whether work undertaken in the current Development Process Stage shall be followed by a competitive procurement in the next stage.

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7.3 Competitive ISL cannot be used as the procurement process for those Development Services to which Fujitsu Services has exclusive rights under paragraph 4.1.

7.4 Post Office may procure from Fujitsu Services the establishment of a test environment for use by a third party developer, where required, as a specific Work Order at the rates and charges set out in paragraph 6.2 of Schedule 10.

8. JOINT WORKING ISL

8.1 Joint Working ISL is a process involving overlapping stages of work enabling greater sharing and inter-action between Post Office and Fujitsu Services, and thereby faster time to market, than under the Competitive ISL approach. There will, however, still be a need for clear decision points between each stage to enable control of the overall process.

8.2 The principles applicable to Joint Working between Post Office and Fujitsu Services are as follows:

8.2.1 clear control for each Development Process Stage and the responsibility to deliver associated deliverables will be specified and agreed between the Parties as vesting in either Post Office or Fujitsu Services but not both;

8.2.2 business control of Work Packages shall be established in accordance with the governance principles set out in Schedules 4 and 9 and each large Work Package will have a senior management sponsor within both Fujitsu Services and Post Office; and

8.2.3 ISL related responsibilities shall be clearly identified and assigned to specific individuals in Fujitsu Services or Post Office.

8.3 The Parties shall structure and operate the Joint Working ISL in order, so far as is reasonably practical, to:

8.3.1 support quicker time to market, and minimise both the overall number of development processes requiring sign-off and the number of steps required to achieve such sign-off;

8.3.2 promote consistency, simplicity and clarity in both the development approach and format of ISL deliverables;

8.3.3 consider the full solution life cycle, including post development and delivery back-end functions such as Service Management;

8.3.4 operate in accordance with the governance framework described in Schedule 4; and

8.3.5 reduce cost in the overall development process, in line with best practice and the value for money assurances referred to in Schedule 11.

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8.4 For Joint Working ISL, the Development Process will include the following key stages (in addition to the two Development Process Stages described in paragraph 6.1):

8.4.1 Requirements Analysis Stage, in which production of a full specification of the requirements and Work Packages is led by Post Office to form the basis for solution specification and any subsequent contract for development, implementation, acceptance and operational work.

8.4.2 Solution Specification Stage, in which Fujitsu Services produces (i) a Design Proposal setting out the proposed solution in response to the Post Office's Work Package requirements and (ii) Commercial Terms detailing the price and contractual terms applicable to the subsequent stages of Development Process Stages and any operational stage.

8.4.3 Solution Build and Test Stage, in which Fujitsu Services undertakes the development, integration and testing of the solution Work Package up to, and including, its acceptance by Post Office.

8.4.4 Implementation Stage, in which Fujitsu Services undertakes system and software rollout into the live environment (any necessary Branch Hardware Implementation having been carried out in accordance with Schedule 23), together with related planning and change management, up to acceptance of the solution into live service.

8.5 The Parties will operate the Development Process to maximise continuity between Development Process Stages and to overlap Development Process Stages where practical, particularly, but not limited to, overlap between the Requirements Analysis Stage and Solution Specification Stage.

8.6 Any Development Process Stages which may be contracted for on the basis of Competitive ISL, in accordance with the principles referred to in paragraph 7 of this Schedule 20, shall be clearly identified as such by Post Office prior to the Requirements Analysis Stage.

8.7 In default of agreement to the contrary:

8.7.1 Post Office shall be responsible for managing the Development Process Stages referred to in paragraphs 6.1.1, 6.1.2 and 8.4.1, although Post Office may procure Professional Services from Fujitsu Services to support these activities;

8.7.2 Fujitsu Services shall be responsible for managing the Development Process Stages referred to in paragraphs 8.4.2, 8.4.3 and 8.4.4, (except for any aspects of the Implementation Stage which are performed by a third party in accordance with the provisions of Schedule 23); and

8.7.3 Post Office shall be responsible for Post Office related business implementation aspects of the Implementation Stage.

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8.8 Where any work related to a Development Process Stage is to be undertaken by Fujitsu Services, it shall be initiated by a Work Order.

8.9 Where the scope and size of a Work Package are substantial, Post Office may request Fujitsu Services to identify as separable components of work individual Work Package Element (each a "Subcontract Work Package Element") which could be carried out by third parties under Fujitsu Services' management. Where this option is considered, Fujitsu Services will identify any liability, performance, reliability or other potential service implications of such option and the terms to be incorporated into a subcontract for such work.

8.10 Where Fujitsu Services undertakes work falling within the Development Process Stages referred to in paragraphs 8.4.2, 8.4.3 and 8.4.4 under the Joint Working ISL the following development documentation shall be produced:

8.10.1 a Conceptual Design owned by Post Office which incorporates the Post Office's business and technical requirements and which defines the Work Packages required;

8.10.2 a Design Proposal owned by Fujitsu Services which sets out Fujitsu Services' proposed solution design; and

8.10.3 Commercial Terms, produced by Fujitsu Services, which will specify the costs, contractual conditions, including any Post Office responsibilities, and any exceptions to or qualifications in respect of the Post Office Work Package requirements specified within the Conceptual Design.

8.11 The Parties shall set out the approach to and general format, content and level of detail of both the Conceptual Design and the Design Proposal in a CCD to be agreed between the Parties by 31 March 2003. The following high-level principles shall form the basis of such document:

8.11.1 Post Office shall:

8.11.1.1 provide Fujitsu Services with reasonable access to informed and empowered business users and clients early in the Development Process to enable Fujitsu Services to obtain proper business understanding of the function/ cost trade offs early in the Process;

8.11.1.2 consider the impact of its emerging requirements against Fujitsu Services' proposed solution as currently highlighted in Annexes A and B to Schedule 12;

8.11.1.3 use reasonable endeavours to promote continuity of work flow;

8.11.1.4 synchronise Post Office business approval processes with Development Process Stage checkpoints;

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8.11.1.5 provide that, so far as is commercially acceptable to Post Office, each Development Process Stage will continue into the start of the next Development Process Stage whilst next stage approvals are being procured (the aim of this requirement being to eliminate programme stop/start and hence provide for continuity of resourcing);

8.11.1.6 in principle, limit number of iterations around requirements definition to no more than three.

8.12 Documentation requirements shall be confined to those commissioned by Post Office and those otherwise required by Fujitsu Services for its own purposes.

8.12.1 With respect to documentation commissioned by Post Office:

8.12.1.1 Post Office shall ensure that there shall be a single review group which reviews each draft concurrently;

8.12.1.2 in principle, there shall be no more than two comment cycles; and

8.12.1.3 Post Office shall consolidate its comments under an informed sponsor.

8.12.2 The following documentation shall be removed from the maintained set:

8.12.2.1 GAPI;

8.12.2.2 PPDs (following update for NBS);

8.12.2.3 SADD (following update for NBS); and

8.12.2.4 all other CCDs not included in the Core Document Set.

8.13 The Parties shall set out their agreement on the new processes to apply to testing in a CCD to be agreed between the Parties by 31st August 2003. The following high-level principles shall form the basis of such new processes:

8.13.1 The acceptance process shall be streamlined. In this regard:

8.13.1.1 all requirements on which acceptance of the solution will depend will be accompanied by specified and objective acceptance criteria within the Conceptual Design;

8.13.1.2 Acceptance planning and preparation shall be carried out by the Parties jointly;

8.13.1.3 Post Office shall rely on tests carried out by Fujitsu Services alone or by Fujitsu Services and Post Office jointly rather than witnessing Fujitsu Services testing;

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8.13.2 Joint Post Office and Fujitsu Services test team(s) shall be established:

8.13.2.1 during the Requirements Analysis Stage to establish 'testability' of the project and the optimal testing approach within the required timescales;

8.13.2.2 Post Office shall bring business knowledge to test scripts and analysis early in the Solution Build and Test Stage;

8.13.2.3 plans and scripts shall be shared between the Parties so as to reduce the review and approval cycle;

8.13.2.4 Post Office shall contribute reasonable resource to the test execution phase later in the Solution Build and Test Stage.

8.13.3 Field trials shall be used to validate product acceptance. This is intended to:

8.13.3.1 reduce the number of Post Office test phases by one;

8.13.3.2 provide the ability to 'test' new markets more readily, thereby improving time to market.

8.14 Unless otherwise agreed:

8.14.1 Fujitsu Services shall use the Conceptual Design as modified in accordance with paragraph 8.15 as the basis for the Design Proposal and shall ensure that the two documents are in step identifying any exclusions or qualifications within the Commercial Terms; and

8.14.2 Post Office's business and technical requirements, as contained in the Conceptual Design, will form the basis for contracting the solution development and its acceptance.

8.15 If Fujitsu Services identifies deficiencies in the Conceptual Design, Fujitsu Services shall present to Post Office a statement of such and their implications so that the Parties may discuss and jointly agree appropriate changes to the Conceptual Design or alternatively a different basis upon which to initiate Fujitsu Services' design work for development of the solution and its acceptance.

8.16 Subject to any agreement to the contrary, the following roles and responsibilities shall apply to the Development Process when undertaken by Fujitsu Services and Post Office together under the Joint Working ISL:

8.16.1 Post Office Roles and Responsibilities

8.16.1.1 Post Office shall be responsible for its business change process from conception, through preliminary business analysis, to solution architecture and completion of the Conceptual Design.

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8.16.1.2 Post Office shall carry out any responsibilities agreed by it as part of a Work Order.

8.16.1.3 During the Development Process Post Office shall:

(a) provide guidance on interpretation of the documents which it owns;

(b) set up one Delivery Manager to manage each Work Package from Post Office's perspective;

(c) set up one Design Authority, covering both business and technical Work Package aspects;

(d) provide appropriate levels of data for take-on of new services (as will be described in more detail in the relevant Work Order) except where such data already exists in the Horizon Service Infrastructure domain; and

(e) ready its business to receive the solution (as will be described in more detail in the relevant Work Order).

8.16.2 Fujitsu Services Roles and Responsibilities

8.16.2.1 Fujitsu Services shall:

(a) complete the Work Orders as agreed with Post Office;

(b) arrange a reasonable level of joint Work Package review checkpoints (to promote visibility of the Design Proposal and conformity to the Conceptual Design);

(c) be accountable for the quality of the solution delivered by the Work Package to meet the agreed acceptance criteria;

(d) provide points of contact/authority comparable to those set out in paragraphs 8.16.1.3(b) and 8.16.1.3(c); and

(e) populate development related CCD's in accordance with Schedules 17 and 18.

9. ACCESS TO AND PROVISION OF DOCUMENTATION

9.1 Where Post Office reasonably requires access to the current versions of Fujitsu Services' internal design documentation ("Internal Design Documentation") to:

9.1.1 support the evaluation, selection or procurement of third party Applications or Branch Hardware for integration into the Horizon Service Infrastructure;

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9.1.2 assist a third party in its development of an Application or Branch Hardware for integration into Horizon Service Infrastructure;

9.1.3 assist with integration of Horizon Service Infrastructure with other systems; or

9.1.4 understand how to replace Horizon Service Infrastructure and the Applications in the long term, including interfaces with software to be retained beyond the term of this Agreement,

(together the "Purposes") Fujitsu Services shall provide the Post Office and such relevant third parties with access to such Internal Design Documentation subject to the conditions set out in the remainder of this paragraph 9.

9.2 The "Internal Design Documentation" shall be provided by Fujitsu Services to Post Office on an 'as is' basis without warranty or commitment as to its quality, accuracy, completeness or fitness for purpose (all implied warranties being excluded to the fullest extent permitted at law).

9.3 Specially Commissioned Design Documentation

9.3.1 Post Office may commission Fujitsu Services to produce specially commissioned design documentation for a specific purpose ("Specially Commissioned Design Documentation");

9.3.2 Fujitsu Services warrants that such documentation shall be produced by appropriately qualified, experienced and trained personnel with all due skill, care and diligence taking into account good industry practice and their previous roles within Fujitsu Services relevant to the subject matter of this Agreement, but any other implied warranties are excluded to the fullest extent permitted at law.

9.4 Confidentiality

For both the Specially Commissioned Design Documentation and Internal Design Documentation:

9.4.1 Post Office and, where appropriate, the relevant third party(ies) shall enter into such design documentation related confidentiality commitments as Fujitsu Services may reasonably request as a precondition for its provision;

9.4.2 access to the design documentation shall not serve to transfer any intellectual property rights in the documentation or information contained therein to the Post Office or any third party (similarly, intellectual property rights shall not be transferred from third parties to Fujitsu Services when Fujitsu Services act as Systems Integrator of Applications procured from third parties). The documentation and the information contained therein may only be used by the Post Office or the third party for the Purposes;

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9.4.3 Post Office shall, prior to the release of any design documentation, provide Fujitsu Services with written confirmation from the third parties concerned that they agree to the above conditions.

9.5 Any Fujitsu Services Professional Services required by the Post Office or an applicable third party to interpret the design documentation shall be provided to the Post Office on a time and materials basis on the rates set out in Schedule 10, paragraph 6.2.1 and shall be subject to the same confidentiality undertakings as are set out in sub-paragraph 9.4 above.

10. DEVELOPMENT RESOURCE MANAGEMENT

10.1 Core SI Team

10.1.1 Fujitsu Services shall maintain a core systems integration team (the "Core SI Team").

10.1.2 The Core SI Team shall initially contain an average (measured over a Financial Year) of 150 individuals, and shall comprise management, programme office, requirements analysis, architecture & design, Systems Integration, development, quality assurance, testing and support, and configuration management skills. The initial Core SI Team is described, in terms of skill units and skill sets within skill unit, in Part A of the Resource Plan, a preliminary version of which is set out at Annex 1 (such version applying at the Amendment Date).

10.1.3 Fujitsu Services shall ensure that the Core SI Team is composed of competent staff. Subject to Schedule 6, the composition of the Core SI Team is at Fujitsu Service's discretion taking due account of the constraints and objectives set out in paragraph 10.2.

10.1.4 Subject to the dependencies set out in Schedule 12 having been fulfilled, the Core SI Team shall reduce to approximately 90 persons in accordance with the provisions of Schedule 10 as the E2E Re-architecting Programme is completed.

10.2 Capacity of Core SI Team

10.2.1 The composition of the Core SI Team is and will remain such that there will be a degree of pre-paid capacity remaining once the Core SI Team has performed the SI Support Services. The amount of the Pre-paid SI Capacity from time to time is defined in paragraphs 11.7.2. Such Pre-paid SI Capacity will be calculated without reference to the positions within the Core SI Team (initially 20) which are dedicated to the provision of indirect services and are designated in Part A of the Resource Plan from time to time as 'programme office' and 'senior management'.) It is the intention of the Parties to utilise that pre-paid capacity, to the extent practical, in the performance of Work Packages.

10.2.2 The degree to which such Pre-paid SI Capacity is capable of being effectively applied to Work Packages will depend upon:

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10.2.2.1 the appropriateness of the skills possessed by the Core SI Team to work which is outside the scope of the Services and Applications (both as at the Amendment Date); and

10.2.2.2 the extent to which effective utilisation can be achieved through planning in advance so as to achieve a smoothing of demand.

10.2.3 To address the issue in paragraph 10.2.2.1, and subject to the Core SI Team retaining the appropriate balance of skills and resources necessary to perform the SI Support Services, the composition of the Core SI Team shall be designed to the extent reasonably possible to match anticipated Work Package demand from the Post Office as identified in the Resource Plan.

10.2.4 To address the issue in paragraph 10.2.2.2, the Parties shall plan resource utilisation in the manner set out in paragraphs 10.4 to 10.6.

10.2.5 In addition Fujitsu Services has agreed to underwrite a degree of utilisation as set out in paragraph 11.

10.2.6 Basic skills training (e.g. programming languages) to enable staff to resource Work Packages is Fujitsu Services' responsibility and time spent on such basic training shall not be treated as utilising pre-paid capacity. Fujitsu Services shall decide upon training requirements for staff in the Core SI Team.

10.3 Additional Resources

10.3.1 Notwithstanding the measures referred to in paragraphs 10.2.3 and 10.2.4 Work Packages may require appropriate additional development resources in excess of the resources available from the Core SI Team ("Additional Resources") in order to provide the appropriate amount of suitably skilled effort to fulfil demand.

10.3.2 Fujitsu Services shall, as required by Work Orders and subject to the provisions of paragraph 10.5, procure Additional Resources and shall subsequently shed such Additional Resources as the level of Work Order demand reduces.

10.3.3 Further to paragraph 8.9, Post Office may designate an appropriate and qualified third party to carry out Subcontract Work Package Elements, and Fujitsu Services in its capacity as systems integrator shall not act unreasonably in seeking to agree appropriate terms with the third party and with Post Office.

10.3.4 Necessary induction training for Additional Resources on the Horizon Service Infrastructure shall be included in the relevant Work Package, and Fujitsu Services shall procure that such resources have the requisite basic skills required for that work.

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10.4 Resource Planning Process

10.4.1 Fujitsu Services shall propose, based on Post Office's declared forecasts of demand, a resource plan (the "Resource Plan"), over a planning period (the "Planning Period") comprising the current Work Period (defined in paragraph 10.4.4) and the subsequent twelve Work Periods. The Resource Plan shall comprise three elements:

10.4.1.1 the resources which are committed to SI Support Services;

10.4.1.2 the resources which are to be applied to fulfilling Work Orders (the "Work Order Resource Plan"), comprising Core SI resources and the Additional Resources agreed in relation to Work Orders; and

10.4.1.3 the resources which would be required to fulfil anticipated (but not committed) Work Packages (collectively, the "Uncommitted Resource Plan").

10.4.2 Fujitsu Services shall update and extend the Resource Plan, and Fujitsu Services and Post Office shall work together to agree it, in line with the resource review meetings described in paragraph 10.6 below and subject to the governance arrangements set out in Schedule 4.

10.4.3 Fujitsu Services shall commit Development Services resources on the basis of the Work Order Resource Plan.

10.4.4 The Resource Planning Process shall be based on numbered weeks (starting on a Monday and finishing on a Sunday) which are aligned to calendar months as "Work Periods" as set out in Annex 2 such that some Work Periods contain four weeks and others five. The first numbered week of each Financial Year starts on the Monday nearest to 1 April.

10.4.5 The Resource Plan will show:

10.4.5.1 in Part A the composition of the Core SI Team at the commencement of the Resource Plan; and

10.4.5.2 in Part B, for each Work Period, to the extent reasonably practicable and to reasonable approximations in the case of uncommitted work (taking due account of the quality of demand forecasts available in respect of uncommitted Work Packages and the ratio of Uncommitted Resource Plan to Work Order Resource Plan):

(a) the number of hours anticipated to be devoted to SI Support Services by the Core SI Team;

(b) the list of Work Packages committed by Work Order on which work is to be carried out during the Work Period;

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(c) the number of hours anticipated to be devoted to Work Packages committed by Work Orders and which will be carried out by the Core SI Team, analysed by skill unit, grade and Work Package;

(d) the number of hours anticipated to be devoted to Work Packages committed by Work Orders and which will be carried out by Additional Resources, analysed by skill unit, grade and Work Package;

(e) the forecast utilisation of Core SI resources applied to the Work Order Resource Plan in relation to Pre-Paid SI Capacity;

(f) the spare Core SI capacity available by skill set to carry out uncommitted Work Packages;

(g) the potential for matching such available capacity to uncommitted Work Packages and the dates by which Work Orders must be received to effect such matching;

(h) any Additional Resources which would be required, by skill set, to carry out each uncommitted Work Package within the Uncommitted Resource Plan; and

(i) the dates for each Work Package by which a Work Order must be received for Fujitsu Services to procure the required Additional Resources (in accordance with paragraph 10.5.2).

10.4.6 In preparing a Resource Plan, Fujitsu Services shall use reasonable endeavours to maximise the utilisation of the Core SI Team so as to minimise the use of Additional Resources and consequent Additional SI Charges.

10.4.7 Where Fujitsu Services is providing Development Services through a Work Package on a fixed price basis then the Parties shall agree and record in the Resource Plan, prior to contractual commitment for the Work Package in question, a proportion of the work which shall be deemed to have been provided by the Core SI Team. These figures shall also be factored into the resource reporting procedure, as described in paragraph 11.6 of this Schedule 20.

10.5 Procurement of Additional Resources

10.5.1 Where Additional Resources are agreed to be employed in the delivery of an agreed Work Order, Fujitsu Services shall procure those Additional Resources, and Post Office shall pay for those Additional Resources, in the manner and amounts agreed in the Work Order in question which unless otherwise agreed shall be on the basis of the time and materials man rates set out in paragraph 6.2 of Schedule 10.

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10.5.2 Subject to Post Office following the joint development resource planning process described in paragraph 10.4, and subject also to paragraph 10.5.6, Fujitsu Services shall procure appropriate Additional Resources for anticipated Work Orders, providing that such Work Order is received by the date specified in the Commercial Terms, up to the limits set out in the following table and shall use reasonable endeavours to procure further Additional Resources if required by Post Office:

Elapsed Number of Work Periods from end of Period in which Work Order is received	Number of Additional Resources
1	Nil
2	10
3	20
4	30
5	40
6	50
7	60
8	80
9	100
10	100
11	100
12	100

10.5.3 If Post Office cancels Work Orders which the current Resource Plan identifies as using Additional Resources in any Work Period in that Resource Plan, the consequent cancellation of excess Additional Resources shall be treated as follows:-

10.5.3.1 up to the numbers of excess Additional Resources set out in column 2 or 3 (whichever is appropriate) of the table in paragraph 10.5.3.2 against the Work Period referred to in column 1 of that table the cancellation of such Additional Resources shall be at no cost to the Post Office; and

10.5.3.2 in excess of the numbers of excess Additional Resources set out in column 2 or 3 (whichever is appropriate) in the table below against such Work Period in the table below (the "Excess Cancelled Resources") then Post Office shall, unless that cancellation was due to a Default by Fujitsu Services or the unsatisfactory nature of the Additional Resources proposed or Fujitsu Services has over-estimated the resource requirement in respect of a Work Order, be liable to pay to Fujitsu Services, in respect of that Work Period, an amount equal to the applicable man rates payable in relation to the Work Orders in question for such Excess Cancelled Resources multiplied by fifty percent.

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1 Elapsed number of Work Periods from end of Period in which cancellation is received	2 Number of excess Additional Resources - Horizon specific	3 Number of excess Additional Resources - non Horizon specific
1	Nil	Nil
2	5	10
3	10	All
4	20	All
5	40	All
6	All	All
7	All	All
8	All	All
9	All	All
10	All	All
11	All	All
12	All	All

10.5.4 There shall be no limit on swapping the same skills between Work Packages within any single Work Period, provided there is no impact on total resources required in that Work Period.

10.5.5 Where Additional Resources are committed by Work Order at least three Work Periods before they are required for Work Orders of the durations shown in the following table, the man rates for such Additional Resources set out in paragraph 6.2.1 of Schedule 10 shall be subject to one of the discounts shown in the following table during any Work Period in respect of which the Underwritten Utilisation percentage according to paragraph 11.7.9 is 100%:

FTEs	Work Periods duration	Discount
At least 20	At least 6	20%
At least 10	At least 12	20%

10.5.6 Fujitsu Services shall not be obliged to offer Additional Resources where due to exceptional circumstances or the unusual nature of the services requested such skills are not reasonably available in the skills market within the time frames demanded.

10.5.7 If any material error or omission is identified in Post Office's requirements, either Party may notify the other and both Parties shall as soon as reasonably possible discuss and agree what to do about it. Resolution may necessitate a further Work Order in respect of Additional Resources or changes to the Resource Plan to accommodate a resolution according to the provisions of this paragraph 10.

10.6 Resource Review Meetings

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10.6.1 The Demand Planning Forum shall appoint and oversee a joint sub-committee which shall hold meetings at four or five weekly intervals according to the length of the relevant Work Period ("Resource Review Meetings") to:

10.6.1.1 review the Work Package resource utilisation of the most recent completed Work Period; calculate whether any additional charges are payable by Post Office in respect of that Work Period; and assess whether any credit is due to the Post Office in accordance with paragraph 11 of this Schedule 20;

10.6.1.2 report its findings to the Commercial Forum for authorisation; and

10.6.1.3 agree the Resource Plan for the next 12 Work Periods.

10.6.2 Resource Review Meetings shall take place two weeks after the end of each Work Period. Exceptionally, the first Resource Review Meeting shall take place within the period specified in Schedule 12.

10.6.3 The Demand Planning Forum shall carry out reviews on a 6 month basis to consider the alignment of Core SI Team Skill Sets with the skills required to perform their Support functions and intended Work Packages and agree what actions may be required to establish a different balance for the future.

11. UNDERWRITTEN UTILISATION OF THE CORE SI TEAM

11.1 The Charges include a charge, the "SI Commitment Fee", in respect of the Core SI Team which is set out in paragraph 4 of Schedule 10.

11.2 The charge referred to in paragraph 11.1 was calculated on the basis that the maximum number of man days that the Core SI Team would devote to Work Packages in any Work Period is the Periodic Pre-Paid SI Capacity for that Work Period calculated in accordance with paragraph 11.7.4.

11.3 In addition Post Office is obliged to pay for Additional Resources in accordance with paragraph 10.5.1 of this Schedule 20 by way of the Additional SI Charges.

11.4 The Additional SI Charges payable by Post Office may be subject to rebate pursuant to paragraph 11.9.

11.5 At the Resource Review Meeting held following each Work Period Fujitsu Services shall present to Post Office records showing in respect of that Work Period:

11.5.1 the number of hours actually devoted to SI Support Services by the Core SI Team;

11.5.2 the Work Packages on which work was carried out;

11.5.3 the number of hours, analysed by skill unit, grade and Work Package, which were devoted to those Work Packages by the Core SI Team;

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11.5.4 the number of hours, analysed by skill unit, grade and Work Package, which were devoted to those Work Packages by Additional Resources; and

11.5.5 the number of hours of Additional Resources for which Post Office is liable to pay pursuant to paragraph 10.5.1.

11.6 In the case of Work Packages being carried out for a fixed price the number of hours for applicable grades agreed for the Work Period in question under paragraph 10.4.7 shall be recorded for the purposes of paragraphs 11.5.3 and 11.5.4 in lieu of the number of hours actually spent in the Work Period.

11.7 For the purposes of this paragraph 11:

11.7.1 "Additional SI Charges" has the meaning attributed to it in paragraph 11.3;

11.7.2 "Notional FTE" in respect of any Financial Year (which shall represent the notional size of the Core SI Team for that Financial Year) shall be determined as follows (subject to paragraph 11.18):

11.7.2.1 where the Financial Year in question commences prior to the satisfaction of the dependencies set out in Annexes A and B of Schedule 12, the Notional FTE shall be 150; and

11.7.2.2 where the Financial Year in question commences after satisfaction of those dependencies, the Notional FTE shall be 90,

(irrespective of the actual number of members of the Core SI Team at the date of calculation).

11.7.3 "Annual Pre-Paid SI Capacity" in respect of any Financial Year shall be calculated by multiplying the Notional FTE for that Financial Year by the percentage shown in the following table for that Financial Year:

Financial Year	**2003/4**	**2004/5**	**2005/6**	**2006/7**	**2007/8**	**2008/9**	**2009/10**
%	50	35	41	44	44	44	44

11.7.4 "Periodic Pre-Paid SI Capacity" in respect of any Work Period shall be calculated (in man days) by multiplying the Annual Pre-Paid SI Capacity in respect of the Financial Year in which such Work Period falls by 17, being the average number of working days per Work Period, except that the multiplier for the seventh Work Period in each of the Financial Years ending 31 March 2005 and 31 March 2010 shall be 21;

11.7.5 "Work Order Demand" in respect of any Work Period shall be calculated by dividing the aggregate number of hours recorded in respect of that Work Period

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under paragraphs 11.5.3, 11.5.4 and 11.5.5 by eight (representing the number of hours in a working day) and by 17 (representing the average number of working days in a Work Period) (except that the divisor for the seventh Work Period in each of the Financial Years ending 31 March, 2005 and 31 March, 2010 shall be 21) and rounding up or down to the nearest integer;

11.7.6 "Quarter" means each of the four periods in each Financial Year comprising (i) Work Periods 1, 2 and 3; (ii) Work Periods 4, 5 and 6; (iii) Work Periods 7, 8 and 9; and (iv) Work Periods 10,11 and 12;

11.7.7 "Actual Utilisation" in respect of any Work Period shall be calculated by dividing the number of hours recorded by the Core SI Team under paragraph 11.5.3 by eight (hours in the working day) and rounding up or down to the nearest integer;

11.7.8 "Actual Quarterly Utilisation" in respect of any Quarter shall be calculated by aggregating the Actual Utilisations in respect of all the Work Periods in that Quarter;

11.7.9 "Underwritten Utilisation" in respect of any Work Period shall be determined as follows (subject to paragraph 11.18):

11.7.9.1 where the Financial Year in question commences prior to the satisfaction of the dependencies set out in Annexes A and B of Schedule 12, by multiplying the Periodic Pre-Paid SI Capacity in respect of that Work Period by the percentage set out in the following table against the Work Order Demand applicable to that Work Period:

Work Order Demand in the Work Period	Minimum percentage of Work Order Demand to be supplied out of Core SI
Less than 40	60
40 to 115	60 + (40/75 x (Work Order Demand - 40))
Over 115	100

; and

11.7.9.2 where the Financial Year in question commences after satisfaction of those dependencies by multiplying the Periodic Pre-Paid SI Capacity in respect of the Work Period by the percentage set out in the following table against the Work Order Demand applicable to that Work Period:

Work Order Demand in the Work Period	Minimum percentage of Work Order Demand to be supplied out of Core SI
Less than 25	60
25 to 100	60 + (40/75 x (Work Order Demand - 25))
Over 100	100

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11.7.10 "Underwritten Quarterly Utilisation" in respect of any Quarter shall be calculated by aggregating the Underwritten Utilisations in respect of all the Work Periods in that Quarter;

11.7.11 "Quarterly Utilisation Value" in respect of any Quarter shall be calculated by taking the aggregate number of hours recorded under paragraphs 11.5.3 and 11.5.4 by each grade of resource in respect of all the Work Periods in that Quarter (the "Total Hours" for each grade), multiplying the amount of the Total Hours for each such grade by the man rate applicable to that grade under paragraph 6.2.1 of Schedule 10 and calculating the sum of the products in respect of all such grades of resource;

11.7.12 "Quarterly Blended Man Rate" in respect of any Quarter shall be calculated by dividing the Quarterly Utilisation Value in respect of such Quarter by the total number of hours recorded in respect of all Work Periods in that Quarter under paragraphs 11.5.3 and 11.5.4.

11.8 If the Actual Utilisation in respect of any Quarter shall be equal to or greater than the Underwritten Utilisation for that Quarter, then no rebate shall be allowed to Post Office.

11.9 Subject to paragraphs 11.12 and 11.13, if the Actual Utilisation in respect of any Quarter shall be less than the Underwritten Utilisation for that Quarter, Fujitsu Services shall allow Post Office a rebate attributable to that Quarter, up to the value of those Additional SI Charges for the Quarter. Such rebate shall be calculated by, multiplying (i) the amount by which the Actual Quarterly Utilisation in respect of the Quarter fell short of the Underwritten Quarterly Utilisation for the Quarter by (ii) the Quarterly Blended Man Rate for the Quarter.

11.10 Any rebate attributable to any Quarter in accordance with paragraph 11.9 shall be issued as a credit note set against future Additional SI Charges.

11.11 The Parties shall determine in which Financial Year each Release is designated to occur, which shall be the Financial Year in which the majority of the work on the relevant Release is to be carried out.

11.12 Allowance of any rebate under paragraph 11.9 in respect of any Quarter is subject to the Financial Year of the Agreement in which the Quarter falls containing at least two Releases each containing Work Packages which are substantial in nature.

11.13 If there are at least two Releases designated by the Parties as occurring in a Financial Year each containing substantial Work Package content but the content of the largest Release (in terms of billable hours) exceeds the aggregate of all the other Releases by more than 30% then any rebate under paragraph 11.9 shall be calculated in relation to each Quarter during that Financial Year on the basis that the percentages shown in paragraph 11.7.3 are halved.

11.14 Fujitsu Services may agree (such agreement not to be unreasonably withheld) that a rebate may be granted to Post Office under paragraph 11.9 notwithstanding paragraphs

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11.12 and 11.13 if the underlying objective of workload smoothing is achieved by different means.

11.15 The Parties may agree from time to time a mechanism whereby predictable unutilised capacity is put to alternative use for the benefit of both Parties.

11.16 The Parties may agree to vary the allocations in paragraph 11.7.3 on a temporary or permanent basis. Where the change is on a temporary basis, then unless otherwise agreed, any such change in allocation will be carried forward and reversed in future months such that the allocations will balance out over time. Such temporary change (where the aggregate Core SI Team capacity for the Year in question is not affected) must be authorised by the Demand Planning Forum. Permanent change will be a matter for the Change Control Procedure.

11.17 Where resources are shown in a Resource Plan as being provided by the Core SI Team but Fujitsu Services substitutes Additional Resources for such Core SI Team resources then to the extent that:

11.17.1 Post Office has not agreed (in accordance with this paragraph) that the substitution can be made; and

11.17.2 the substitution is for reasons unconnected with any failure on the part of the Post Office to perform its obligations or responsibilities; and

11.17.3 the result of the substitution is (or would but for this provision be) to increase the net Charges payable by Post Office,

Fujitsu Services shall not be entitled to charge for such increase.

For the purposes of sub-paragraph 11.17.1 the agreement of the Post Office may be given:

(a) expressly by reference to this paragraph 11.17; or

(b) implicitly by agreement of a more current Resource Plan which effects the substitution in question,

but no agreement shall be effective under (b) above unless the Resource Plan which first effects such substitution expressly refers to the Additional Resources in question having been substituted for Core SI Team resources.

11.18 The Parties agree that as the size of the Core SI Team reduces because a dependence in Annex A or Annex B of Schedule 12 is satisfied the relevant figures used in the definitions of Notional FTE and Underwritten Utilisation shall be adjusted to reflect the actual size of the Core SI Team.

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Annex 1

Initial Resourcing/Skills Mix

The 150 persons in the Core SI Team can be categorised as follows:

Skill Unit	Number of Staff
Programme/Development Management	5
Programme Office	14
ASD/Requirements	17
Development	114
Total	**150**

The 114 members of the Core SI Team within the 'Development Skill Unit' can be sub-categorised as follows:

Skill Unit (within the Development Skill Unit)	Number of Staff
APDU	37
IPDU	42
PTU	35
Total	**114**

SKILL UNIT – Prog/Dev Mgt

Skill	Number of staff
Indirect	3
Release Managers	2
Total	**5**

SKILL UNIT – ASD/Requirements

Skill	Number of staff
Indirect	2
Business Process/Requirements Analyst	3
Requirements Analysis	2
Chief Designer/Developer, Architecture Lab	2
TDA, Architecture	1
TDA, Performance and Testing	1
TDA, Network and Middleware	1

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TDA, Applications	1
Developer, Architecture Lab	2
TDA, Systems Management	1
TDA, Security	1
Total	**17**

SKILL UNIT – Programme Office

Skill	Number of staff
Indirect	12
Planners	2
Total	**14**

SKILL UNIT - IPDU

Skill	Number of staff
Management / Team Leading	5
Designer	5
C/C++ Developer	8
VB Developer	5
Tivoli Packager (DOS and VB)	4
Shell Scripter (NT and UNIX)	2
NT and UNIX Platform Integrator	7
Tester	3
Asset Controller	1
NT / Riposte	1
NT / Cisco	1
Total	**42**

SKILL UNIT - APDU

Skill	Number of staff
Management / Team Leading	5
Designer	7
C++ Developer	5
VB Developer	6
Oracle Developer	9
Tester	3

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Technical Author	1
PVCS Controller	1
Total	**37**

SKILL UNIT – PTU

Skill	**Number of Staff**
Management / Team Leading	6
Test Designer	2
System Verification and Integration tester	8
Release Verification Tester	8
NT Builder	7
UNIX Builder	2
Network Designer / Builder	1
Problem Manager	1
Total	**35**

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TABLE OF INDIRECT RESOURCE WITHIN THE CORE SI TEAM

Programme/Development Management	**Title**
Gill Jackson	Development Director
Jan Holmes	Audit/Risk Manager
Peter Jeram	Programme Director
Programme Office	**Title**
Graham Chatten	Programme Office Manager
Tariq Arain	Software Configuration Management
Annette Campbell	Programme Office Administration
Alison Clarke	Change Administration
John Newitt	Documentation Manager
Darren Nugent	RTR Data Control
Lisa Oakes	Software Configuration Manager
Rakesh Patel	Software Configuration Management
Iqbal Rahman	Software Configuration Management
Neil Tuffs	Software Configuration Management
Dyan Walker	RTR Systems Administration
Ken Westfield	Change Manager
ASD/Requirements	**Title**
Tony Drahota	ASD Manager
Dave Hollingsworth	Consultancy Services Director
PTU	**Title**
Alan D'Alvarez	PTU Manager
APDU	**Title**
Mark Taylor	APDU Manager
IPDU	**Title**
Ian Morrison	IPDU Manager

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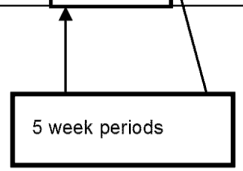
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Annex 2

Schedule of Planning Period Dates

Each Financial Year is divided into periods of 4 or 5 weeks which align approximately with calendar months. Two "leap weeks" are inserted in the Planning Periods for October 2004 and 2009 to maintain alignment between calendar months and Planning Periods. The first day of every Planning Period is a Monday; the last day is a Sunday.

		Calendar Months, Period Length in Weeks and Period End Dates (Sundays)											
		April	May	June	July	August	September	October	November	December	January	February	March
Year ending	Start Date	4	4	5	4	5	4	4	4	5	4	4	5
2003	1-Jan-2003										26-Jan-2003	23-Feb-2003	30-Mar-2003
2004	31-Mar-2003	27-Apr-2003	25-May-2003	29-Jun-2003	27-Jul-2003	31-Aug-2003	28-Sep-2003	26-Oct-2003	23-Nov-2003	28-Dec-2003	25-Jan-2004	22-Feb-2004	28-Mar-2004
2005	29-Mar-2004	25-Apr-2004	23-May-2004	27-Jun-2004	25-Jul-2004	29-Aug-2004	26-Sep-2004	31-Oct-2004	28-Nov-2004	2-Jan-2005	30-Jan-2005	27-Feb-2005	3-Apr-2005
2006	4-Apr-2005	1-May-2005	29-May-2005	3-Jul-2005	31-Jul-2005	4-Sep-2005	2-Oct-2005	30-Oct-2005	27-Nov-2005	1-Jan-2006	29-Jan-2006	26-Feb-2006	2-Apr-2006
2007	3-Apr-2006	30-Apr-2006	28-May-2006	2-Jul-2006	30-Jul-2006	3-Sep-2006	1-Oct-2006	29-Oct-2006	26-Nov-2006	31-Dec-2006	28-Jan-2007	25-Feb-2007	1-Apr-2007
2008	2-Apr-2007	29-Apr-2007	27-May-2007	1-Jul-2007	29-Jul-2007	2-Sep-2007	30-Sep-2007	28-Oct-2007	25-Nov-2007	30-Dec-2007	27-Jan-2008	24-Feb-2008	30-Mar-2008
2009	31-Mar-2008	27-Apr-2008	25-May-2008	29-Jun-2008	27-Jul-2008	31-Aug-2008	28-Sep-2008	26-Oct-2008	23-Nov-2008	28-Dec-2008	25-Jan-2009	22-Feb-2009	29-Mar-2009
2010	30-Mar-2009	26-Apr-2009	24-May-2009	28-Jun-2009	26-Jul-2009	30-Aug-2009	27-Sep-2009	1-Nov-2009	29-Nov-2009	3-Jan-2010	31-Jan-2010	28-Feb-2010	4-Apr-2010



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SCHEDULE 21

BUSINESS CONTINUITY

Version History

Version Reference	Date	Comments
1.0	31/12/02	Agreed version. BPCON321.doc

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SCHEDULE 21

BUSINESS CONTINUITY

1. GENERAL

1.1 Fujitsu Services shall ensure that the Applicable Services are supported by Business Continuity Plans. Where requested by Post Office and agreed by Fujitsu Services (such agreement not to be unreasonably withheld) Fujitsu Services shall ensure that new services are supported by Business Continuity Plans.

1.2 Fujitsu Services shall provide Post Office with a copy of every Business Continuity Plan, as and when created. Without prejudice to Fujitsu Services' obligations in respect of the Business Continuity Plans set out in this Schedule 21, the Business Continuity Plans shall not be subject to Post Office approval.

1.3 Fujitsu Services shall ensure that the Business Continuity Plans for each Applicable Service are compatible with the overall service continuity framework set out in the CCD entitled "Business Continuity Framework" (CS/SIP/002).

1.4 The Business Continuity Plans shall be based on impact and risk assessments as agreed by Fujitsu Services and Post Office. Such assessments shall be reviewed when agreed by the Parties, such agreement not to be unreasonably withheld.

1.5 Ownership of all contingency actions shall be identified in the Business Continuity Plans. Contingency actions to be undertaken by Post Office in the event a Business Continuity Plan is activated, shall be agreed by the Parties before inclusion in that plan.

1.6 The Business Continuity Plans shall include activation procedures and time periods within which the contingency measures shall be activated.

1.7 The testing strategy for Business Continuity Plans shall be in two distinct parts:

1.7.1 initial testing before commencing the implementation of new services introduced under the Change Control Procedure; and

1.7.2 regular testing of relevant Service components.

1.8 The Business Continuity Plans shall include without limitation the following:

1.8.1 prevention measures;

1.8.2 preparedness measures;

1.8.3 contingency measures;

1.8.4 recovery of normal service;

1.8.5 contact lists.

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1.9 The Business Continuity Plans, the scheduling of regular tests and the review of such tests shall be subject to joint periodic review (at least 4 times per year) by the continuity managers of both Parties, the findings of such reviews to be reported to the Service Management Forum at the next available meeting of that Forum.

1.10 When a contingency or continuity operation is invoked as a result of a fault in the Applicable Services provided by Fujitsu Services, then the provisions of Schedule 15 shall continue to apply.

1.11 Fujitsu Services shall co-operate with Post Office and provide such assistance as is reasonably requested by Post Office for the purposes of business continuity and fail-over testing of End to End Services (excluding the elements of End to End Services provided by Fujitsu Services). In the event that such co-operation and assistance is requested by Post Office, Post Office and Fujitsu Services shall agree the method of working and the periods for, timing and frequency of such testing so as to minimise disruption and risks to the operation of other Services. Fujitsu Services' charges in respect of such co-operation and assistance (which shall be paid by Post Office to Fujitsu Services) shall be calculated on a time and materials basis using Fujitsu Services' rates as set out in paragraph 6.2 of Schedule 10.

1.12 The Central Network

The Central Network shall be configured such that there shall be no single point of failure within the Central Network.

2. PLAN UPDATES

2.1 Fujitsu Services shall update the CCD entitled "Business Continuity Framework" (CS/SIP/002) to include any:

2.1.1 references to new Business Continuity Plans and/or tests necessary to reflect:

2.1.1.1 the introduction of NBS, Debit Card and TSD;

2.1.1.2 any new services introduced under the Change Control Procedure; and

2.1.1.3 changes to Applicable Services brought about as a result of the introduction of new services,

and shall submit that updated CCD to Post Office (for agreement) by the applicable date specified in the relevant project plan (if any) or otherwise agreed between the Parties; and

2.1.2 changes to references to Business Continuity Plans and descriptions of tests (to the level of detail required in the Business Continuity Framework (CS/SIP/002)) necessary to reflect changes to any Applicable Service such updates to be submitted to Post Office at such times as applicable changes take place.

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2.2 All updates of the CCD entitled "Business Continuity Framework" (CS/SIP/002) submitted to Post Office in accordance with paragraph 2.1 are subject to agreement by Post Office, such agreement not to be unreasonably withheld.

3. TESTING

3.1 Unless agreed otherwise in accordance with paragraph 3.3 below, the Business Continuity Services shall in respect of any new service introduced after the Amendment Date through the Change Control Procedure:

3.1.1 include the performance of substantially the same business continuity tests as are described in the CCD entitled "Business Continuity Framework" (CS/SIP/002) prior to the introduction of that new service; and

3.1.2 include any specific business continuity tests agreed by the Parties.

3.2 The tests referred to in paragraph 3.1 above shall be conducted with the business continuity tests conducted for the infrastructure supporting the Applicable Services and scheduled in accordance with working practice for the Applicable Services. The frequency of and method used for all business continuity tests shall be documented in the document entitled "Business Continuity Test Plan" (CS/PLA/011).

3.3 Business continuity tests to be carried out under the Business Continuity Framework may be cancelled or rescheduled and/or the method used for a test may be varied for operational business reasons by agreement in writing between Post Office and Fujitsu Services (such agreement not to be unreasonably withheld).

4. NBS SPECIFIC REQUIREMENTS

4.1 Each Data Centre (if required to support the NBS on its own as a result of a failure of the other Data Centre) shall have the capability in normal operation with no failures having occurred:

4.1.1 to support the Contracted Volumes in relation to the NBS and Debit Card as defined in the CCD entitled ”Horizon Capacity Management and Business Volumes” (PA/PER/033); and

4.1.2 to support Fujitsu Services’ obligations in respect of NBS Service Levels set out in Annex 3 to Schedule 15 without preventing or impairing that Data Centre's support for Fujitsu Services' obligations in respect of the Service Levels for other Services in existence at the Amendment Date.

4.2 The Data Centres (including NBS elements) will be configured such that no single point of failure within the Data Centres will cause the NBS to fail with both Data Centres in operation.

4.3 Switchover to backup systems within the Data Centres and for the network connections within the Data Centres:

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4.3.1 for real-time elements of the NBS affecting Banking Transactions at Counter Positions shall be automated; and

4.3.2 for non-real time elements may be automated or manual.

4.4 The Central Network

The loss of a major switching node within the Central Network shall not cause the NBS to fail and should such loss occur Fujitsu Services (in addition to its other obligations under this Agreement) shall use all reasonable endeavours to procure that any shortfall in system performance is recovered within 7 days of that loss.

4.5 The NBE Network

The NBE Network shall be configured such that there shall be no single point of failure (including site failure) within the NBE Network.

4.6 The network communications link between each Data Centre and each NBE shall have the capability in normal operation with no failures having occurred to that link:

4.6.1 to support the Contracted Volumes in relation to the NBS and Debit Card as defined in the CCD entitled "Horizon Capacity Management and Business Volumes" (PA/PER/033) ; and

4.6.2 of supporting Fujitsu Services' obligations in respect of NBS Service Levels set out in Annex 3 to Schedule 15.

5. FALLBACK

5.1 EPOSS, APS, OBCS and LFS, but not NBS (which has a process of recovery of incomplete transactions in the event of a counter failure) shall have fallback Transactions that minimise or negate the impact of failure in any of the Applicable Services which use those Applications.

5.2 The TSD will continue to be provided via the use of mobile phones in the event of fallback following a major business continuity incident affecting the TSD. Fallback will include auditable call logging via a manual paper based system.

5.3 The Horizon Helpdesk Service Continuity Plan (CS/PLA/015) will be updated to include the requirements set out in paragraph 5.2 of this Schedule 21 and the Business Continuity Framework (CS/SIP/002) will be updated to state that the TSD continuity arrangements are included within the Helpdesk Service Continuity Plan (CS/PLA/015).

5.4 Fujitsu Services shall not be obliged to provide an alternative means of proceeding with Banking Transactions at any Counter Position which is operating in off-line mode due to a temporary inability of that Counter Position to communicate with a Data Centre.

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6. MISCELLANEOUS

6.1 In the event of any major business continuity incident ("MBCI"), and when agreed necessary by Post Office and Fujitsu Services' Business Continuity Managers for potential MBCIs, Fujitsu Services shall provide a report according to the principles set out in the Working Document entitled "Operational Level Agreement for Business Continuity between Post Office Ltd and Fujitsu Services" (CON/NGN/005).

6.2 If for any reason other than a Default by Fujitsu Services, the Fujitsu Services' call centre becomes unavailable for use, the Service Levels in Annex 1 to Schedule 15 will be suspended for the period of such unavailability subject to a maximum period of either:

6.2.1 three (3) hours; or

6.2.2 the remainder of the HSH Day,

whichever is the shorter period.

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SCHEDULE 22

CONTRACT TERMINATION AND SERVICE TRANSFER

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON322.doc

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SCHEDULE 22

CONTRACT TERMINATION AND SERVICE TRANSFER

1. INTRODUCTION

1.1 This Schedule 22 covers the responsibilities and payments related to termination of this Agreement.

1.2 For the purpose of this Schedule 22, termination of this Agreement includes:

1.2.1 termination of this Agreement before its expiry due to Fujitsu Services Default;

1.2.2 termination of this Agreement before its expiry without Fujitsu Services Default (other than termination for Post Office Default under Clause 34.3, in which event the Exit Plan will not be developed or implemented following such termination unless the Parties agree otherwise);

1.2.3 termination of this Agreement at its expiry; and

1.2.4 if Post Office exercises its option to extend the term of this Agreement in accordance with the provisions of Clause 33.2, the termination of this Agreement at the expiry of such extended term.

1.3 In any of the above termination scenarios Post Office may seek to obtain the delivery of services equivalent to the Services under this Agreement or seek to continue the Services after termination in each case either by performing them itself or by means of the Next Supplier.

1.4 The Parties acknowledge that it is their overall objective to procure, so far as is reasonable and practicable, that there shall be an orderly transfer of responsibilities for the delivery of the Services provided under this Agreement or an orderly and efficient transition from the provision of the Services to the provision of equivalent services (as the case may be) to the Next Supplier and that any risk to or adverse effect on the continuity and quality of the Services during such transfer shall be minimised.

1.5 The purpose of this Schedule 22 is to:

1.5.1 set out the main steps to be followed on termination of this Agreement;

1.5.2 set out the assistance that Fujitsu Services shall provide to Post Office and/or its Next Supplier with the intention of helping them (if it is Post Office's chosen strategy to do so) put themselves in a position to commence performance of the Services or equivalent services promptly upon expiry of this Agreement or as soon as reasonably practicable after completion of any period of notice of termination given by Post Office to Fujitsu Services; and

1.5.3 set out the Parties' obligations with respect to the development and maintenance of the Exit Strategy and the Exit Plan.

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2. ASSET REGISTER, EXIT STRATEGY AND EXIT PLAN

2.1 The Exit Strategy and the Exit Plan shall be developed and maintained in two phases (each a "Phase") as follows:

2.2 Phase One

2.2.1 Between the Amendment Date and 31 March 2003:

2.2.1.1 Fujitsu Services shall complete the list of assets in each of the categories of assets identified in the CCD entitled "Transfer Asset Register" (BP/SPE/041) (the "Asset Register") at the level of detail and giving such information in each case as envisaged by version 1.0 of that CCD;

2.2.1.2 Fujitsu Services shall establish the Exit Strategy which shall be documented in a CCD which shall include the matters set out in paragraph 2.2.2; and

2.2.1.3 the Parties shall, in light of the Exit Strategy established in accordance with paragraph 2.2.1.2, consider the Exit Plan in Annex 1 to this Schedule and update it to identify at a high level any additional activities which the Parties agree are required in relation to termination of this Agreement, the detail of such activities to be included in the Exit Plan in Phase Two.

2.2.2 The Exit Strategy shall:

2.2.2.1 set out a generic description of all probable post termination scenarios relevant to this Agreement (each an "Exit Scenario") including, without limitation, the following:

(a) full or partial continuation of services substantially the same as the Services by the Next Supplier;

(b) full or partial provision of equivalent services by the Next Supplier fully or partially utilising the Horizon Service Infrastructure; and

(c) full or partial provision of equivalent services by a Next Supplier utilising entirely new infrastructure.

2.2.2.2 identify the major factors which are common to all the Exit Scenarios and those which occur in some only of the Exit Scenarios;

2.2.2.3 set out the roles and responsibilities of the Parties in the development of the Exit Plan in Phase Two;

2.2.2.4 set out in broad and general terms:

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(a) the categories of information that will be required for exit, distinguishing between those categories which will be required in all probable Exit Scenarios and those which will be required only in particular Exit Scenarios; and

(b) the sources of such information and how it will be provided.

2.2.3 Once in every twelve months or if the Commercial Forum decide it is necessary to do so as a result of significant changes to the Services, the Parties shall jointly review and update the Asset Register and/or the Exit Strategy. If the Asset Register or the Exit Strategy is brought up to date following a change to the Services, then that document need not be brought up to date for a further twelve months unless the Commercial Forum decides otherwise.

2.3 Phase Two

2.3.1 At the request of Post Office, such request not to be made by Post Office earlier than twenty four (24) months prior to expiry of this Agreement or within one week after notice of early termination of this Agreement, Fujitsu Services shall provide reasonable assistance to Post Office for the purposes of determining the implications at that time of the Exit Scenarios and the possible exercise by Post Office of its option to extend this Agreement in accordance with the provisions of Clause 33.2.

2.3.2 Within three (3) months of making the request referred to in paragraph 2.3.1 above, or within four weeks after notice of early termination of this Agreement, Post Office shall give Fujitsu Services its view as to which of the strategies in the Exit Strategy should be followed by the Post Office on exit and/or whether Post Office may exercise its option to extend this Agreement in accordance with the provisions of Clause 33.2 (the "Proposed Exit Strategy").

2.3.3 No later than two calendar months after receipt of the views of Post Office in accordance with paragraph 2.3.2, Fujitsu Services shall produce an updated Exit Plan for agreement with Post Office, such update to:

2.3.3.1 include all of the matters referred to in paragraph 2.3.5; and

2.3.3.2 be documented in a CCD which shall supersede and replace Annex 1 to this Schedule 22.

2.3.4 Fujitsu Services shall ensure that once the updated Exit Plan referred to in paragraph 2.3.3 has been approved, it is kept up-to-date on a general basis and following any significant changes to this Agreement.

2.3.5 The updated Exit Plan referred to in paragraph 2.3.3 shall, in the circumstances of the Proposed Exit Strategy, cover the duties, roles and responsibilities of the Parties, the practical steps needed to be taken by Fujitsu Services and Post Office, time scales and milestones, in each case in relation to each of the matters set out in Annex 1 to this Schedule 22 and to the extent not covered by

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those matters, each of the following which are applicable to the Proposed Exit Strategy:

2.3.5.1 the Post Office's procurement exercises associated with the Proposed Exit Strategy (if and to the extent that Post Office shall have provided details of such exercises to Fujitsu Services);

2.3.5.2 information about all of the matters covered by Clause 35 (at a level adequate to enable structured planning and transition) including;

(a) transfer and/or return (as appropriate) of the various assets (including Project Assets) and Post Office Group Property;

(b) granting of licences by Fujitsu Services;

(c) transfer of agreements potentially to be assigned, novated or otherwise transferred;

(d) access to source code and documentation;

(e) provision of assistance by Fujitsu Services up to the date of termination of this Agreement;

(f) provision of assistance to the Next Supplier (if any) by Fujitsu Services after the date of termination of this Agreement; and

(g) the handling of Fujitsu Services employees to whom employment is to be offered under Clause 35.2.3 or who shall transfer pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 1981;

2.3.5.3 procedures and arrangements (if any) that are reasonably necessary to decommission the Horizon Service Infrastructure and/or Services or elements thereof in order to effect an orderly transfer on termination;

2.3.5.4 run-down and transition from the Services to equivalent services;

2.3.5.5 responsibilities in relation to handling any due diligence exercises to be carried out by potential Next Suppliers, including access to information, the Horizon Service Infrastructure and Fujitsu Services and Fujitsu Service's sub-contractor personnel; and

2.3.5.6 provision of information relating to on-going performance and issues in relation to the Services (including performance statistics and details of any outstanding Incidents).

2.4 The Exit Strategy and the Exit Plan shall at all times during Phase One and Phase Two be developed and revised by agreement between the Parties under the Soft Change Control Procedure such that they are consistent with the principles set out in this

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Schedule 22 (as it may be amended from time to time under the Hard Change Control Procedure).

2.5 Each Party shall act and negotiate reasonably in agreeing the contents of the Exit Strategy and the Exit Plan and shall not unreasonably require the exclusion of matters which the other Party reasonably requests should be included or the inclusion of matters which the other Party reasonably requests should be excluded.

2.6 Any failure to agree the Exit Strategy or a revision to the Exit Plan shall not prejudice the rights and/or obligations of either Party pursuant to this Schedule.

2.7 Fujitsu Services and Post Office will discharge their respective responsibilities and perform their obligations as set out in this Schedule and, when required by the Exit Strategy or Exit Plan, in accordance with that document.

2.8 To the extent that there is an inconsistency between the terms of the Exit Strategy or Exit Plan and this Schedule then, unless expressly stated otherwise, the terms of this Schedule shall prevail.

3. NEXT SUPPLIERS

3.1 Subject to Post Office procuring that each prospective Next Supplier enters into an Agreed Form NDA or any other form of non-disclosure agreement mutually agreed by Post Office, Fujitsu Services and such prospective Next Supplier, Fujitsu Services will provide Post Office with reasonable information and assistance in relation to Post Office's tender process conducted for the provision of services to replace the Services or the performance of the Services by a replacement contractor.

3.2 Post Office may at any time by notice to Fujitsu Services nominate the person to be the Next Supplier. Post Office shall procure that the Next Supplier shall enter into an Agreed Form NDA or any other form of non-disclosure agreement mutually agreed by Post Office, Fujitsu Services and such Next Supplier. Fujitsu Services shall not be liable for any breach of this Agreement to the extent caused by the Next Supplier.

3.3 Where Post Office appoints or intends to appoint a Next Supplier, Post Office shall be responsible for liaising with and ensuring the co-operation of such Next Supplier in all planning and handover activities in respect of exit transition and where obligations in the Exit Plan which fall to Post Office are due to be performed by or with the co-operation of the Next Supplier, such obligation will be deemed to include an obligation on the Post Office to procure such performance or co-operation from the Next Supplier.

4. OTHER EXIT ASSISTANCE

4.1 Fujitsu Services shall use all reasonable endeavours to procure an orderly and efficient transition from the provision of the Services to the provision of identical or equivalent services (as the case maybe) to the Next Supplier and shall co-operate with the Next Supplier as required in order to fulfil the obligations under this Schedule 22.

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4.2 Fujitsu Services shall provide reasonable assistance at all times for a period of six (6) years after the date of termination or expiry of this Agreement, for the purposes of allowing Post Office to obtain or have access to such historic records connected with the performance of the Services as may have been retained by Fujitsu Services after termination as is necessary to fulfil Post Office's obligations to supply information for parliamentary, judicial, or administrative purposes.

4.3 Post Office shall pay Fujitsu Services its reasonable costs directly incurred in providing such assistance after termination of this Agreement provided that Fujitsu Services proves such costs to the reasonable satisfaction of Post Office.

5. TERMINATION CHARGE

5.1 The Termination Charge is intended to represent a good faith recognition of the loss of revenues the Contractor may reasonably have planned for in establishing the Services and supporting infrastructure (not applicable in case of Default).

5.2 Where a Termination Charge is payable to the Contractor, such payment shall be equal to A + B + C + D + E where:

5.2.1 A shall be £65.21 million less:

5.2.1.1 an amount equal to the aggregate of all payments received by Fujitsu Services prior to the date of termination by way of Availability Fees. For the avoidance of doubt, sums relating to Availability Fees which are retained by Post Office at the date of termination shall not be deemed to have been received by Fujitsu Services for this purpose; and

5.2.1.2 an amount equal to such future costs included within the Availability Fees as Fujitsu Services is reasonably able to avoid or mitigate as a result of the early termination;

5.2.2 B shall be equal to the aggregate of all costs associated with the termination or transfer of the Services, including but not limited to the closure of Fujitsu Services' facilities and termination of its personnel, plus any termination charges payable to suppliers and sub-contractors (Fujitsu Services being required to mitigate such exposure);

5.2.3 C shall be an allowance for:

5.2.3.1 the Special Discounts allowed up to the date of termination minus the Supplemental Charge if such payment has been made; and

5.2.3.2 lost profit,

equal to the figure set out in the relevant part of Annex 2 for the calendar month in which termination of this Agreement occurs, adjusted for changes in RPI in the same manner as that applying to Indexed Charges in paragraphs 10.1, 10.2

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and 10.3 of Schedule 10. For the purposes of this paragraph 5.2.3, the "relevant part of Annex 2" shall be that part of Annex 2 containing the table of figures for "C" calculated using the annual base rate of Barclays Bank plc prevailing for the calendar month in which termination of this Agreement occurs (rounded up or down to the nearest whole integer). For the avoidance of doubt, if the annual base rate of Barclays Bank plc prevailing for the calendar month in which termination of this Agreement occurs is greater than ten per cent. per annum the "relevant part of Annex 2" for the purposes of this paragraph 5.2.3 shall be part 9 of Annex 2;

5.2.4 D shall be:

5.2.4.1 £16,007,153.00 (being the total of the Charges to Post Office set out in paragraphs 17.6, 20.1, 20.2, 24.1.1 and 24.2.1 of Schedule A12 of the Codified Agreement (i.e. the form of this Agreement prior to approval of CCN 1100); plus

5.2.4.2 if Post Office gives notice to increase the number of PIN Pads or Paypoles to be procured by Fujitsu Services, any additional Charges in respect of that increase (whether or not due for payment) calculated in accordance with paragraphs 1.1.2, 1.1.3, 1.2.2 and/or 1.2.3 of Part B of Annex D to Schedule 10 (as applicable); plus

5.2.4.3 if Post Office gives Phase 2 Notice pursuant to paragraph 1.5 of the CCD entitled "Horizon Capacity Management and Business Volumes" (PA/PER/033), the additional Charges (whether or not due for payment) set out in paragraph 3.1.1 or 3.1.2 (as applicable) of Part A of Annex D to Schedule 10,

5.2.4.1, 5.2.4.2 and 5.2.4.3 above being together referred to as the "Fixed Item Charges"; less

5.2.4.4 an amount equal to the aggregate of all payments received by Fujitsu Services prior to the date of termination in relation to the Fixed Item Charges (whether under this Agreement or the Codified Agreement (i.e. the form of this Agreement prior to approval of CCN 1100); and less

5.2.4.5 an amount equal to such future Fixed Item Charges as Fujitsu Services is reasonably able to avoid or mitigate as a result of the early termination; and

5.2.5 E shall be a sum equal to the aggregate charges calculated in accordance with paragraph 2.1 of Part A of Annex D to Schedule 10, with any discounts applied in accordance with paragraph 18.6 of Schedule A12 to the Codified Agreement (i.e. the form of this Agreement prior to approval of CCN 1100), but without deduction of any sums which Post Office is entitled to retain in accordance with paragraph 2.2 of Part A of Annex D to Schedule 10, for NB T&M Work carried out up to and including the date of termination less an amount equal to the

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aggregate of all payments received by Fujitsu Services in respect of such NB T&M Work.

5.2.6 All such costs shall be determined in accordance with Fujitsu Services' standard accounting practice, supported by proper vouchers and records and verified by Fujitsu Services' auditors.

6. TRANSFER PAYMENT

6.1 In the event of termination of this Agreement:

6.1.1 in the circumstances in which a Termination Charge is payable, then should Post Office wish to exercise its option under Clause 35.1, the Transfer Payment shall be £1; and

6.1.2 in all other cases, should Post Office wish to exercise its option under Clause 35.1, the Transfer Payment shall be a sum equivalent to the total charges to Post Office as set out in Annex D to Schedule 10 for the NBS Project Assets to be transferred less:

6.1.2.1 an amount equal to the aggregate of all payments received by Fujitsu Services prior to the date of termination for the NBS Project Assets; and

6.1.2.2 an amount equal to such future charges for the NBS Project Assets (as set out in Annex D to Schedule 10) as Fujitsu Services is reasonably able to avoid or mitigate as a result of the early termination,

save that where the resulting figure is less than £1 then the Transfer Payment shall be £1.

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Annex 1

Exit Plan

Row No	Activity and Responsibility	TimeScales (working days or period from start of implementation of Exit Plan or other specified event)	
		Notice of termination given for any reason is six months or less	Notice of termination for any reason is more than six months, or in the event of expiry of this Agreement
1.	Post Office shall appoint a manager responsible for implementing the Exit Plan.	1 day.	1 day.
2.	At the request of Post Office, Fujitsu Services shall appoint a manager who shall be responsible for implementing the Exit Plan, to include but not be limited to: • participating in the planning and resourcing of transferring responsibility for the provision of the Services or equivalent services to the Next Supplier; • managing Fujitsu Services' involvement in that process and committing their resources to it, and managing the timescales concerned; and • organising Fujitsu Service's management and control for the processes described below.	3 days.	5 days.
3.	At the request of Post Office, Fujitsu Services shall procure that its sub-contractors shall meet with Post Office to discuss, in as	As and when reasonably requested by Post Office after notice of termination	As and when reasonably requested by Post Office after notice of

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Row No	Activity and Responsibility	TimeScales (working days or period from start of implementation of Exit Plan or other specified event)	
		Notice of termination given for any reason is six months or less	Notice of termination for any reason is more than six months, or in the event of expiry of this Agreement
	co-operative manner as is reasonably practicable, the ongoing provision of the Services with a view to achieving the results of the Exit Plan.	given.	termination given or in the event of expiry of this Agreement.
4.	Fujitsu Services shall deliver to Post Office for its approval a detailed transition plan to enable transition to the replacement services. Such plan shall include, but not be limited to a timetable of events, resources, assumptions, dependencies, activities, and responsibilities.	No later than two months after receipt of the views of Post Office in accordance with paragraph 2.3.2 of Schedule 22.	No later than two calendar months after receipt of the views of Post Office in accordance with paragraph 2.3.2 of Schedule 22.
5.	Fujitsu Services shall deliver to Post Office the most recent versions of all internal documentation available to Fujitsu Services which are used for support of the Services and Applications.	7 days.	14 days.

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Row No	Activity and Responsibility	TimeScales (working days or period from start of implementation of Exit Plan or other specified event)	
		Notice of termination given for any reason is six months or less	Notice of termination for any reason is more than six months, or in the event of expiry of this Agreement
6.	Fujitsu Services shall make available to Post Office on reasonable notice appropriate expert staff who shall provide to Post Office such explanations to Post Office as are reasonably necessary to facilitate Post Office's understanding of the documentation referred to in row 5.	No later than two months after notice of termination given.	No later than two months after notice of termination given.
7.	Fujitsu Services shall, deliver to Post Office the following: • an inventory of the Post Office Data, plus any other related data available for transfer or deletion; • the definition of all data available for transfer or deletion; • a proposed physical transfer method and method of deletion; and • a proposed method for testing the integrity and completeness of the data transferred and the completeness of the data deleted.	Within 1 month from notice of termination of this Agreement.	At least 4 months prior to termination or expiry of this Agreement.
8.	Fujitsu Services shall deliver to Post Office an up to date version of the Asset Register together with: • a list of all assets eligible for transfer to Post Office and the	Within 1 month from notice of termination of this Agreement.	At least 4 months prior to termination or expiry of this Agreement.

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Row No	Activity and Responsibility	TimeScales (working days or period from start of implementation of Exit Plan or other specified event)	
		Notice of termination given for any reason is six months or less	Notice of termination for any reason is more than six months, or in the event of expiry of this Agreement
	relevant terms of such transfer; and • a list identifying all other assets, other than human resources, skills and know how, that are ineligible for transfer but which are essential to the delivery of any of the Services. The purpose of each component shall be included in the list.		
9.	Post Office to deliver notification to Fujitsu Services of specific data it wishes to be transferred, and Post Office and Fujitsu Services to enter into good faith discussions to develop a data transfer plan.	Within 1 month from date of delivery of the items set out in row 7.	Within 2 months from date of delivery of the items set out in row 7.
10.	Post Office to deliver notification to Fujitsu Services of specific assets it wishes to be transferred, and Post Office and Fujitsu Services to enter into good faith discussions to develop a plan for asset transfer. Such plan shall cover both passing of title to assets and any physical transfer required.	As soon as reasonably practicable from date of delivery of the list of all assets eligible for transfer to Post Office referred to in row 8.	Within 3 months from date of delivery of the list of all assets eligible for transfer to Post Office referred to in row 8.
11.	Post Office and Fujitsu to enter into good faith negotiations to identify and specify any training requirements related to the transfer of data and/or assets pursuant to rows 9 and 10 above. Such training shall include, at Post Office's request, technical	As soon as reasonably practicable from delivery of both the list of assets and of data referred to in rows 7 and 8.	Within 1 month from delivery of both the list of assets and of data referred to in rows 7 and 8.

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Row No	Activity and Responsibility	TimeScales (working days or period from start of implementation of Exit Plan or other specified event)	
		Notice of termination given for any reason is six months or less	Notice of termination for any reason is more than six months, or in the event of expiry of this Agreement
	training in respect of: development; networks; operations; configuration and change management; system administration; platform management; and security.		
12.	Fujitsu Services to produce and Post Office to approve: • a training strategy, which details the required courses and their objectives; • training materials (include assessment criteria); and • a training plan of the required training events.	Within 1 month from notice of termination of this Agreement.	At least 3 months prior to termination or expiry of this Agreement.
13.	Fujitsu Services and Post Office shall co-operate in commencing testing and proving the data transfer and deletion plan, such that transfer may be concluded in accordance with the agreed plan. Once the transfer of Post Office Data to Post Office in	As soon as reasonably practicable after agreement of the data transfer plan referred to in row 9.	The later of 5 months after the date of notice of termination and 3 months after agreement of the data transfer

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Row No	Activity and Responsibility	TimeScales (working days or period from start of implementation of Exit Plan or other specified event)	
		Notice of termination given for any reason is six months or less	Notice of termination for any reason is more than six months, or in the event of expiry of this Agreement
	accordance with this requirement is complete, all remaining Post Office Data to which this requirement applies held by Fujitsu Services shall be destroyed. For the purpose of this requirement, "destroyed" means physical destruction of the media upon which such data are held or irretrievable deletion of data from such media (including, without limitation, by reformatting those media).		plan referred to in row 9.
14.	At the request of Post Office, Fujitsu Services shall: • in the case of properties owned or controlled by Fujitsu Services, permit Post Office and its appointed agents ; and • in the case of properties not owned or controlled by Fujitsu Services, use reasonable endeavours to arrange, reasonable access to such properties used by Fujitsu Services to provide the Services.	Throughout the period between commencement of implementation of the Exit Plan and completion of transition to the Next Supplier ("Exit Term").	Throughout the Exit Term.
15.	At the request of Post Office, Fujitsu Services shall provide all reasonable assistance and allow for the decommissioning and transfer of relevant Central Infrastructure assets located on Fujitsu Services' premises (including premises leased or	Throughout the Exit Term.	Throughout the Exit Term.

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Row No	Activity and Responsibility	TimeScales (working days or period from start of implementation of Exit Plan or other specified event)	
		Notice of termination given for any reason is six months or less	Notice of termination for any reason is more than six months, or in the event of expiry of this Agreement
	licensed by Fujitsu Services) in accordance with Post Office's reasonable instructions to Post Office's specified location in the UK (or the location of any Next Supplier), including but not limited to physical access to such assets.		
16.	Fujitsu Services shall transfer data in an agreed electronic format (where possible) or such other available format to Post Office and make the same available at Post Office's request to the Next Supplier.	On satisfactory completion of the relevant testing mentioned in row 13.	On satisfactory completion of the relevant testing mentioned in row 13.
17.	Fujitsu Services shall: • make available two copies in the agreed electronic format of all back-up, archival and operational data including, without limitation all databases developed in relation to the Services licensed for use by Post Office or in which Post Office owns the Intellectual Property Rights; and • make and deliver up to Post Office printouts of Post Office Data as Post Office may reasonably require and which Fujitsu Services can reasonably produce.	Following a reasonable interval following termination of this Agreement. Such interval to be agreed by the Parties during Phase one.	Following a reasonable interval following termination of this Agreement. Such interval to be agreed by the Parties during Phase one.

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Row No	Activity and Responsibility	TimeScales (working days or period from start of implementation of Exit Plan or other specified event)	
		Notice of termination given for any reason is six months or less	Notice of termination for any reason is more than six months, or in the event of expiry of this Agreement
18.	Fujitsu Services shall transfer to Post Office the scripts used by the Help Desk and TSD, all existing work arounds to known problems, its problem management records and its incident management records (in each case as relevant to the Services and Applications) in a format to be agreed between the Parties."	One month before termination of this Agreement with an update of such information up to and including the date of termination of this Agreement to be sent to Post Office in the agreed format within one month of the date of termination of this Agreement.	Two months before termination of this Agreement with an update of such information up to and including the date of termination of this Agreement to be sent to Post Office in the agreed format within one month of the date of termination of this Agreement.
19.	Fujitsu Services shall provide reasonable office accommodation for three Post Office or Next Supplier personnel.	Throughout the Exit Term.	Throughout the Exit Term.
20.	Fujitsu Services shall destroy or return to Post Office (as directed by Post Office): • all manuals and all other materials supplied by Post Office to Fujitsu Services (relating to the Services) and subsequently updated in enabling them to service Post Office's requirements; and • all tape and disks and other equipment and related software supplied to Fujitsu Services by Post Office during the	Following a reasonable interval following termination of this Agreement. Such interval to be agreed by the Parties during Phase one.	Following a reasonable interval following termination of this Agreement. Such interval to be agreed by the Parties during Phase one.

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Row No	Activity and Responsibility	TimeScales (working days or period from start of implementation of Exit Plan or other specified event)	
		Notice of termination given for any reason is six months or less	Notice of termination for any reason is more than six months, or in the event of expiry of this Agreement
	provision of the Services.		
21.	Post Office shall notify Fujitsu Services of any transition requirements to be provided to Next Supplier after the date of termination of this Agreement.	At least two months prior to termination of this Agreement.	At least two months prior to termination or expiry of this Agreement.
22.	Fujitsu Services shall transfer to Post Office its configuration management information in a format to be agreed between the Parties.	At least one month prior to termination of this Agreement.	At least one month prior to termination or expiry of this Agreement.

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Annex 2

Calculation of "C" for the purposes of paragraph 5.2.4

Part 1 - Annual base rate of Barclays Bank plc being 2%

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	50.8	50.2	64.6
2004	64.0	63.4	62.8	62.2	61.6	61.0	60.4	59.8	59.2	58.6	57.9	72.9
2005	72.3	71.8	71.3	70.8	70.3	69.7	69.2	68.7	68.2	67.7	67.1	77.4
2006	76.2	75.0	73.8	72.6	71.4	70.2	69.0	67.8	66.6	65.4	64.1	51.7
2007	50.6	49.7	48.7	47.7	46.8	45.8	44.8	43.8	42.8	41.8	40.8	39.8
2008	38.8	37.7	36.7	35.7	34.6	33.6	32.5	31.5	30.4	29.4	28.3	27.2
2009	26.1	25.1	24.0	22.9	21.8	20.7	19.6	18.5	17.4	16.2	15.1	14.0
2010	12.8	11.7	10.6	9.4	8.2	7.1	5.9	4.7	3.6	2.4	1.2	0.6

Part 2 - Annual base rate of Barclays Bank plc being 3%

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	49.3	48.7	63.1
2004	62.5	62.0	61.4	60.9	60.3	59.8	59.2	58.6	58.1	57.5	56.9	72.0
2005	71.5	71.1	70.6	70.2	69.7	69.2	68.8	68.3	67.9	67.4	66.9	77.4
2006	76.2	75.1	74.0	72.8	71.7	70.5	69.3	68.2	67.0	65.8	64.6	51.9
2007	50.8	49.9	49.0	48.0	47.1	46.1	45.1	44.2	43.2	42.2	41.2	40.2
2008	39.2	38.2	37.2	36.1	35.1	34.1	33.0	32.0	30.9	29.8	28.8	27.7
2009	26.6	25.5	24.4	23.3	22.2	21.1	20.0	18.9	17.8	16.6	15.5	14.3
2010	13.2	12.0	10.8	9.6	8.5	7.3	6.1	4.8	3.6	2.4	1.2	0.6

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Part 3 - Annual base rate of Barclays Bank plc being 4%

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	47.8	47.3	61.7
2004	61.2	60.7	60.2	59.6	59.1	58.6	58.1	57.6	57.0	56.5	56.0	71.3
2005	70.8	70.4	70.0	69.6	69.2	68.8	68.4	68.0	67.5	67.1	66.7	77.5
2006	76.3	75.3	74.2	73.1	72.0	70.8	69.7	68.6	67.4	66.3	65.1	52.1
2007	51.1	50.2	49.2	48.3	47.4	46.4	45.5	44.5	43.6	42.6	41.6	40.6
2008	39.7	38.7	37.6	36.6	35.6	34.6	33.5	32.5	31.4	30.4	29.3	28.2
2009	27.1	26.0	24.9	23.8	22.7	21.6	20.5	19.3	18.2	17.0	15.8	14.7
2010	13.5	12.3	11.1	9.9	8.7	7.4	6.2	5.0	3.7	2.4	1.2	0.6

Part 4 - Annual base rate of Barclays Bank plc being 5%

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	46.4	45.9	60.4
2004	59.9	59.4	58.9	58.5	58.0	57.5	57.0	56.5	56.0	55.6	55.1	70.5
2005	70.1	69.8	69.4	69.1	68.7	68.4	68.0	67.6	67.3	66.9	66.5	77.6
2006	76.5	75.4	74.4	73.3	72.3	71.2	70.1	69.0	67.9	66.8	65.6	52.3
2007	51.3	50.4	49.6	48.7	47.7	46.8	45.9	45.0	44.0	43.1	42.1	41.1
2008	40.1	39.2	38.2	37.1	36.1	35.1	34.1	33.0	32.0	30.9	29.8	28.7
2009	27.6	26.6	25.4	24.3	23.2	22.1	20.9	19.8	18.6	17.4	16.2	15.0
2010	13.8	12.6	11.4	10.2	8.9	7.6	6.4	5.1	3.8	2.5	1.2	0.6

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Part 5 - Annual base rate of Barclays Bank plc being 6%

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	45.1	44.6	59.1
2004	58.6	58.2	57.8	57.3	56.9	56.4	56.0	55.6	55.1	54.7	54.2	69.8
2005	69.5	69.2	68.9	68.6	68.3	68.0	67.7	67.4	67.0	66.7	66.4	77.7
2006	76.7	75.7	74.7	73.6	72.6	71.6	70.5	69.5	68.4	67.3	66.2	52.6
2007	51.6	50.8	49.9	49.0	48.1	47.2	46.3	45.4	44.5	43.5	42.6	41.6
2008	40.7	39.7	38.7	37.7	36.7	35.7	34.6	33.6	32.5	31.5	30.4	29.3
2009	28.2	27.1	26.0	24.9	23.7	22.6	21.4	20.2	19.1	17.9	16.7	15.4
2010	14.2	13.0	11.7	10.4	9.1	7.9	6.5	5.2	3.9	2.5	1.2	0.6

Part 6 - Annual base rate of Barclays Bank plc being 7%

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	43.8	43.4	57.9
2004	57.4	57.0	56.6	56.3	55.8	55.4	55.0	54.6	54.2	53.8	53.4	69.2
2005	68.9	68.6	68.4	68.1	67.9	67.6	67.4	67.1	66.9	66.6	66.3	77.9
2006	76.9	75.9	75.0	74.0	73.0	72.0	71.0	70.0	68.9	67.9	66.8	52.9
2007	51.9	51.1	50.3	49.4	48.5	47.7	46.8	45.9	45.0	44.1	43.1	42.2
2008	41.2	40.2	39.3	38.3	37.3.	36.3	35.2	34.2	33.1	32.1	31.0	29.9
2009	28.8	27.7	26.6	25.4	24.3	23.1	21.9	20.7	19.5	18.3	17.1	15.8
2010	14.6	13.3	12.0	10.7	9.4	8.1	6.7	5.4	4.0	2.6	1.2	0.6

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Part 7 - Annual base rate of Barclays Bank plc being 8%

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	42.6	42.2	56.8
2004	56.3	56.0	55.6	55.2	54.9	54.5	54.1	53.7	53.4	53.0	52.6	68.6
2005	68.3	68.1	67.9	67.7	67.5	67.3	67.1	66.9	66.7	66.5	66.3	78.0
2006	77.1	76.2	75.3	74.4	73.4	72.5	71.5	70.5	69.5	68.5	67.4	53.2
2007	52.3	51.5	50.7	49.8	49.0	48.1	47.3	46.4	45.5	44.6	43.7	42.7
2008	41.8	40.8	39.9	38.9	37.9	36.9	35.9	34.8	33.8	32.7	31.6	30.5
2009	29.4	28.3	27.2	26.0	24.9	23.7	22.5	21.3	20.1	18.8	17.6	16.3
2010	15.0	13.7	12.4	11.0	9.7	8.3	6.9	5.5	4.1	2.6	1.2	0.6

Part 8 - Annual base rate of Barclays Bank plc being 9%

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	41.5	41.1	55.7
2004	55.2	54.9	54.6	54.3	53.9	53.6	53.2	52.9	52.6	52.2	51.9	68.0
2005	67.8	67.7	67.5	67.3	67.2	67.0	66.9	66.7	66.5	66.4	66.2	78.3
2006	77.4	76.5	75.6	74.8	73.9	72.9	72.0	71.1	70.1	69.1	68.1	53.5
2007	52.7	51.9	51.1	50.3	49.5	48.6	47.8	46.9	46.0	45.2	44.3	43.3
2008	42.4	41.5	40.5	39.5	38.5	37.5	36.5	35.5	34.4	33.4	32.3	31.2
2009	30.1	28.9	27.8	26.6	25.5	24.3	23.1	21.8	20.6	19.3	18.0	16.7
2010	15.4	14.1	12.7	11.4	10.0	8.5	7.1	5.7	4.2	2.7	1.2	0.6

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Part 9 - Annual base rate of Barclays Bank plc being 10%

Financial Year ending 31 March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2003	-	-	-	-	-	-	-	-	-	40.4	40.0	54.6
2004	54.2	53.9	53.6	53.3	53.0	52.7	52.4	52.1	51.8	51.5	51.2	67.5
2005	67.3	67.2	67.1	67.0	66.9	66.8	66.7	66.6	66.4	66.3	66.2	78.5
2006	77.7	76.9	76.0	75.2	74.3	73.5	72.6	71.6	70.7	69.8	68.8	53.9
2007	53.1	52.3	51.5	50.8	50.0	49.2	48.3	47.5	46.6	45.8	44.9	44.0
2008	43.0	42.1	41.2	40.2	39.2	38.2	37.2	36.2	35.1	34.0	33.0	31.9
2009	30.7	29.6	28.4	27.3	26.1	24.9	23.7	22.4	21.1	19.9	18.5	17.2
2010	15.9	14.5	13.1	11.7	10.3	8.8	7.3	5.8	4.3	2.7	1.2	0.6

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SCHEDULE 23

BRANCH HARDWARE IMPLEMENTATION SERVICES

CONTRACT AMENDMENT HISTORY

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON323.doc

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SCHEDULE 23

BRANCH HARDWARE IMPLEMENTATION SERVICES

1. DEFINITIONS

In this Schedule 23 the term Branch shall have the same meaning as set out in Schedule 1, save that where Implementation activities occur in respect of other premises; such as, without limitation, counter training schools, the term Branch in this Schedule 23 shall, in respect of such Implementations, be read to include such premises.

2. INTRODUCTION

This Schedule 23 sets out provisions regarding the Implementation of Branch Hardware and the content of related contracts.

3. HARDWARE IMPACT ASSESSMENT

Where Post Office wishes to carry out the Implementation of Branch Hardware or Stand-Alone Hardware it will procure a Hardware Impact Assessment from Fujitsu Services. All Hardware Impact Assessments will be carried out by the Parties jointly.

4. PLANNING

Where following Hardware Impact Assessment Post Office decides to proceed with the applicable Implementation and procure the applicable Branch Hardware or Stand-Alone Hardware Post Office shall work with Fujitsu Services to plan and manage certain aspects of the Installation Management and/or Installation. Included (without limitation) in such planning and management are planning for constraints, consideration and input regarding the Installation and maintenance approaches to support the hardware product selection decision and the rollout aspect of the Installation.

5. IMPLEMENTATION OF BRANCH HARDWARE AND STAND-ALONE HARDWARE

5.1 Where following Hardware Impact Assessment Post Office decides to proceed with the applicable Implementation and procure the applicable Branch Hardware Post Office will either:

5.1.1 procure the entire Implementation (other than elements specifically reserved to Post Office) from Fujitsu Services; or

5.1.2 procure certain of those elements of the Implementation from Fujitsu Services and either carry out the remaining elements itself or contract with third parties to do so.

5.2 The table set out in the Annex to this Schedule sets out a non-exhaustive list of those elements of the Implementation of Branch Hardware which may be carried out by Post Office, Fujitsu Services and third parties.

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5.3 Where Fujitsu Services is intended to carry out the whole, or any element, of the Implementation of Branch Hardware (including a Hardware Impact Assessment and planning activities pursuant to paragraph 4), the Work Ordering Procedure shall be used for the relevant Work Package Elements and (in the case of all elements other than the Hardware Impact Assessment and planning activities pursuant to paragraph 4) the provisions of paragraphs 6, 7 and 9 of this Schedule shall apply to such Implementation in addition to the Commercial Terms agreed as part of the relevant Work Order. In the event of any conflict between the Commercial Terms and the provisions of this Schedule, the Commercial Terms shall prevail.

5.4 Where Fujitsu Services is intended to carry out the whole, or any element, of the Implementation of Stand-Alone Hardware, the Work Ordering Procedure will apply and the provisions of paragraphs 6.1, 6.2, 6.3, 6.4 and 7 will apply as though references to "Branch Hardware" were to 'Stand Alone Hardware' but the other provisions of paragraphs of 6 to 9 of this Schedule shall not apply unless otherwise agreed.

5.5 Where any third party carries out the whole, or any element, of the Implementation of Branch Hardware, the provisions of paragraph 8 of this Schedule shall apply to such Implementation.

6. PROVISIONS APPLICABLE TO EACH IMPLEMENTATION OF BRANCH INFRASTRUCTURE

6.1 Non-technical support

For each Installation Post Office shall provide non-technical operational support (e.g. access to Branches)

6.2 Milestones & Service Levels

6.2.1 Every Implementation shall have specific agreed milestones.

6.2.2 Service Levels for each Implementation shall be agreed between Post Office and Fujitsu Services on a case by case basis. Such Service Levels may include (without limitation) agreed measures for:

6.2.2.1 the advanced arrangement of Installation appointments;

6.2.2.2 Installation appointment times being met;

6.2.2.3 Installation being achieved on a first visit;

6.2.2.4 system availability for customer service during the Installation process.

6.3 Operational Business Change And Spares

In respect of each Implementation Fujitsu Services and Post Office shall make provision for the delivery of Branch Hardware to Fujitsu Services in order to facilitate Operational Business Change and ongoing maintenance. The amount, frequency and timing of

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such Branch Hardware deliveries shall be agreed on a case by case basis, taking into account all relevant factors, including (without limitation):

6.3.1 the roll-out strategy for the relevant Implementation(s);

6.3.2 the specifications and average defect free life-span of the Branch Hardware;

6.3.3 the quantity of Branch Hardware spares required by the Operational Business Change Service;

6.3.4 the quantity of maintenance replacement spares of the Branch Hardware as provided for under Schedule 19; and

6.3.5 the number of Counter Positions at which Branch Hardware will be installed.

6.4 Operational Impact

6.4.1 In respect of individual Implementations, any specific restrictions on access to Branches and/or Post Office personnel shall be applied on a case by case basis, such restrictions to be requested by the Post Office and agreed with Fujitsu Services (such agreement not to be unreasonably withheld or delayed).

6.4.2 In addition to any restrictions agreed in accordance with paragraph 6.4.1, unless otherwise specified by Post Office, the following restrictions shall apply to every Installation:

6.4.2.1 no Installation shall take place on a Relevant Bank Holiday;

6.4.2.2 no Installation shall take place between 18th November and 1st January;

6.4.2.3 no Installation shall take place outside the hours of 09:00 to 17:30 Monday to Friday (inclusive); and

6.4.2.4 no Installation shall take place on Mondays or before 12:00 (midday) on Tuesdays in a Branch with four (4) or more Counter Positions.

6.4.3 Where the Installation of Branch Hardware necessitates interruption to customer service, Fujitsu Services and Post Office shall agree an acceptable level of customer disruption and corresponding service level adjustments.

6.4.4 The commercial/contractual arrangement must take into account the impact on the systems and services provided to Post Office by Fujitsu Services.

6.5 Acceptance into Operation

For each Implementation, Fujitsu Services and Post Office shall agree on a case by case basis the point at which the Branch Hardware is to be deemed incorporated into the Horizon Service Infrastructure.

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6.6 Title

Unless otherwise agreed between Fujitsu Services and Post Office, the Party which procures the Branch Hardware shall:

6.6.1 retain title in the Branch Hardware; and

6.6.2 bear the risk of loss, theft or damage to the Branch Hardware,

until such time as the Branch Hardware has been installed at the Branch and accepted by Fujitsu Services as part of the Horizon Service Infrastructure at which time such title and risk shall transfer to Fujitsu Services.

7. PROVISIONS APPLICABLE TO ELEMENTS OF IMPLEMENTATION PROVIDED BY FUJITSU SERVICES

7.1 Charges

Fujitsu Services shall charge Post Office for Implementation, or any element of Implementation, in accordance with the pricing principles set out in paragraph 7.3 of Schedule 10.

7.2 Liability, Risk And Title

Where Fujitsu Services (or its chosen third party supplier) carries out Installation it shall be liable for any damage to:

7.2.1 physical property (including, for the avoidance of doubt, damage to the Horizon Service Infrastructure) together with any reasonable costs incurred by Post Office in repairing such damage (including the cost of work involved); and

7.2.2 data (in which case Fujitsu Services is responsible for retrieving such data)

which occurs at a Branch as a direct result of such Installation work.

8. PROVISIONS APPLICABLE WHERE ELEMENTS OF IMPLEMENTATION PROVIDED BY POST OFFICE OR A THIRD PARTY

8.1 Commercial/Contractual Relationship

The commercial/contractual relationship between the Post Office, Fujitsu Services and any third party supplier, including the charges payable to Fujitsu Services by Post Office, shall be agreed on a case by case basis for each Implementation. The parties may adopt whatever commercial/contractual structure is appropriate for the particular circumstances. However, the commercial/contractual arrangement must take into account the impact on the systems and services provided to Post Office by Fujitsu Services. Fujitsu Services shall not unreasonably refuse to accept proposed commercial/contractual terms for the Implementation of Branch Hardware. Fujitsu Services may base its decision to reject proposed terms on commercial and/or an adverse outcome of Hardware Impact Assessment.

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8.2 Branch Hardware Procurement

Where Post Office procures Branch Hardware from a third party, a warranty clause (the terms of which shall be agreed with Fujitsu Services, such agreement not to be unreasonably withheld) must form part of the purchase agreement for the Branch Hardware between the Post Office and the third party. Prior to physical transfer of the Branch Hardware to Fujitsu Services or incorporation of the Branch Hardware into the Horizon Service Infrastructure (whichever is earlier) Post Office shall use reasonable endeavours to transfer to Fujitsu Services the benefit of and right to the third party warranty provisions.

8.3 Installation

8.3.1 Fujitsu Services shall not unreasonably refuse to give Post Office, or its designated supplier, the authority to disconnect and reconnect elements of the Horizon Service Infrastructure at Branches as part of an Installation.

8.3.2 Where Post Office (or its chosen third party supplier) carries out Installation it shall be liable for any damage to physical property or data which occurs at a Branch (including, for the avoidance of doubt, damage to the Horizon Service Infrastructure) as a direct result of such Installation work.

8.3.3 Notwithstanding paragraph 8.3.2, where Post Office or its third party supplier carries out Installation work, Fujitsu Services shall be liable for any damage to Horizon Service Infrastructure as per paragraph 7.2.1 or data where:

8.3.3.1 such damage occurred as a result of the Post Office or its chosen third party supplier carrying out such Installation work in accordance with installation specifications provided by Fujitsu Services;

8.3.3.2 the damage would not have occurred if the Fujitsu Services installation specifications had not been followed; and

8.3.3.3 Post Office or its third party supplier acted in the manner of a reasonable and skilled provider of Installation services in following the Installation Specifications.

8.4 Bespoke Tools

If Post Office elects to carry out Installation and/or Installation Management itself or via its third party supplier then

8.4.1 the provision of standard or bespoke hardware or tangible tools required to facilitate installation shall be the responsibility of Post Office or its third party supplier;

8.4.2 the provision or procurement of standard or bespoke software tools required to facilitate installation in relation to the existing Horizon Service Infrastructure shall be the responsibility of Fujitsu Services and shall be performed in

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accordance with the terms of the related Work Order for Implementation Support;

8.5 Service Levels

Fujitsu Services shall be granted relief from any applicable service levels:

8.5.1 where such relief is agreed as part of the contractual arrangements for the Implementation; and/or

8.5.2 to the extent that performance in respect of such service levels is impacted by Implementation activities carried out by Post Office or Post Office's third party supplier, save where the Service Level impact results from Fujitsu Services carrying out obligations which Fujitsu Services is contractually required to undertake as part of the Implementation,

such relief to be agreed by the Service Review Forum.

9. REVISITS

9.1 Where Fujitsu Services is carrying out Installation Management for an Implementation and:

9.1.1 any element of the Horizon Service Infrastructure necessary to carry out Installation is inoperable at the time of Installation; and

9.1.2 the Installation visit cannot be changed without cost being incurred by Post Office,

Fujitsu Services shall be liable:

9.1.3 to pay the reasonable revisit charge of the party carrying out the Installation (or, if Post Office agrees, to carry out the Installation itself for free); and

9.1.4 to pay the reasonable charges for the assistance of any other party that must attend the revisit or provide related input.

9.2 Where Fujitsu Services is not carrying out Installation Management for the Implementation concerned and

9.2.1 any element of the Horizon Service Infrastructure necessary to carry out Installation is inoperable at the time of Installation; and

9.2.2 the Installation visit cannot be changed without cost being incurred by Post Office;

Fujitsu Services shall not be liable for any costs of a subsequent revisit unless otherwise agreed. Where it is reasonably practical for Fujitsu Services' engineer to

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complete installation on his rectification visit, a process will be agreed whereby Fujitsu Services will complete the installation without additional charge.

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ANNEX TO SCHEDULE 23

IMPLEMENTATION OF BRANCH HARDWARE

SERVICE TYPE	SERVICE ELEMENT DESCRIPTION	PARTY/PARTIES WHICH MAY CARRY OUT THE SERVICE ELEMENT (Yes/No = "Y" or "N")		
		Fujitsu Services	Post Office	Third Party
Hardware Impact Assessment		**Y**	**N**	**N**
Hardware Procurement	(includes procurement of integral software and hardware tools)	**Y**	**Y**	**Y**
Implementation Support	Testing of Branch Hardware and provision of test results	**Y**	**N**	**N**
	[Provision of tests to be carried out by third parties in respect of Branch Hardware]	**Y**	**N**	**N**
	Rollout of software to the Horizon Service Infrastructure to facilitate Installation.	**Y**	**N**	**N**
	Provision of bespoke software tools to facilitate connection to or disconnection from the Horizon Service Infrastructure.	**Y**	**N**	**N**
	The provision of installation specifications.	**Y**	**N**	**N**
	Resolution of incidents where such incidents concern Horizon Service Infrastructure or any of	**Y**	**N**	**N**

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	the services or software provided as part of Implementation Support			
Installation Management	The booking of Installation procedures with Branches	**Y**	**Y**	**Y**
	Time-tabling Branch Installation visits.	**Y**	**Y**	**Y**
	Providing 'first point of contact' support for Installations, directing support queries to relevant parties and, where communicating support responses.	**Y**	**Y**	**Y**
Installation	Non-technical assistance (e.g. access to Branches)	**N**	**Y**	**N**
	Branch surveys.	**Y**	**Y**	**Y**
	Delivery of Branch Hardware to Branches.	**Y**	**Y**	**Y**
	Modification of Branch Hardware to facilitate installation of the Branch Hardware.	**Y**	**Y**	**Y**
	Physical installation, replacement or removal of Branch Hardware.	**Y**	**Y**	**Y**
	Testing at Branches to determine/facilitate installation of the Branch Hardware.	**Y**	**Y**	**Y**

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SCHEDULE 24

BANKING IMPLEMENTATION

Version History

Version No.	Date	Comments
1.0	31/12/02	Agreed version. BPCON324.doc

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SCHEDULE 24

BANKING IMPLEMENTATION

1. DEFINITIONS

1.1 In this Schedule 24 the following expressions shall have the following meanings:

1.1.1 "**Actual Shortfall**" means the difference (if any) between:

1.1.1.1 99.9%; and

1.1.1.2 the actual percentage of Networked Sites where the operational version of the PP Test Software has been installed by the date specified in paragraph 5.2.5.1 of this Schedule 24,

or zero if that actual percentage is greater than 99.9%;

1.1.2 "**Actual Shortfall Site**" means each Networked Site classified in Fujitsu Services' list provided in accordance with paragraph 5.2.3.8 of this Schedule 24 as an actual shortfall site;

1.1.3 **"Banking Implementation Activities"** has the meaning ascribed to it in paragraph 2.1.1 of this Schedule 24;

1.1.4 "**CAPO Testing Stage**" has the meaning ascribed to it in paragraph 1.6 of Annex 1 to this Schedule 24;

1.1.5 "**NBS Expert**" means the individual appointed by Post Office and Fujitsu Services to resolve Disputes relating to NBS Acceptance in accordance with paragraph 6.7 of this Schedule 24;

1.1.6 "**NBS Installer**" means Post Office or the third Party appointed by Post Office to install the PIN Pads and/or the Paypoles, as the case may be;

1.1.7 "**NB High Severity**" has the meaning ascribed to it in paragraph 6.4.3.2 of this Schedule 24;

1.1.8 "**NBS Acceptance Date**" means the date that NBS Acceptance occurs in accordance with paragraph 6.3.1 of this Schedule 24;

1.1.9 "**NBS Acceptance Progress Incident**" means an NBS Acceptance Incident classified for the purposes of NBS Stage Progression as high, medium or low, in accordance with paragraph 6.4.3.2 of this Schedule 24;

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1.1.10 "**NBS Review"** means a type of NBS Test described in paragraph 2.3 of Annex 1 to this Schedule 24;

1.1.11 "**NBS Testing Evidence**" has the meaning ascribed to it in paragraph 6.4.1.3 of this Schedule 24;

1.1.12 "**NBS Testing Plan**" means the testing plan described in paragraph 4 of Annex 1 to this Schedule 24;

1.1.13 "**NBS Testing Specification**" means a specification described in paragraph 3 of Annex 1 to this Schedule 24;

1.1.14 **"NBS Trials"** means a type of NBS Test described in paragraph 2.2 of Annex 1 to this Schedule 24;

1.1.15 "**NBS Testing Stage**" has the meaning ascribed to it in paragraph 1.1 of Annex 1 to this Schedule;

1.1.16 **"NBS/NBE Testing Stage"** has the meaning ascribed to it in paragraph 1.5 of Annex 1 to this Schedule 24;

1.1.17 "**Networked Site**" means a PIN Pad Site where there is a network connection;

1.1.18 "**OBC Stock**" means the stock of PIN Pads held from time to time by Fujitsu Services, for Operational Business Change requirements, in accordance with paragraph 5.4.1 and paragraph 5.4.2 of this Schedule 24;

1.1.19 "**Partial E2E Testing Stage**" has the meaning ascribed to it in paragraph 1.3 of Annex 1 to this Schedule 24;

1.1.20 "**PIN Pad Site**" means all automated Counter Positions, mobile configurations (as described in row 7 of Annex A to Schedule 10), Admin Positions and trolley based solutions in Branches;

1.1.21 "**PP Test Software**" means the PIN Pad test software to be developed by Fujitsu Services which shall:

1.1.21.1 in respect of a PIN Pad Site, detect installation of a PIN Pad in accordance with the specification set out in the CCD entitled "*PIN Pad Technical Installation Training Guide*" (*IM/MAN/022*) and that the PP Test Software has been run at that PIN Pad Site;

1.1.21.2 in the case of Networked Sites only, incorporate a mechanism to notify Fujitsu Services that a PIN Pad has been successfully incorporated into the Horizon Service Infrastructure;

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1.1.21.3 in the case of Networked Sites only, test that the PIN Pad is functioning as an integrated element of Horizon Service Infrastructure; and

1.1.21.4 have the functional characteristics described in the CCD entitled "*PIN Pad Technical Installation Training Guide*" (*IM/MAN/022*).

2. INTRODUCTION

2.1 Schedule Content

2.1.1 This Schedule 24 sets out the obligations and responsibilities of each Party in respect of the Banking Implementation Activities.

2.1.2 Certain provisions in this Schedule 24 grant rights or impose obligations which take effect or continue after the completion of the Banking Implementation Activities. As soon as reasonably practicable after completion of the Banking Implementation Activities, Fujitsu Services and Post Office shall use reasonable endeavours to transfer (via the Hard Change Control procedure) such ongoing provisions from this Schedule 24 to other appropriate parts of this Agreement. This transfer of provisions will facilitate the possible removal of Schedule 24 from this Agreement (via the Hard Change Control procedure).

2.2 Schedule Division

2.2.1 This Schedule 24 is divided into the following elements:

2.2.1.1 NBS (Paragraph 3);

2.2.1.2 NBS CCNs (Paragraph 4);

2.2.1.3 PIN Pad implementation (Paragraph 5);

2.2.1.4 NBS Acceptance (Paragraph 6);

2.2.1.5 certain Post Office NBS responsibilities and obligations (Paragraph 7);

2.2.1.6 NBS implementation (Paragraph 8);

2.2.1.7 termination of the Banking Implementation Activities (Paragraph 9);

2.2.1.8 NBS Termination Charge, NBS Transfer Services and NBS Transfer Payment (Paragraph 10); and

2.2.1.9 Annexes 1, 2, 3, 4 and 5.

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3. NBS

3.1 Fujitsu Services shall:

3.1.1 develop the NBS as described in the CCD entitled "NBS Definition" (BP/SPE/035);

3.1.2 use reasonable endeavours to develop and implement the NBS in accordance with the NB Project Plan;

3.1.3 subject to authorisation by the Demand Planning Forum and from the date approved by that Forum perform the Services connected to the NBS; and

3.1.4 perform the NBS Transfer Services when required by this Agreement.

3.2 Elements of the Network Banking Service shall be subject to Acceptance in accordance with the provisions of this Schedule 24.

3.3 The front-end processes for the Applications (other than the NBS) or the Infrastructure Services (e.g. menu hierarchy) shall be reviewed and modified if reasonably necessary (subject to the Change Control Procedure) in order to support the NBS functionality [NBR463].

3.4 Fujitsu Services shall design the NB System in a way which will not preclude a future development to transact business in EUROs. However any such development shall be subject to agreement through the Change Control Procedure.

3.5 Fujitsu Services shall develop for agreement by Post Office (such agreement not to be unreasonably withheld) clear and unambiguous processes and procedures for the operation of the NBS in Branches. Fujitsu Services shall document such agreement in a PPD (the "NB PPD") and such other PPDs as the parties agree to be appropriate. However, until such time as the NB PPD is agreed by the parties, the processes and procedures to be followed at Counter Positions shall be those set out in the CCD entitled "Network Banking Counter Dialogue - Activity & Screen Flows" (NB/SPE/003). The parties intend that the content of the CCD entitled "Network Banking Counter Dialogue - Activity & Screen Flows" (NB/SPE/003) which needs to be maintained after completion of development of the NBS shall be included in such other CCDs as the parties agree to be appropriate and references in this CCD to that CCD will be replaced as appropriate. [NBR232, NBR463, NBR026].

3.6 To enable Post Office to design and develop training for NBSC personnel Fujitsu Services shall provide in a timely manner such accurate information about the NBS (beyond that which is contained in the NB PPD or other NBS related CCDs) as may be reasonably requested by Post Office.

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3.7 Counter Environment

The counter environment for the NBS shall comply with the CCDs entitled "TMS Architecture Specification" (TD/ARC/029) and the "OPS Architecture Specification" (TD/ARC/030) which shall be updated by Fujitsu Services before the start of NBS Tests to include the amendments required to those CCDs to reflect changes to the counter environment required for the NBS including, without limitation, the development, introduction and use (for the purposes of the NBS) of WebRiposte, the NB Counter Application, new Post Office Reference Data objects, PIN Pads and any consequential changes to the counter environment to be made by Fujitsu Services.

3.8 LINK compliance

As required by LINK when the Applications and the Infrastructure Services change, Fujitsu Services shall assist Post Office to review LINK security compliance requirements to identify any changes required.

3.9 Restrictions relating to NB System Design Information

3.9.1 For the purposes of paragraph 3.9.2. and 3.9.3. of this Schedule 24:

"**NB System Design Information**" means information concerning the design and characteristics of the NB Systems held by Fujitsu Services but not available to Post Office; and

the "**Purpose**" means the operation of End to End Banking and the integration of the NB System with other elements of End to End Banking.

3.9.2 Fujitsu Services shall provide copies of or give access to Post Office to such NB System Design Information as Post Office reasonably requires for the Purposes, subject to the following conditions and restrictions:

3.9.2.1 the provisions of copies of or access to NB System Design Information to Post Office by Fujitsu Services shall be subject to such confidentiality provisions and restrictions on disclosure or access as Fujitsu Services may reasonably specify, taking into account the sensitivity of the particular NB System Design Information concerned and any obligations of Fujitsu Services to third parties in respect of that NB System Design Information; and

3.9.2.2 where Fujitsu Services is restricted or prohibited by binding obligations to third parties from disclosing NB System Design Information to Post office:

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(a) Fujitsu Services shall use all reasonable endeavours to procure the mitigation and release of those restrictions or prohibitions; and

(b) Fujitsu Services shall not be obliged to disclose to Post Office any NB System Design Information which it is prohibited from so disclosing.

3.9.3 Post Office shall not use NB System Design Information for any purpose other than the Purposes.

3.9.4 The provisions of paragraph 3.9.2. and paragraph 3.9.3 of this Document shall be in addition to and without prejudice to the provisions of Clause 50 of this Agreement.

4. NBS CCNs

4.1 The following provisions shall apply in respect of the Network Banking CCNs:

4.1.1 all performance by each Party of its obligations pursuant to the Network Banking CCNs since 16 July 2001 shall be deemed to be performance of the corresponding obligations undertaken by each Party under this Agreement as amended by CCN 850;

4.1.2 all such performance of the Network Banking CCNs shall be subject to all applicable provisions of this Agreement as amended or introduced by CCN 850 and CCN 1100, each such amended or new provision coming into force and being effective from the relevant date specified in CCN 850 or the Amendment Date (as appropriate);

4.1.3 Post Office's obligations to pay Fujitsu Services' Charges for work carried out under the Network Banking CCNs shall be as set out in Annex D of Schedule 10;

4.1.4 any liability of either Party connected with its performance of obligations under the Network Banking CCNs shall arise under this Agreement as amended by CCN 1100 and shall be subject to any applicable limits or exclusions of liability contained in this Agreement and not those contained in the Network Banking CCNs;

4.1.5 subject to paragraph 4.1.4, paragraphs 4.1.1 and 4.1.2 shall be without prejudice to any accrued rights or outstanding liabilities of either Party in respect of breaches of any of the Network Banking CCNs by the other Party;

4.1.6 for the purpose of statutory limitation, any cause of action of either Party arising from a breach of the Network Banking CCNs shall be deemed to arise when

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that breach of the Network Banking CCN took place and not on the date of approval of CCN 850 or CCN 1100;

4.1.7 any right, approval or consent granted by either Party to the other under or in connection with work carried out under the Network Banking CCNs shall be deemed to have been granted (to the same extent that it was given under the relevant Network Banking CCN) under this Agreement; and

4.1.8 the Network Banking CCNs were terminated by CCN 850 and are superseded by the provisions of this Agreement.

5. PIN PAD IMPLEMENTATION

5.1 Design and Development

5.1.1 Fujitsu Services shall:

5.1.1.1 complete and maintain the design for the PIN Pad in order that the PIN Pad shall comply with the CCD entitled "PIN Pad Product Specification" (NB/PDN/010) and in order that the PIN Pad shall support the NBS; and

5.1.1.2 by the relevant date specified in the NB Project Plan provide the design and specifications for the installation and connection of PIN Pads to be used in mobile configurations (as described in row 7 of Annex A to Schedule 10) and installation of PIN Pads in standard configurations on trolleys and vans. When producing the design of the installation and connection of PIN Pads to be used in mobile configurations Fujitsu Services shall seek to keep the aggregate weight of the mobile configuration with the PIN Pad connected as low as is reasonably practicable in the circumstances. For the avoidance of doubt and unless agreed otherwise under the Change Control Procedure, Fujitsu Services shall not be required to supplement the design and/or specifications or provide a further design and/or specification in the event that Post Office does not wish to proceed with procurement of connections for mobile configurations in accordance with the design and specifications provided by Fujitsu Services in accordance with this paragraph 5.1.1.2.

5.1.2 The size and specification of the boxes to be used for PIN Pad and Paypole delivery, the size of batches of PIN Pads which are returned to Fujitsu Services by Post Office under paragraph 5.3.3.4 (which shall in any event be between 10 and 50), and the addresses for PIN Pad delivery and return specified in accordance with paragraphs 5.2.3.4 and 5.3.3.4 and 5.3.3.5(c) shall be as set out in the Working Document entitled "Pin Pad Supply Logistics Requirements" (IM/REQ/093).

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5.2 Pre-installation

5.2.1 Fujitsu Services shall procure PIN Pads (but for the avoidance of doubt not the connections for PIN Pads referred to in paragraph 5.1.1.2 above) to the specifications set out in the CCD entitled "PIN Pad Product Specification" (NB/PDN/010) and Paypoles to the specifications set out in the CCD entitled "Paypole Product Specification" (IM/SPE/026) to be delivered in the following quantities:

5.2.1.1 PIN Pads - 38,000; and

5.2.1.2 Paypoles - 37,000.

5.2.2 Post Office may at its option increase either or both of the quantities set out in paragraph 5.2.1 by a maximum of 2,000. To exercise that option Post Office shall give notice in writing to Fujitsu Services no later than 31 August 2002, after which that option shall expire.

5.2.3 Fujitsu Services shall:

5.2.3.1 provide to Post Office the results of any tests which Fujitsu Services may carry out, prior to authorising production, on manufactured quality prototypes of the PIN Pad;

5.2.3.2 provide to Post Office details of testing to be carried out by the supplier of the PIN Pads at the supplier's premises and shall procure that all PIN Pads are tested accordingly;

5.2.3.3 carry out the tests set out in the Working Document entitled "PIN Pad Sample Test Specification" (NB/SPE/014) in the UK on a sample of PIN Pads, following delivery of the sample by Post Office to Fujitsu Services, and provide the results of the tests to Post Office. The sample size will be 1 in 500 and the samples will be drawn by Post Office from stock delivered to Post Office. Each PIN Pad, once it passes the tests carried out in accordance with this paragraph 5.2.3.3, shall be added to Fujitsu Services' stock of spare PIN Pads;

5.2.3.4 deliver the PIN Pads and Paypoles to such single UK mainland location as Post Office may, on 30 days written notice to Fujitsu Services, specify from time to time. POL shall notify Fujitsu Services of the initial delivery location no later than 17 June 2002;

5.2.3.5 ensure that PIN Pads are key loaded and ready for installation, before delivery to Post Office, such that installation can be effected in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022);

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5.2.3.6 provide on or before the applicable date specified in the NB Project Plan a draft of such installation instructions (including screen layouts for the PP Test Software) as are necessary and reasonably required for connection of a PIN Pad at each mobile configuration and at each standard configuration on a trolley or van, as specified in paragraph 5.1.1.2, to be documented in a future update of the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022);

5.2.3.7 produce and distribute the PP Test Software to PIN Pad Sites in accordance with its obligations contained in this Schedule;

5.2.3.8 on 23 April 2002 and on each working day thereafter until completion of installation of the PP Test Software, copy to Post Office the list of (i) PIN Pad Sites with PP Test Software installed and (ii) PIN Pad Sites with PP Test Software not installed; and

5.2.3.9 procure at Fujitsu Services' cost (and in the circumstances described in paragraph 5.2.3.9(a) below, at Fujitsu Services' cost, deliver to Post Office) a replacement PIN Pad for each PIN Pad which is:

(a) returned in accordance with the Working Document entitled "Pin Pad Supply Logistics Requirements" (IM/REQ/093) to Fujitsu Services where found (including by the PP Test Software) to have been supplied faulty; or

(b) found by Fujitsu Services to be defective where Fujitsu Services attends a PIN Pad Site to complete the installation of a PIN Pad in accordance with the provisions of this paragraph 5.

5.2.4 Post Office shall:

5.2.4.1 plan and manage the programme for PIN Pad deployment (but not deployment of PIN Pads through the Operational Business Change procedure);

5.2.4.2 by 30 June 2002 provide Fujitsu Services with the NBS Installer's training plan;

5.2.4.3 permit Fujitsu Services to observe such of the NBS Installer's training sessions as Fujitsu Services may request to attend; and

5.2.4.4 in the case of each Actual Shortfall Site, inform Fujitsu Services as soon as reasonably practicable after it has installed the Paypole and, as far as possible, the PIN Pad (such installation having been carried out in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022)) in order that Fujitsu

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Services can then complete the PIN Pad installation in accordance with paragraph 5.2.6.

5.2.5 Fujitsu Services shall:

5.2.5.1 use reasonable endeavours to ensure that the operational version of the PP Test Software is installed at 99.9% of the Networked Sites by 19 June 2002; and

5.2.5.2 ensure that the operational version of the PP Test Software is installed at 100% of the Networked Sites by 14 August 2002.

5.2.6 Subject to paragraph 5.2.7, in the event that on the date specified in paragraph 5.2.5.1 there is an Actual Shortfall Site Fujitsu Services shall by 1 December 2002 or such later date as POL may specify with Fujitsu Services' agreement (such agreement not to be unreasonably withheld or delayed):

5.2.6.1 in accordance with the specification set out in the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022) complete the installation (commenced by Post Office), at its own cost, of a properly functioning PIN Pad; and

5.2.6.2 run the PP Test Software in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022),

at each Actual Shortfall Site.

5.2.7 Fujitsu Services' obligations in paragraph 5.2.6 shall not apply to any Actual Shortfall Site where:

5.2.7.1 by the date on which Post Office intended installation of the PIN Pad to take place the PP Test Software has been installed; and/or

5.2.7.2 the NBS Installer has failed to install the Paypole, and as far as possible, to install the PIN Pad in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022) prior to the date on which Fujitsu Services has been advised by Post Office that it may attend the Actual Shortfall Site to complete such installation.

5.2.8 Fujitsu Services shall use reasonable endeavours to install the PP Test Software at each PIN Pad Site which is not a Networked Site by the date 10 weeks after Release Authorisation for deployment of the NBS to all Branches.

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5.2.9 Fujitsu Services warrants and represents to Post Office that:

5.2.9.1 all PIN Pads procured by Fujitsu Services under this Agreement shall comply with the CCD entitled "PIN Pad Product Specification" (NB/PDN/010);

5.2.9.2 all Paypoles procured by Fujitsu Services under this Agreement shall comply with the CCD entitled "Paypole Product Specification" (IM/SPE/026);

5.2.9.3 all Paypoles procured by Fujitsu Services under this Agreement shall be physically compatible with the PIN Pad;

5.2.9.4 the components of all PIN Pads procured by Fujitsu Services under this Agreement shall be fully functional in accordance with the specifications of their respective manufacturers; and

5.2.9.5 PIN Pads procured by Fujitsu Services under this Agreement shall:

(a) support the NBS; and

(b) be compatible with Post Office Service Environment.

5.3 Installation

5.3.1 Fujitsu Services shall:

5.3.1.1 provide Post Office with such user name or names and password or passwords as are required for PIN Pad installation (as referred to in CCN 934); and

5.3.1.2 provide Help Desk support between 8am to 8pm Monday - Saturday (excluding Bank Holidays) to resolve:

(a) technical faults in Horizon Service Infrastructure (each a "Technical Fault") found during PIN Pad installation; and

(b) queries where the PP Test Software produces results which are not envisaged in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022) (each an "Installation Fault").

Support outside of the hours specified in this paragraph 5.3.1.2 shall, if required, be introduced through the Change Control Procedure.

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5.3.2 In the event that:

5.3.2.1 Fujitsu Services is required to deal with any Help Desk calls by NBS Installers not resulting from either a Technical Fault or an Installation Fault (or both); and

5.3.2.2 as a result Fujitsu Services fails to reach any of the service targets set out in paragraphs 3.2.5 of Annex 1 of Schedule 15,

all such Help Desk calls shall be disregarded for the purposes of assessing Fujitsu Services' performance against those service targets to the extent Fujitsu Services can show that the failure occurred as a result of receipt of such Help Desk calls. This provision shall apply notwithstanding any conflict or inconsistency between it and any provision of Schedule 15.

5.3.3 Post Office shall or shall ensure that the NBS Installer shall (as the case may be):

5.3.3.1 carry out such counter modifications as are necessary for PIN Pad installation;

5.3.3.2 save to the extent that Fujitsu Services is required so to do in accordance with this Schedule 24, using all reasonable skill and care install and connect PIN Pads at all PIN Pad Sites in accordance with the specification set out in the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022);

5.3.3.3 save to the extent that Fujitsu Services is required so to do in accordance with this Schedule 24 using all reasonable skill and care run the PP Test Software provided by Fujitsu Services at all PIN Pad Sites in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022);

5.3.3.4 save as specified otherwise in paragraph 5.3.3.5, in accordance with the Working Document entitled "Pin Pad Supply Logistics Requirements" (IM/REQ/093), return to Fujitsu Services, at such single mainland UK address as Fujitsu Services shall on 30 days notice notify Post Office from time to time, any PIN Pads which fail the PP Test Software tests on installation; and

5.3.3.5 where a PIN Pad fails the PP Test Software tests on installation:

(a) attempt to install a second PIN Pad at the PIN Pad Site in question. Post Office may, at its discretion, attempt to install further replacement PIN Pads at that PIN Pad Site following the second (or subsequent) PIN Pad failing on installation;

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(b) having installed the Paypole, leave a PIN Pad physically installed at the PIN Pad Site in question in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022) and report that fact to Fujitsu Services through the Horizon System Help Desk in which case the provisions of paragraph 5.3.4 shall apply; and

(c) at its discretion, either return (in accordance with paragraph 5.3.3.4 any failed PIN Pads or attempt installation using the failed PIN Pads at another PIN Pad Site or Sites (in each case, the obligation shall not apply to the PIN Pad left at the PIN Pad Site in accordance with paragraph 5.3.3.5 (b) above).

5.3.4 Where Post Office makes a call to the Horizon System Help Desk in accordance with paragraph 5.3.3.5 (b) the following provisions shall apply:

5.3.4.1 Fujitsu Services shall, subject to having received the necessary number of PIN Pads from Post Office in accordance with paragraph 5.4.1, use reasonable endeavours to complete the installation of a properly functioning PIN Pad at that PIN Pad Site within 48 hours of the call being received, except in the circumstances described in paragraph 5.3.4.2 below;

5.3.4.2 in the event that any calls made in accordance with paragraph 5.3.3.5 (b) are received during the period of two weeks before PIN Pad deployment by or on behalf of Post Office is due to be completed (Post Office having notified Fujitsu Services at least one week prior to its commencement of when that two week period is due to commence) Fujitsu Services shall, subject to having received the necessary number of PIN Pads from Post Office in accordance with paragraph 5.4.1 and save as provided in paragraph 5.3.4.3 below, use reasonable endeavours to complete the installation of a properly functioning PIN Pad at that PIN Pad Site within 24 hours of each such call;

5.3.4.3 Post Office acknowledges and agrees that the 24 hour target referred to in this paragraph 5.3.4 is based upon the assumption that during such two week period the profile of daily PIN Pad installation (both completed and initiated) by or on behalf of Post Office (the "Profile") will not be materially different from the Profile (the "Previous Profile") for each day during the previous four weeks.

In the event that that the Profile is materially different from the Previous Profile Fujitsu Services' obligations under this paragraph 5.3.4 shall be to complete the installation of the PIN pad as soon as

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reasonably practicable (which may be after expiry of that 24 hour period); and

5.3.4.4 the above targets of 24 and 48 hours shall be applied and Fujitsu Services' performance measured against them, for the purposes of this paragraph 5.3.4, by counting time (hours) in Post Office Core Day only.

5.3.5 Where:

5.3.5.1 a PIN Pad is found to be faulty on installation; and

5.3.5.2 the PIN Pad supplier, upon subsequent testing of that PIN Pad, reports that it is not faulty ("No Fault Found"),

Fujitsu Services shall retain that PIN Pad and shall not send it to Post Office for installation. Fujitsu Services' charges for dealing with each No Fault Found PIN Pad where the attempted installation of that PIN Pad was not in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022) shall be as specified in paragraph 1.3.2 of Part B of Annex D of Schedule 10.

5.3.6 In the event that the number of PIN Pads retained by Fujitsu Services in accordance with paragraph 5.3.5 reaches 26 the Parties shall use all reasonable endeavours to discover the reason for the discrepancy between the NBS Installer finding PIN Pads to be faulty on installation and the PIN Pad supplier's test results.

5.3.7 Where a faulty PIN Pad is repaired by the PIN Pad supplier and returned to Fujitsu Services or a replacement PIN Pad is delivered to Fujitsu Services by the PIN Pad supplier, that PIN Pad will be added to Fujitsu Services' stock of spare PIN Pads.

5.3.8 Fujitsu Services shall (in addition to its obligations specified in paragraph 5.3.4) complete the installation of a properly functioning PIN Pad:

5.3.8.1 at a PIN Pad Site where the NBS Installer has installed a faulty PIN Pad and on installation of that faulty PIN Pad the PP Test Software was used but the fault in the PIN Pad was not detected;

5.3.8.2 subject to paragraph 5.2.7 at each Actual Shortfall Site in the circumstances specified in paragraph 5.2.6; and

5.3.8.3 where the PP Test Software was available at a PIN Pad Site but Post Office failed to use the PP Test Software on installation of the PIN Pad. In the circumstances specified in this paragraph 5.3.8.3 Post

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Office shall be liable for all of Fujitsu Services' costs in running the PP Test Software and completing installation of the PIN Pad at that PIN Pad Site.

5.3.9 In the case of Networked Sites, once the PP Test Software has recognised the presence of an installed PIN Pad:

5.3.9.1 Fujitsu Services' SMS software shall capture the presence of and serial number of that PIN Pad and that PIN Pad will then be deemed accepted as part of the Horizon Service Infrastructure; and

5.3.9.2 following recognition by Fujitsu Services' SMS software in accordance with paragraph 5.3.9.1 if there is a printer available and functioning at the Networked Site, two receipts will be produced in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022) to show that the PIN Pad has been recognised by the PP Test Software. If the Networked Site is not connected to a printer, or it is connected to a printer but the printer is not functioning properly at that time, a print preview of the receipt shall be used in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022) to show that the PIN Pad has been recognised by the PP Test Software.

5.3.10 In the case of each PIN Pad Site which is not a Networked Site where PIN Pad installation is carried out by the NBS Installer, Post Office shall notify Fujitsu Services in writing forthwith upon completion of installation of a PIN Pad at the PIN Pad Site and the PIN Pad shall be deemed accepted as part of the Horizon Service Infrastructure upon receipt by Fujitsu Services of such notification.

5.3.11 In the case of each PIN Pad Site which is not a Networked Site where PIN Pad installation is carried out by Fujitsu Services, Fujitsu Services shall notify Post Office in writing forthwith upon completion of installation of a PIN Pad at the PIN Pad Site and the PIN Pad shall be deemed accepted as part of the Horizon Service Infrastructure upon completion of installation.

5.3.12 Post Office may at its option from time to time (but no more frequently than once per week) send to Fujitsu Services a list of the PIN Pad Sites where Post Office believes a PIN Pad has been successfully installed and the Parties shall then resolve any discrepancies with Fujitsu Services' records as soon as reasonably practicable.

5.3.13 Where:

5.3.13.1 a PIN Pad is left at a PIN Pad Site in accordance with paragraph 5.3.3.5 (b);

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5.3.13.2 installation of the PIN Pad by the NBS Installer has not been in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide"; and

5.3.13.3 the PIN Pad left at the site is not found to be faulty when installation is completed by Fujitsu Services,

Fujitsu Services' charges for completion of the PIN Pad installation shall be as specified in paragraph 1.3.3 of Part B of Annex D of Schedule 10.

5.4 OBC stock and spares and post installation obligations

5.4.1 Of the PIN Pads to be procured under paragraph 5.2.1, Post Office shall deliver to Fujitsu Services by 2 weeks after the completion of the delivery to Post Office of all of the PIN Pads to be procured under paragraph 5.2.1, 500 PIN Pads to be held as spares and 500 PIN Pads to satisfy Operational Business Change requirements for new PIN Pads.

5.4.2 Where, in accordance with Operational Business Change a PIN Pad is removed from an automated Counter Position and is not moved to another automated Counter Position the retained PIN Pad shall be added to the OBC Stock. In the event that, following delivery by Post Office to Fujitsu Services of 500 PIN Pads to be held as OBC Stock in accordance with paragraph 5.4.1 of this Schedule 24, the OBC Stock is reduced to 100 PIN Pads Fujitsu Services shall notify Post Office of such in writing or by email. Post Office shall within 5 working days of receipt of such notification from Fujitsu Services confirm to Fujitsu Services in writing or by email (an "OBC Stock Notice") whether or not it requires Fujitsu Services to increase the OBC Stock. Where an OBC Stock Notice requires Fujitsu Services to augment the OBC Stock Fujitsu Services shall procure the required number of PIN Pads and shall use reasonable endeavours to do so within 100 days of receipt of the OBC Stock Notice. Fujitsu Services' Charges for such additional PIN Pads procured shall be as set out in paragraph 1.1.3 of part B of Annex D of Schedule 10.

5.4.3 Fujitsu Services shall:

5.4.3.1 maintain each PIN Pad as part of Horizon Service Infrastructure once that PIN Pad has been accepted into Horizon Service Infrastructure in accordance with paragraphs 5.3.9, 5.3.10 or 5.3.11 as the case may be;

5.4.3.2 save as specified in paragraph 5.4.4 and paragraph 5.4.5, from the commencement of PIN Pad deployment, include PIN Pads:

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(a) where new automated Counter Positions are added at a Branch if the Counter Positions already installed at that Branch are fitted with PIN Pads; and

(b) whenever there is a Branch change,

dealt with, in each case, through and in accordance with Operational Business Change.

5.4.4 In the event that Post Office fails to supply the number of PIN Pads necessary for Fujitsu Services to meet its obligations in paragraph 5.4.3.2 Fujitsu Services shall, after having notified Post Office that the OBC Stock is insufficient, be relieved of its obligations in paragraph 5.4.3.2 until Post Office has supplied Fujitsu Services with the number of PIN Pads necessary for Fujitsu Services to fulfil those obligations.

5.4.5 Where:

5.4.5.1 Fujitsu Services receives an OBC Stock Notice stating that the OBC Stock should not be increased; or

5.4.5.2 Post Office fails to respond to a notification from Fujitsu Services under paragraph 5.4.2,

Fujitsu Services shall be relieved of its obligations in paragraph 5.4.3.2 where it does not have the necessary OBC Stock, until Fujitsu Services receives the required PIN Pads to be added to OBC Stock (following written notification from Post Office to Fujitsu Services that it requires Fujitsu Services to increase the OBC Stock).

5.4.6 Post Office shall use Post Office's own installation help desk for all matters other than Technical Faults and/or Installation Faults.

5.4.7 Fujitsu Services' SMS software shall monitor installed PIN Pads and detect PIN Pad failures.

5.4.8 Physical damage to PIN Pads (once installed) will be reported by Post Office to the Horizon System Help Desk.

5.4.9 If a PIN Pad is sent to the PIN Pad supplier for repair Fujitsu Services shall procure that it shall perform that repair promptly and then return that Pin Pad to Fujitsu Services.

5.5 Paypoles

5.5.1 Post Office will install Paypoles at all PIN Pad Sites.

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5.5.2 Post Office may disconnect and reconnect PIN Pads, where necessary, when repairing Paypoles. In such circumstances disconnection and reconnection of PIN Pads shall be in accordance with operational procedures specified by Fujitsu Services to be documented in the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022).

5.5.3 In the circumstances described in paragraph 5.4.3.2 any necessary Paypoles and cable routing (which shall include dummy cabling) will be installed by Post Office prior to Fujitsu Services installing the required Counter Equipment and the PIN Pads.

5.5.4 In any circumstances where a Paypole and the associated PIN Pad both need to be repaired Post Office shall first repair the Paypole and then report the fact that the PIN Pad requires repair to Fujitsu Services by telephone to the Horizon System Help Desk. Following receipt of such call from Post Office Fujitsu Services shall ensure that there is a properly functioning PIN Pad at that PIN Pad Site. For the purposes of measurement of the time to repair Service Level for repair of the PIN Pad measurement shall commence only once a call has been made to the Horizon System Help Desk in accordance with this paragraph 5.5.4.

5.5.5 Once the initial order of Paypoles under paragraph 5.2.1 has been exhausted, Post Office may on giving Fujitsu Services at least 100 calendar days' prior written notice, require Fujitsu Services to procure further Paypoles. In the event that Post Office serves notice on Fujitsu Services in accordance with this paragraph 5.5.5, Fujitsu Services shall procure the number of Paypoles specified in the notice and shall use reasonable endeavours to do so within that 100 calendar day notice period. Fujitsu Services' Charges for procuring such additional Paypoles shall be as specified in part paragraph 1.2.3 of Part B of Annex D of Schedule 10.

5.6 Liability for hardware faults

5.6.1 Post Office shall be liable for the cost of damage to:

5.6.1.1 PIN Pads;

5.6.1.2 any hardware elements of the Horizon Service Infrastructure at PIN Pad Sites (not including Software wherever located); and

5.6.1.3 any costs of remedying defective installations,

as a result of the negligence or wilful acts or omissions during the PIN Pad and Paypole installation process of Post Office's installation contractors, employees or agents.

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5.6.2 Post Office shall be liable for the costs (including service call costs) of any damage to, loss or theft of PIN Pads to the extent caused by or contributed to by Post Office's employees, contractors or agents and, where the damage, loss or theft occurs at a PIN Pad Site, by the public.

5.6.3 Fujitsu Services shall be liable for the costs of any damage to, loss or theft of a PIN Pad to the extent caused by or contributed to by Fujitsu Services' employees, contractors or agents during such times as Fujitsu Services retains risk in that PIN Pad.

5.6.4 The aggregate limit on Post Office's liability under Clause 32.2.1.1 of this Agreement shall apply to any sums paid by Post Office under paragraphs 5.6.1 or 5.6.2.

5.6.5 The aggregate limit on Fujitsu Services' liability under Clause 32.2.3 of this Agreement shall apply to any sums paid by Fujitsu Services under paragraph 5.6.3.

5.6.6 Nothing in this Schedule 24 shall act to alter the position under the remainder of this Agreement in respect of liability and cost for pre-existing damage to the Horizon Service Infrastructure discovered during PIN Pad installation.

5.6.7 If an automated Counter Position is found to be damaged or inoperable at the time of installation of a PIN Pad then:

5.6.7.1 Post Office shall install or procure the installation of the PIN Pads and Paypoles as far as possible; and

5.6.7.2 Fujitsu Services shall, when repairing that Counter Position, complete the installation of and test the PIN Pad;

in accordance with the CCD entitled "PIN Pad Technical Installation Training Guide" (IM/MAN/022).

5.7 Risk and title

5.7.1 The risk of loss of or damage to each Paypole shall pass from Fujitsu Services to Post Office upon delivery of that Paypole to Post Office.

5.7.2 Title in each Paypole shall pass from Fujitsu Services to Post Office when Fujitsu Services receives all payments due in respect of that Paypole.

5.7.3 The risk of loss of or damage to each PIN Pad shall pass from Fujitsu Services to Post Office upon delivery of that PIN Pad to Post Office and shall remain with Post Office until that PIN Pad has been accepted into the Horizon Service Infrastructure in accordance with paragraph 5.3.9, 5.3.10 or 5.3.11 of this

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Schedule 24 or delivered to Fujitsu Services by Post Office in accordance with paragraph 5.4.1 (as the case may be) whereupon it shall pass to Fujitsu Services.

5.7.4 Title in:

5.7.4.1 each PIN Pad other than those PIN Pads referred to in paragraph 5.7.4.2 shall pass from Fujitsu Services to Post Office when Fujitsu Services receives all payments due in respect of that PIN Pad (provided that such payments are made prior to acceptance of that PIN Pad into the Horizon Service Infrastructure) and shall then pass from Post Office to Fujitsu Services upon acceptance of that PIN Pad into the Horizon Service Infrastructure under paragraphs 5.3.9, 5.3.10 or 5.3.11 of this Schedule 24; and

5.7.4.2 each PIN Pad delivered to Fujitsu Services in accordance with paragraph 5.4.1 shall pass from Fujitsu Services to Post Office when Fujitsu Services receives all payments due in respect of that PIN Pad (provided that such payments are made prior to delivery of the PIN Pad to Fujitsu Services) and shall then pass from Post Office to Fujitsu Services upon delivery of the PIN Pad to Fujitsu Services by Post Office.

If the payments referred to in paragraphs 5.7.4.1 or 5.7.4.2 are made after acceptance of the PIN Pad into the Horizon Service Infrastructure or after delivery of the PIN Pad to Fujitsu Services (respectively) then title to that PIN Pad shall not pass to Post Office but shall remain with Fujitsu Services.

5.8 General

5.8.1 Fujitsu Services shall not be liable to Post Office in respect of any breach of its obligations in this paragraph 5 of Schedule 24 (the "PP Dependent Obligations") or any delay in performing the PP Dependent Obligations to the extent that such breach or delay was caused by the failure by Post Office to comply (or to ensure that the NBS Installer complies, as the case may be) with its obligations under paragraphs 5.2.4, 5.3.3.5(b), 5.5.3, 5.5.4 or 5.6.7 of this Schedule 24 (a "PP Dependency Failure").

5.8.2 Fujitsu Services shall notify Post Office in writing as soon as reasonably practicable after Fujitsu Services becomes aware of any PP Dependency Failure or becomes aware of any matters or circumstances which would with the effluxion of time result in a PP Dependency Failure.

5.8.3 In the event of a PP Dependency Failure, Fujitsu Services shall be entitled to recover from Post Office such reasonably incurred increased costs and expenses (if any) which it incurs in performing the PP Dependent Obligation in

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question to the extent that such increased costs and expenses were the result of the PP Dependency Failure. Fujitsu Services shall provide a statement of such increased costs and expenses incurred for approval by Post Office, such approval not to be unreasonably withheld.

5.8.4 Fujitsu Services shall use all reasonable endeavours to mitigate the amounts (if any) payable under paragraph 5.8.3 of this Schedule 24.

6. NBS ACCEPTANCE

6.1 General

6.1.1 This paragraph 6 of Schedule 24 sets out the procedures and responsibilities of each Party relating to NBS Acceptance.

6.2 NBS acceptance test stages and documentation

6.2.1 NBS Testing Stages

6.2.1.1 Testing of End to End Banking shall be carried out in seven stages (as described in Annex 1 to this Schedule) and one testing phase (the NB Pilot (Soft Launch) phase).

6.2.1.2 Testing of the NBS for the purposes of NBS Acceptance shall be carried out during the following:

(a) the NBS Testing Stage (Acceptance Stage 1);

(b) the Partial E2E Testing Stage (Acceptance Stage 3), but only if Fujitsu Services identifies NBS Tests which may be carried out in that stage;

(c) the NB Full E2E Testing Stage (Acceptance Stage 4);

(d) the NBS/NBE Testing Stage (Acceptance Stage 5);

(e) the CAPO Testing Stage (Acceptance Stage 6) (subject to paragraph 6.2.1.3 of this Schedule);

(f) the Bank Interface Testing Stage (Acceptance Stage 7) (subject to paragraph 6.2.1.3 of this Schedule); and

(g) the NB Pilot (Soft Launch).

6.2.1.3 Testing of Bank interfaces which are not ready and available for testing within the period from the beginning of the NB Full E2E Testing

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Stage to be agreed by the Parties in accordance with paragraph 6.2.1.8 below shall be carried out as part of the Bank Interface Testing Stage (Acceptance Stage 7). Such interface testing shall be carried out as and when required as an additional NB Full End to End Testing Stage in parallel with or, in respect of those elements of the Bank Interface Testing Stage which are not NBS Tests, subsequent to NB Pilot (Soft Launch).

6.2.1.4 Fujitsu Services shall not be involved in and no NBS Tests shall take place during or as part of Acceptance Stage 2 (as such stage is described in paragraph 1.2 of Annex 1 to this Schedule 24).

6.2.1.5 The NBS Testing Stage and the Partial E2E Testing Stage shall each be independent but may run in parallel.

6.2.1.6 The NB Full E2E Testing Stage and the NB Pilot (Soft Launch) phase shall commence in accordance with the provisions of paragraph 6.3.2 of this Schedule 24.

6.2.1.7 Fujitsu Services' NBS Acceptance Procedure obligations which relate to LINK are as set out in Annex 2 to this Schedule 24.

6.2.1.8 The period referred to in paragraph 6.2.1.3 above shall be no greater than 4 weeks and shall be agreed by the Parties no later than two (2) months prior to the commencement of the NB Full E2E Testing Stage. In reaching agreement on a suitable period the Parties shall:

(a) not unreasonably withhold agreement; and

(b) take into account the resources available to each Party and the availability of testing rigs and other testing infrastructure.

6.2.1.9 Post Office shall be responsible for ensuring that test versions of the NBE are made available (from the applicable date specified in the NB Project Plan) for the purposes of Direct Interface Tests and other testing by Fujitsu Services of the interface between the Data Centres and the NBE (other than for Fujitsu Services' unit tests, system tests and conformance tests).

6.2.1.10 Post Office shall be responsible for preparing the contents of Direct Interface Tests to be carried out to assess conformance against the AIS and TIS requirements, and Fujitsu Services shall agree such Direct Interface Tests (such agreement not to be unreasonably withheld or delayed).

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6.2.2 Documentation

6.2.2.1 In addition to the CCD entitled "NBS Acceptance Criteria" (NB/ACR/001), the following CCDs are required for the purposes of NBS Acceptance:

(a) the "NBS Testing Specifications"; and

(b) the "NBS Testing Plan" by reference to which the NBS Tests shall be carried out (a single NBS Testing Plan may be produced which incorporates all NBS testing stages).

6.2.2.2 Fujitsu Services shall use reasonable endeavours to produce drafts of the above CCDs by the date specified in the NB Project Plan for such production. Post Office and Fujitsu Services shall use reasonable endeavours in working towards approval of those documents by Post Office (such approval not to be unreasonably withheld) by the date(s) specified in the NB Project Plan.

6.2.3 Changes to the Agreement and/or CCDs

6.2.3.1 Prior to the NBS Acceptance Date, where either Party requests a change to any provision of this Agreement or any CCD which relates to the NBS, the Change Control Procedure shall be followed, save that Post Office shall review the NBS Acceptance Criteria to determine whether any changes are required. Such changes may include:

(a) deletion of criteria that were derived from deleted provisions;

(b) addition of new criteria relating to new or extended provisions; and/or

(c) modification of criteria relating to changed provisions.

6.2.3.2 Changes requested by either Party to the provisions of this Agreement or any CCD, and any related changes to the NBS Acceptance Criteria (identified by Post Office) and/or to the relevant NBS Tests, NBS Testing Specifications and NBS Testing Plan (such changes being identified by Fujitsu Services) shall be agreed under a single CCN.

6.2.3.3 If changes are made to NBS Tests that are already in progress or have been completed then, unless the Parties agree otherwise or the results of those changed NBS Tests can be derived from the results of NBS Tests already carried out, those tests shall be repeated.

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6.3 Requirements for stage progression & NBS Acceptance

6.3.1 NBS Acceptance shall occur once all of the following have been satisfied:

6.3.1.1 the earliest planned date as specified in the NB Project Plan for completion of NB Pilot (Soft Launch) shall have occurred;

6.3.1.2 subject to paragraphs 6.3.6 to 6.3.10 of this Schedule 24 all NBS Tests shall have been completed;

6.3.1.3 there shall be no outstanding NB High Severity NBS Acceptance Incidents;

6.3.1.4 the number of outstanding NB Medium Severity NBS Acceptance Incidents shall be 5 or less;

6.3.1.5 each NB Medium Severity NBS Acceptance Incident shall have an agreed rectification plan, agreement to which shall not be unreasonably withheld; and

6.3.1.6 each NB Low Severity NBS Acceptance Incident shall have a target date and if appropriate, a target Release for rectification.

6.3.2 NBS Stage Progression shall occur:

6.3.2.1 in relation to progression from the NBS Testing Stage to the NB Full E2E Testing Stage once all of the following have been satisfied:

(a) subject to paragraphs 6.3.6 to 6.3.10 of this Schedule 24 all NBS Tests scheduled for the NBS Testing Stage shall have been completed;

(b) there shall be no outstanding NB High Severity NBS Acceptance Progress Incidents; and

(c) the number of outstanding NB Medium Severity NBS Acceptance Progress Incidents shall be 10 or less,

6.3.2.2 in relation to progression from the NB Full E2E Testing Stage to the NB Pilot (Soft Launch) phase, once all of the following have been satisfied:

(a) subject to paragraphs 6.3.6 to 6.3.10 of this Schedule 24 all NIBS Tests scheduled or the NB Full E2E Testing Stage shall have been completed;

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(b) there shall be no outstanding NB High Severity NBS Acceptance Progress Incidents; and

(c) the number of outstanding NB Medium Severity Acceptance Progress Incidents shall be 5 or less.

6.3.3 If the Parties do not agree whether NBS Acceptance or NBS Stage Progression should occur, the provisions of paragraphs 6.6 and 6.7 of this Schedule 24 relating to Dispute resolution shall apply.

6.3.4 A NBS Acceptance Incident or NBS Acceptance Progress Incident which following investigation by Fujitsu Services is found to have been solely caused by a fault or deficiency in End To End Banking other than those elements of End to End Banking provided by Fujitsu Services shall not count towards the thresholds in paragraphs 6.3.1 and 6.3.2 of this Schedule 24.

6.3.5 NBS Acceptance Incidents or NBS Acceptance Progress Incidents which result from the same failure or deficiency shall be counted as a single NBS Acceptance Incident or NBS Acceptance Progress Incident (as applicable) for the purposes of the thresholds in paragraphs 6.3.1 and 6.3.2 of this Schedule 24.

6.3.6 If, other than as a result of a Default of Fujitsu Services, it is impossible for an NBS Test to be carried out when scheduled in the NBS Testing Plan then that NBS Test (a "Deferred NBS Test") shall instead be carried out by Fujitsu Services as soon as reasonably practicable or at such later time as the Parties may agree (which shall be no later than 6 months after NBS Acceptance) provided that performance on that agreed date does not, other than as a result of a Default of Fujitsu Services, become impossible (in which event the Deferred NBS Test shall be carried out by Fujitsu Services as soon as reasonably practicable).

6.3.7 The non-occurrence of a Deferred NBS Test at the time originally scheduled in the NBS Testing Plan shall not prevent NBS Stage Progression or NBS Acceptance, each of which shall be assessed on the basis of:

6.3.7.1 those NBS Tests scheduled to take place for that NBS Stage Progression or for NBS Acceptance, as the case may be which are not Deferred NBS Tests; and

6.3.7.2 those Deferred NBS Tests which, when rescheduled in accordance with paragraph 6.3.6 of this Schedule 24 are due to take place for the purposes of the next NBS Stage Progression or for NBS Acceptance, as the case may be.

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6.3.8 If when a Deferred NBS Test is carried out after NBS Acceptance it is not successfully completed that failure shall not of itself constitute a Default under this Agreement or entitle Post Office to raise an NBS Acceptance Incident or NBS Stage Progression Incident.

6.3.9 The failure of Fujitsu Services to carry out a Deferred NBS Test in accordance with paragraph 6.3.6 of this Schedule 24 shall constitute a Default under this Agreement.

6.3.10 Paragraph 6.3.8 of this Schedule 24 shall not act to reduce or alter the liability of Fujitsu Services for any breaches by it of this Agreement.

6.4 NBS acceptance test procedure

6.4.1 NBS Tests

6.4.1.1 Each of the NBS Acceptance Criteria will be verified by one or more NBS Tests. A NBS Test may be either a NBS Trial or a NBS Review (as described in paragraph 2 of Annex 1 to this Schedule 24).

6.4.1.2 NBS Reviews will only be used where more direct testing methods in the form of a NBS Trial are not available or appropriate.

6.4.1.3 Evidence (including, without limitation, test results, test observations, data or other information) provided by Fujitsu Services for review in relation to NBS Tests ("NBS Testing Evidence") shall by default be available to all Post Office employees and contractors unless such evidence is:

(a) Confidential Information, in which case disclosure shall be governed by the provisions of Clause 50 of this Agreement; or

(b) considered to be or categorised as sensitive in accordance with paragraphs 6.4.1.4 or 6.4.1.5 of this Schedule 24, in which case disclosure will be governed by those provisions (as applicable).

6.4.1.4 NBS Testing Evidence that can reasonably be considered to be particularly sensitive because access to such information could compromise the security of the NBS or other Post Office Services will be restricted to named employees or contractors of Post Office who shall be nominated by Post Office to review it on Post Office's behalf and access to the information shall be in accordance with such reasonable conditions as may be imposed by Fujitsu Services.

6.4.1.5 Subject to paragraph 6.4.1.6, NBS Testing Evidence which is categorised by Fujitsu Services (acting reasonably) as particularly

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commercially sensitive to Fujitsu Services shall only be disclosed to named employees or contractors of Post Office (such named individuals to be approved by Fujitsu Services). Post Office shall place such named employees and contractors under a duty to keep confidential and not disclose Fujitsu Services' commercially sensitive information to any other person or Party without Fujitsu Services' prior written consent (which consent shall not be unreasonably withheld or delayed).

6.4.1.6 Fujitsu Services shall not be entitled to categorise any NBS Testing Evidence as commercially sensitive where that evidence solely reflects a visible manifestation or result of the operation of the NBS or the NB System, as opposed to how the NBS or the NB System achieves that manifestation or result.

6.4.1.7 Sensitive information disclosed as evidence pursuant to paragraphs 6.4.1.4 or 6.4.1.5 above may also be disclosed by Post Office or Fujitsu Services to the NBS Expert, the NBS Acceptance Management Board or the NBS Acceptance Board if such disclosure is necessary for the resolution of a Dispute.

6.4.1.8 Fujitsu Services shall supply at Post Office's request such supporting evidence for the completion of a NBS Test which can be reasonably regarded as necessary for Post Office to validate whether the NBS Acceptance Criteria for that test have been met.

6.4.2 Raising of NBS Acceptance Incidents and other occurrences

6.4.2.1 Subject to paragraph 6.4.2.6 below, a NBS Acceptance Incident shall be raised by Fujitsu Services in each of the following circumstances:

(a) a NBS Trial fails to meet the NBS Acceptance Criteria for that trial;

(b) a document subject to a NBS Review fails to meet the NBS Acceptance Criteria for that document;

(c) an observation of a NBS Trial or of the NB Pilot (Soft Launch) demonstrates that: (i) the NBS Acceptance Criteria are not being met; (ii) the introduction of the NBS has resulted or might reasonably be expected to result in the Applications (other than the NBS) or the Infrastructure Services no longer functioning or being performed (as the case may be) in accordance with the provisions of this Agreement or no longer having the capability to be performed in accordance with the Service Levels relating thereto; or (iii) the NBS will not have the capability to meet the

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Service Levels set out in Part A of Annex 3 of Schedule 15 as and when required by this Agreement.

In addition, Fujitsu Services shall report to Post Office any material undesirable occurrences which are not NBS Acceptance Incidents observed by it whilst conducting NBS Tests.

6.4.2.2 Subject to paragraph 6.4.2.6 below, Post Office may raise a NBS Acceptance Incident whenever Post Office becomes aware of evidence that any of the above circumstances has arisen or becomes aware that the NBS Acceptance Criteria are not being met or that introduction of the NBS has resulted or might reasonably be expected to result in the Applications (other than the NBS) or the Infrastructure Services no longer functioning or being performed (as the case may be) in accordance with the provisions of this Agreement.

6.4.2.3 Where this Agreement expressly states that the NBS will not:

(a) permit specified functions or activities; or

(b) cause certain specified behaviour,

and such functions, activities or behaviour are observed to occur during testing of the NBS then, subject to paragraph 6.4.2.6 below, the observing Party shall (in the case of Fujitsu Services) or may (in the case of Post Office) raise a NBS Acceptance Incident.

6.4.2.4 If:

(a) a NBS Test is required in respect of a provision of this Agreement of the type referred to in paragraph 6.4.2.3 of this Schedule 24; or

(b) a NBS Acceptance Incident is raised in relation to such provision,

the NBS Test or proof of resolution of that incident (as the case may be) shall take the form of a reasonable demonstration or examination that the functions, activities or behaviour referred to in paragraph 6.4.2.3 of this Schedule 24 do not occur. Fujitsu Services shall not be required to demonstrate on an ongoing basis that such functions, activities or behaviour do not occur or will not occur.

6.4.2.5 If following a successful NBS Test or proof of resolution of a NBS Acceptance Incident as referred to in paragraph 6.4.2.4 of this Schedule 24, a further NBS Acceptance Incident shall (in the case of

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Fujitsu Services) or may (in the case of Post Office) be raised in accordance with paragraph 6.4.2.3 of this Schedule 24 if the applicable functions, activities or behaviour above are observed to occur again.

6.4.2.6 Each Party shall raise a NBS Acceptance Incident as soon as reasonably practicable after becoming aware of such incident. However, NBS Acceptance Incidents shall not be raised in respect of any NBS Acceptance Criteria before commencement of the NBS Acceptance stage or phase designated in the NBS Testing Plan for testing those NBS Acceptance Criteria. Once NBS Acceptance has occurred no new NBS Acceptance Incidents may be raised. For the purposes of this paragraph 6.4.2.6, a "new NBS Acceptance Incident" means a NBS Acceptance Incident which occurs after the NBS Acceptance Date or which occurs on or before that date, but is not reported to Fujitsu Services before the NBS Acceptance Date. Once NBS Stage Progression has occurred no additional NBS Acceptance Incidents shall be classified as NBS Acceptance Progress Incidents in respect of that NBS Stage Progression.

6.4.2.7 NBS Acceptance Incidents shall be raised by being reported in writing or by email by Post Office or Fujitsu Services (as applicable) to the other Party's NBS Acceptance Manager.

6.4.3 Analysis and classification of NBS Acceptance Incidents

6.4.3.1 Fujitsu Services shall analyse each NBS Acceptance Incident and produce a written report (which shall be provided to Post Office NBS Acceptance Manager) detailing Fujitsu Services' proposals for:

(a) the severity classification of the NBS Acceptance Incident;

(b) related rectification activities (if applicable);

(c) re-testing dates/periods (if applicable); and

(d) the severity classification of the NIBS Acceptance Incident as a NBS Acceptance Progress Incident (if applicable).

Fujitsu Services shall not be obliged to repeat the detail set out above in written reports relating to occurrences which are repeat instances of an outstanding NBS Acceptance Incident, unless Fujitsu Services is or becomes aware that any such repeat instance arises from a cause which is different to that for other such instances where such detail has already been provided. Reference shall be made in such written

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reports to the original written report for the applicable outstanding NBS Acceptance Incident.

6.4.3.2 Each NBS Acceptance Incident shall be classified according to its severity:

(a) for the purposes of NBS Acceptance; and

(b) if that NBS Acceptance Incident remains outstanding prior to either NBS Stage Progression, for the purposes of the NBS Stage Progression in question.

Fujitsu Services shall propose and Post Office and Fujitsu Services shall agree (such agreement not to be unreasonably withheld) such severity classifications for each NBS Acceptance Incident in accordance with the criteria in the following table:

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Severity	Description (for the purposes of NBS Acceptance)	Description (for the purposes of NBS Stage Progression)
High	The NBS Acceptance Incident was caused by the introduction of the NBS and results in a defect which would render the Applications or the Infrastructure Services unfit for operational use.	The NBS Acceptance Incident was caused by the introduction of the NBS and results in a defect which would render the Applications or the Infrastructure Services unfit for testing during the NB Full E2E Testing Stage or NB Pilot (Soft Launch) (whichever is applicable) or unfit for live operational use during NB Pilot (Soft Launch) (taking into account that NB Pilot (Soft Launch) will only take place in a limited number of Branches).
Medium	The NBS Acceptance Incident was caused by the introduction of the NBS resulting in a defect which would not prevent operation of the Applications or the Infrastructure Services but would cause significant problems in the operational use of one or more of the Applications or the Infrastructure Services.	The NBS Acceptance Incident was caused by the introduction of the NBS and results in a defect which would significantly prejudice the validity of the testing to be carried out in the NB Full E2E Testing Stage or NB Pilot (Soft Launch) (whichever is applicable).
Low	The NBS Acceptance Incident was caused by the introduction of the NBS resulting in a defect which does not have a significant effect on operational use of the Applications or the Infrastructure Services.	The NBS Acceptance Incident was caused by the introduction of the NBS resulting in a defect which would have some but no significant effect on the validity of the testing to be carried out in the NB Full E2E Testing Stage or NB Pilot (Soft Launch) (whichever is applicable).
Non Incident	An incident raised by either Party which, following investigation is found: (a) not to be a defect; (b) not to have resulted from the introduction of the NBS; or (c) not to fall within the high, medium or	An incident which: (a) is not a NBS Acceptance Incident, or (b) would have no effect on the validity of the testing to be carried out in the NB Full E2E Testing Stage or NB Pilot (Soft Launch) Stage.

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Severity	Description (for the purposes of NBS Acceptance)	Description (for the purposes of NBS Stage Progression)
	low categories set out in this column.	

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6.4.3.3 For the purpose of paragraph 6.4.3.2 a NBS Acceptance Incident shall be regarded as having been caused by the introduction of the NBS:

(a) if that incident is identified in a NBS Trial, NBS Review or the NB Pilot (Soft Launch); and

(b) where the behaviour of the Horizon Service Infrastructure giving rise to that incident (i) has not been previously observed, or (ii) had been previously observed in relation to the Application (other than the NBS) or the Infrastructure Services but such behaviour had been resolved prior to commencement of testing of the NBS,

unless following investigation by Fujitsu Services, that incident is found to be unrelated to the introduction of the NBS.

6.4.3.4 Where a NBS Acceptance Incident can be attributed to faults in the NBS and faults in other elements of End to End Banking, the severity of that incident (for the purposes of NBS Acceptance and NBS Stage Progression) shall be classified with reference to the fault in the NBS alone and not those faults in other elements of End to End Banking.

6.4.4 Repeat Testing

Any failed NBS Acceptance Test may, prior to the end of the NB Pilot (Soft Launch) phase, be repeated by Fujitsu Services as many times as necessary in order for NBS Acceptance and/or NBS Stage Progression to be achieved. Fujitsu Services shall propose dates for such repeat tests having regard to the overall NB Project Plan. Post Office shall be responsible for making personnel available to observe such repeat testing. In the case of repeated NBS Reviews, Post Office shall be entitled to the same elapsed time for the repeated review as was scheduled for the original failed review. Fujitsu Services shall only propose repeat tests when it reasonably believes a different (i.e. improved) outcome would result.

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6.4.5 Rectification Plan

6.4.5.1 For each NB Medium Severity NBS Acceptance Incident which is outstanding on the NBS Acceptance Date, Fujitsu Services shall prepare a written plan which includes:

(a) a statement of the operational impact and any necessary temporary procedures to be adopted by Users;

(b) a description of how rectification is to be achieved; and

(c) a timetable for rectification.

6.4.5.2 For each NB Low Severity NBS Acceptance Incident which is outstanding on the NBS Acceptance Date, Fujitsu Services shall identify a target date and, if appropriate, a target Release for rectification.

6.5 Consequences of achieving NBS Acceptance & NBS Stage Progression

After NBS Acceptance, provided that Fujitsu Services continues to meet an obligation using the NBS as tested or demonstrated to Post Office during the NBS Acceptance Procedure, Post Office shall not be entitled to require that Fujitsu Services meets that same obligation in some other way.

6.6 Management

6.6.1 Approach

NBS Acceptance shall be managed by Post Office and Fujitsu Services at three levels together with an independent Dispute resolution process as described in this paragraph 6.6 and paragraph 6.7 of this Schedule 24.

6.6.2 NBS Acceptance Board

The NBS Acceptance Board shall be constituted, deal with the matters and meet at the intervals as set out in Annex 6 to this Schedule 24.

6.6.3 NBS Acceptance Management Board

The NBS Acceptance Management Board shall be constituted, deal with the matters and meet at the intervals as set out in Annex 6 to this Schedule 24.

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6.6.4 NBS Acceptance Administration

Each of Post Office and Fujitsu Services shall nominate a NBS Acceptance Co-ordinator with responsibility for maintaining records of the NBS Acceptance Procedure, for preparing status reports for review by the NBS Acceptance Management Board and for organising the attendance of participants in NBS Tests and meetings.

6.6.5 Resolution of NBS Acceptance Disputes

6.6.5.1 If Post Office and Fujitsu Services do not agree on:

(a) the form or content of NBS Tests or NBS Testing Specifications;

(b) changes to NBS Acceptance Criteria, NBS Tests, NBS Testing Specifications or the NBS Testing Plan consequent upon changes to the provisions of this Agreement or CCDs pursuant to paragraph 6.2.3.1 of this Schedule 24;

(c) whether any NBS Tests should be repeated pursuant to paragraph 6.2.3.2 of this Schedule 24 as a consequence of changes to NBS Tests;

(d) results of NBS Tests;

(e) whether an event or occurrence is a NBS Acceptance Incident or a NBS Acceptance Progress Incident or both;

(f) classification of severity of NBS Acceptance Incidents or NBS Acceptance Progress Incidents;

(g) whether a NBS Acceptance Incident has been caused by a deficiency or fault in a component of Horizon Service Infrastructure used to provide the NBS, or in the NBS itself (for which Fujitsu Services is responsible) or a deficiency or fault in other End to End Banking services, systems (such as the NBE) or data (including, without limitation, Reference Data) of Post Office or a third Party (for which Post Office is responsible); or

(h) adequacy of NBS rectification plans,

the Parties shall refer such dispute (the "Dispute") in the first instance to the NBS Acceptance Management Board.

6.6.5.2 If within 5 working days (3 working days if within the NB Pilot (Soft Launch) phase) of a Dispute having been considered by the NBS

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Acceptance Management Board the Dispute is not resolved then either Post Office or Fujitsu Services may refer that Dispute to the NBS Acceptance Board which shall be convened as soon as reasonably practicable to resolve that Dispute.

6.6.5.3 If within 5 working days (3 working days if within the NB Pilot (Soft Launch) phase) of a Dispute having been referred to the NBS Acceptance Board the Dispute is still not resolved, then either Fujitsu Services or Post Office may refer the Dispute to the NBS Expert for determination in accordance with paragraph 6.7 of this Schedule 24.

6.7 NBS acceptance disputes

6.7.1 Appointment of NBS Expert

6.7.1.1 The Parties have agreed to appoint an NBS Expert as soon as reasonably practicable (and in any event prior to the date of commencement of the NBS Testing Stage) to assist in resolving Disputes relating to NBS Acceptance.

6.7.1.2 The NBS Expert shall be an individual who is:

(a) qualified to resolve such Disputes; and

(b) approved by both Parties (such approval not to be unreasonably withheld or delayed).

6.7.1.3 In the event that the Parties fail to agree upon the NBS Expert to be appointed, the NBS Expert shall be appointed at the request of Post Office or Fujitsu Services by the president for the time being of the Institute of Electrical Engineers so long as such appointee shall meet the criteria in paragraph 6.7.1.2 (a) above.

6.7.1.4 The NBS Expert shall act as an expert and not an arbitrator and his fees shall be borne by the Parties in equal shares.

6.7.1.5 General terms of reference for the NBS Expert shall be agreed by the Parties prior to the commencement of the NBS Testing Stage.

6.7.2 NBS Acceptance Dispute Resolution

6.7.2.1 Each Dispute referred to in the circumstances described in paragraph 6.6.5.3 of this Schedule 24 shall be referred to the NBS Expert to obtain initial guidance.

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6.7.2.2 Within 5 working days after a reference pursuant to paragraph 6.7.2.1 above the Parties shall agree a joint statement to be submitted to the NBS Expert describing the Dispute to be resolved by the NBS Expert, the scope of the Decision which may be required to be made by the NBS Expert in accordance with paragraph 6.7.2.4 of this Schedule 24 and each Party's position in relation to that Dispute.

6.7.2.3 Once the NBS Expert has given to the Parties his initial guidance on the Dispute, the NBS Acceptance Board shall meet and attempt to resolve the Dispute with the advice and guidance of the NBS Expert.

6.7.2.4 If the Dispute is not resolved during the meeting pursuant to paragraph 6.7.2.3 above, then either Fujitsu Services or Post Office may request that the NBS Expert make a decision (the "Decision") as to how the Dispute should be resolved.

6.7.2.5 The Decision shall be final and binding on the Parties.

7. POST OFFICE NBS RESPONSIBILITIES AND NBS OBLIGATIONS

7.1 Introduction

7.1.1 Part 1 of this paragraph 7 sets out the responsibilities of Post Office in connection with the implementation and acceptance of the NBS ("Banking Implementation Responsibilities").

7.1.2 Part 2 of this paragraph 7 sets out the obligations of Post Office in connection with the provision of the implementation and acceptance of the NBS ("Banking Implementation Obligations").

7.1.3 Any failure by Post Office to carry out a Banking Implementation Responsibility shall not be a Default under this Agreement.

7.1.4 The omission from the tables in this paragraph 7 of an obligation or responsibility of Post Office connected with the implementation and acceptance of the NBS shall:

7.1.4.1 if the obligation is stated as something for which Post Office "shall be responsible", result in that obligation being classed as a "Banking Implementation Responsibility" for the purpose of this Schedule 24;

7.1.4.2 if the obligation is stated to be something which Post Office "shall do", result in that obligation being classed as a "Banking Implementation Obligation" for the purpose of this Schedule 24;

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7.1.4.3 if the obligation is to make payment to Fujitsu Services, result in that obligation being classed as a "Banking Implementation Obligation" for the purpose of this Schedule 24; and

7.1.4.4 in all other cases shall be, as the context so requires, a Banking Implementation Obligation or Banking Implementation Responsibility for the purposes of this Schedule 24.

7.1.5 Fujitsu Services shall not be liable to Post Office in respect of any breach of its obligations in respect of the implementation and acceptance of the NBS (the "Dependent Obligations") or any delay in performing the Dependent Obligations to the extent that such breach or delay was caused by the failure by Post Office to carry out a Banking Implementation Obligation or a Banking Implementation Responsibility (a "Dependency Failure").

7.1.6 Fujitsu Services shall notify Post Office in writing as soon as reasonably practicable after Fujitsu Services becomes aware of any Dependency Failure or becomes aware of any matters or circumstances which would with the effluxion of time result in a Dependency Failure.

7.1.7 In the event of a Dependency Failure (other than in relation to any Level 1, Level 2 or Level 3 NB T&M Work task under the NB Project Plan), Fujitsu Services shall be entitled to recover from Post Office such reasonably incurred, increased costs and expenses (if any) which it incurs in performing the Dependent Obligation in question to the extent that such increased costs and expenses were the result of the Dependency Failure. Fujitsu Services shall provide a statement of such increased costs and expenses incurred for approval by Post Office, such approval not to be unreasonably withheld.

7.1.8 Fujitsu Services shall use all reasonable endeavours to mitigate the amounts (if any) payable under paragraph 7.1.7 of this Schedule 24.

7.2 The references to “N01” and “N05” in the column headed “Reference” in the tables below are references to Schedules N01 and N05 to this Agreement in its form prior to approval of CCN 1100. It is the intention of the Parties that on or before 31 March 2003 these references shall be updated so that they refer to the relevant provisions of this Agreement (in its form after approval of CCN 1100).

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Part 1 - Banking Implementation Responsibilities

Reference	Paragraphs
Schedule 24 (previously in Schedule N02)	6.2.1.9, 6.2.1.10, 6.2.2.2, 6.4.4, 6.6.5.1, Annex 1: 2.2.2, 1.3 - 1.8 (inclusive), Annex 2: 1.2, 1.3
Schedule 24 (previously in Schedule N04)	8.6.1, 8.7.1.3
N01, 3.3	Fujitsu Services shall update the TIS required for those interfaces for approval by Post Office, such approval not to be unreasonably withheld.
N01, 4.2	The counter dialogue for the NBS shall be as documented in the CCD entitled *"Network Banking Counter Dialogue – Activity & Screen Flows"* (NB/SPE/003) and by the applicable date specified in the NB Project Plan Fujitsu Services shall propose and Post Office shall agree (such agreement not to be unreasonably withheld) any enhancements required to the CCD entitled *"Horizon OPS Style Guide" (SD/STD/001)* for the NBS.
N01, 4.4.1	On and after the applicable date specified in the NB Project Plan, Post Office shall be responsible for generating and transmitting (as reasonably required by Fujitsu Services) test Reference Data to Fujitsu Services' RDMC.
N01, 5.4.1	Fujitsu Services shall develop for agreement by Post Office (such agreement not to be unreasonably withheld) clear and unambiguous processes and procedures for the operation of the NBS in Outlets. Fujitsu Services shall document such agreement in a PPD (the "NB PPD") and such other PPDs as the parties agree to be appropriate.
N01, 8.2.3	Post Office shall not unreasonably withhold or delay its agreement to the design of back end processes and Banking Transaction processing procedures required to support the reconciliation and incident management of Banking Transactions.

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Part 2 - Banking Implementation Obligations

Reference	Paragraphs
Schedule 24 (previously in Schedule N02)	6.2.3.1, 6.4.1.4, 6.4.1.5, 6.4.3.2, 6.6.1, 6.6.4
Schedule 24 (previously in Schedule N04)	8.4.2
N05, 7.1	Post Office shall propose a description of the operational procedures around the NBE/Horizon Service Infrastructure boundary including (but not limited to) exception reporting and escalation points to be agreed by the Parties (such agreement not to be unreasonably withheld) and documented by Post Office in a Working Document entitled “NBE Operational Level Agreement”.
Schedule 24 (previously in Schedule N06)	9.4, 9.7
N01, 5.4.4	Post Office shall ensure that all Users of the NBS in Outlets are trained in the use of the NBS within their role and the procedures as set out in the NB PPD

8. NBS IMPLEMENTATION

8.1 Introduction

The NBS shall be implemented through a number of Releases with minimal disruption to operational service, subject to the Release introduction provisions of the CCD entitled “Service Management Service: Service Introduction” (CS/SER/014) and paragraph 6.2 of Schedule 15.

8.2 NB Project Plan

8.2.1 Fujitsu Services shall produce and maintain a project plan (the "NB Project Plan") for the fulfilment of its obligation under this Agreement in relation to the NBS.

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8.2.2 The NB Project Plan shall comprise three Levels of detail. The Level 1 and Level 2 elements of the NB Project Plan shall be at a level of detail equivalent to that set out in Annexes 3 and 4 to this Schedule, respectively.

8.2.3 Annexes 3 and 4 to this Schedule comprise the Level 1 and Level 2 elements of the NB Project Plan as at the date of approval of CCN850.

8.2.4 The Level 3 elements of the NB Project Plan shall be at a level of detail equivalent to that set out in the example at Annex 5 of this Schedule (which is included for information purposes only).

8.2.5 In respect of each version of the NB Project Plan provided in accordance with paragraph 8.2.6 of this Schedule, each Level 3 task on the NB Project Plan:

8.2.5.1 having a deliverable to be produced as a result of that task shall have a summary description of that deliverable; and

8.2.5.2 if T&M Work, shall have a T&M Budget associated with it.

8.2.6 Twice in every Work Period following the date of approval of CCN850, Fujitsu Services shall issue a revised version of the NB Project Plan which shall contain:

8.2.6.1 the Level 2 elements of the NB Project Plan for the 8 months following the start of the week in which that revised NB Project Plan is issued (or until the date shown in the table in paragraph 8.9.1.3 of this Schedule 24 for cessation of NB project planning, if shorter); and

8.2.6.2 the Level 3 elements of the NB Project Plan for the 4 months following the start of the week in which that revised NB Project Plan is issued (or until the date shown in the table in paragraph 8.9.1.3 of this Schedule 24 for cessation of NB Project planning, if shorter).

Fujitsu Services shall issue such revised versions of the NB Project Plan within 8 Working Days of the start of a Work Period and within 8 Working Days of the third week in a Work Period containing four weeks and within 8 Working Days of the fifth week in a Work Period containing five weeks.

8.3 Reporting and obligations if delay occurs

8.3.1 From the date of approval of CCN850 Fujitsu Services shall report to Post Office on its progress in achieving the tasks set out in the NB Project Plan for the period since the last report and on its management of the work set out in that plan.

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8.3.2 Fujitsu Services shall report to Post Office in accordance with paragraph 8.3.1 of this Schedule not later than the eighth Working Day after the end of the period to which the report relates.

8.3.3 Fujitsu Services shall provide together with the reports to be provided under paragraph 8.3.1 of this Schedule 24 a document setting out for the period to which the report relates:

8.3.3.1 for each of Fujitsu Services' personnel who worked on any T&M Work task during that period, the proportion of that person's working time spent on NB T&M Work tasks and the proportion spent on non-NB T&M Work tasks;

8.3.3.2 time recording information showing for each NB T&M Work task on which work was carried out during that period the amount of time for which each individual who worked on that task did so; and

8.3.3.3 for each non-NB T&M Work task on which work was scheduled to be carried out during that period the percentage of that task completed during that period and the percentage of that task which was scheduled to be completed during that period.

8.3.4 If at any time a Level 2 task has not been started or completed by the date set for that event in the NB Project Plan Fujitsu Services shall notify Post Office forthwith. If the failure to carry out that task:

8.3.4.1 affects any Level 2 task NB T&M Budget or external touchpoint (as set out in or derived from the NB Project Plan), Fujitsu Services shall as soon as reasonable practicable provide proposals to mitigate the failure; or

8.3.4.2 affects neither any Level 2 task NB T&M Budget nor external touchpoint (as set out in or derived from the NB Project Plan), Fujitsu Services shall take appropriate mitigating action and shall report such action to Post Office in accordance with paragraph 8.3.1 of this Schedule.

8.3.5 Fujitsu Services shall notify Post Office as soon as reasonably practicable after receipt of such if at any time Fujitsu Services receives any notice or information from any of its subcontractors or suppliers which states or should reasonably lead Fujitsu Services to believe that any non-NB T&M Work task will not be completed by the date scheduled for its completion in the NB Project Plan.

8.4 Budget

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8.4.1 Fujitsu Services may allocate and subsequently re-allocate the NB T&M Budget for each Level 2 NB T&M Work task in the NB Project Plan between the Level 3 NB T&M Work tasks forming part of that Level 2 NB T&M Work task provided that in the case of re-allocation the variance is no more than 25% of the total original budgeted hours for the task whose budgeted hours are to be increased.

8.4.2 Any re-allocations of or increase to the T&M Budget other than in accordance with paragraph 8.4.1 or 8.6.7 shall be agreed in writing by the Parties and in the absence of agreement shall be determined by Post Office (acting reasonably) and notified to Fujitsu Services in writing.

8.4.3 If a Level 2 or Level 3 NB T&M Work task has not been or cannot be completed within the original, increased or reallocated NB T&M Budget for that task, and the NB T&M Budget is not increased by Post Office (at the request of Fujitsu Services), Fujitsu Services shall fulfil its obligations so far as it can do so within that original, increased or reallocated NB T&M Budget and upon that budget being exhausted, POL shall be deemed to have exercised its option under paragraph 8.8 of this Schedule 24 in respect of that task and Fujitsu Services shall be deemed to have received a Task Cancellation Notice (as defined in that paragraph) in respect of that task.

8.4.4 Paragraph 8.4.3 of this Schedule 24, shall only apply to the extent that Fujitsu Services is not in Default of its obligations in respect of the Level 2 or Level 3 task in question.

8.5 Fujitsu Services personnel

8.5.1 From the date of approval of CCN850 until the completion of all NB T&M Work, Fujitsu Services shall supply the name, job title, project role and professional service grade (as identified in Annex D to Schedule 10) for each of its personnel working on the fulfilment of its obligations under this Agreement in relation to NB T&M Work. Fujitsu Services shall supply a typical level of qualification and experience for each grade type.

8.5.2 From the date of approval of CCN850 until the completion of all T&M Work, Fujitsu Services shall produce organisational charts showing Fujitsu Services' personnel working on the fulfilment of Fujitsu Services' obligations under this Agreement in relation to NB T&M Work. Fujitsu Services shall provide revised versions of those charts to Post Office when there are material changes to them.

8.6 Changing the NB Project Plan

8.6.1 Changes to scheduling of Level 2 elements of the NB Project Plan (other than in accordance with paragraph 8.6.5 of this Schedule 24) shall require the written agreement (at "Authority Level 1") of Fujitsu Services' NBS Programme

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Manager (or nominated deputy) and Post Office NBS Project Manager (or nominated deputy) (such agreement not to be unreasonably withheld by either of them) and shall take effect immediately subject to written confirmation (at "Authority Level 2") between Post Office's Release 1 Programme Manager and Fujitsu Services' Programmes Director (or their nominated deputies). If the Parties fail to reach such agreement at Authority Level 1, the dispute shall be referred to Authority Level 2. If the Parties fail to reach such agreement at Authority Level 2, the dispute shall be subject to the dispute resolution process referred to in paragraph 8.6.10 of this Schedule 24. If the Parties reach such agreement at Authority Level 1, but the Parties fail to reach agreement at Authority Level 2, the Parties shall, unless agreed or determined otherwise, work to the NB Project Plan as agreed at Authority Level 1. Notwithstanding anything to the contrary in Clauses 58 or 46, written agreements and confirmations referred to in paragraphs 8.6.1 to 8.6.11 of this Schedule 24 may be effected by, without limitation, email exchange or agreed meeting minutes.

8.6.2 A refusal by Post Office to agree a change to the NB Project Plan pursuant to paragraph 8.6.1 of this Schedule 24 shall be deemed to be reasonable if, in Post Office's assessment, the change would be detrimental to the network banking project as a whole even if the change would not be detrimental to the implementation of the NBS.

8.6.3 Fujitsu Services shall be entitled at its discretion to reschedule the Level 3 elements of the NB Project Plan within the period bounded by the start and completion dates for the associated Level 2 task in the NB Project Plan.

8.6.4 Whether or not delay has occurred to the NB Project Plan shall be on a neutral basis of proof.

8.6.5 The provisions of this paragraph 8.6.5 shall apply if and to the extent that a failure to carry out a Level 2 task by the completion date for that task in the NB Project Plan is not due to a Default of Fujitsu Services including (without limitation) where the delay is caused by:

8.6.5.1 a failure by Post Office to fulfil its obligations or responsibilities set out or referred to in Schedule 24 (other than paragraph 5);

8.6.5.2 unfulfilled dependencies of Fujitsu Services on third Parties which are specifically shown in the NB Project Plan; or

8.6.5.3 failures to agree agreements to agree.

8.6.6 If a Level 2 task is not completed or is forecast not to be completed by the date specified in the NB Project Plan, the period for completing that delayed task shall be extended by the minimum period reasonably necessary for the task to

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be completed, taking into account, amongst any other factors which are relevant:

8.6.6.1 to the extent they can be identified, the reasons for the delay, and whether they would continue to cause delay;

8.6.6.2 Post Office's objectives in relation to End to End Banking;

8.6.6.3 the availability of appropriate resources (both existing Fujitsu Services resources and any available to buy in);

8.6.6.4 the size of the NB T&M Budget originally allocated to the task (applicable if the delayed task is a NB T&M Work task);

8.6.6.5 the nature of the task to be completed; and

8.6.6.6 other tasks which remain incomplete.

8.6.7 Fujitsu Services shall be entitled to increase the T&M Budget completing each delayed Level 2 T&M task to reflect:

8.6.7.1 any additional work required; and/or

8.6.7.2 additional resource required to be allocated to that task, for it to be completed within the period of extension described in paragraph 8.6.6 of this Schedule 24.

8.6.8 Unless the reason for a Level 2 task not being completed by the date specified in the NB Project Plan is a Planning Discrepancy, the NB Rate Reduction Date Rate shall be put back by the minimum period necessary to accommodate that task (as extended in accordance with paragraph 8.6.6 of this Schedule 24) in the NB Project Plan (which period shall be nil if the extended task did not impact the critical path leading to NB Event 1). For the purposes of this paragraph 8.6.8 a "Planning Discrepancy" means any discrepancy or failure in the NB Project Plan not arising from a Default by Fujitsu Services including but not limited to:

8.6.8.1 a structural oversight in the NB Project Plan such as a missed link in any critical path in relation to an unknown dependency; and

8.6.8.2 mis-scoped tasks.

For the avoidance of doubt, paragraph 8.7 of this Schedule 24 shall apply if any discrepancy or failure in the NB Project Plan arises from a Default of Fujitsu Services.

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8.6.9 Time extensions to Level 2 elements of the NB Project Plan in accordance with paragraph 8.6.6 of this Schedule 24 and putting the NB Rate Reduction Date back (or not putting it back as the case may be) in accordance with paragraph 8.6.8 or 8.6.11 of this Schedule 24 shall require written agreement at Authority Level 1 (such agreement not to be unreasonably withheld by either Party) and shall take effect immediately subject to written confirmation at Authority Level 2. If the Parties fail to reach such agreement at Authority Level 1 or Authority Level 2, for the purposes of establishing the effective ongoing NB Project Plan, Post Office shall be entitled to determine:

8.6.9.1 on the basis and taking into account the factors set out in paragraph 8.6.6 of this Schedule 24, the amount by which time for a Level 2 task shall be extended; and

8.6.9.2 the amount (if any) by which the NB Rate Reduction Date to shall be put back in accordance with paragraphs 8.6.8 or 8.6.11 of this Schedule 24.

Fujitsu Services shall work to that revised NB Project Plan but shall be entitled to seek a further extension of time for such Level 2 T&M tasks and/or increase to the amount by which the NB Rate Reduction Date should be put back through the dispute resolution process referred to in paragraph 8.6.10 of this Schedule 24.

8.6.10 Disputes as to:

8.6.10.1 whether or to what extent a Default by Fujitsu Services, a Planning Discrepancy or some other failure has caused a Level 2 task to be delayed;

8.6.10.2 the amount by which the time for a task should be extended;

8.6.10.3 the amount by which the NB Rate Reduction Date should be put back; or

8.6.10.4 the increase (if any) required to the T&M Budget to reflect the additional work or resource required to complete a task,

shall be referred to the Dispute Resolution Procedure in Annex 2 of Schedule 4.

8.6.11 If:

8.6.11.1 Fujitsu Services fails to carry out a Level 2 non-T&M task by the completion date for that task in the NB Project Plan and as a result Fujitsu Services fails to carry out a Level 2 T&M Work task by the completion date for that task in the NB Project Plan; and

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8.6.11.2 neither failure results from a Default of Fujitsu Services,

the NB Rate Reduction Date shall be put back by the minimum period necessary to accommodate both Level 2 tasks in the NB Project Plan (which period shall be nil if the tasks do not impact the critical path leading to NB Event 1).

8.6.12 Subject to paragraphs 8.6.13 and 8.6.14 of this Schedule 24, the obligations of Fujitsu Services in respect of completion of all dates in the NB Project Plan (whether or not NB T&M Work) shall be to use reasonable endeavours to achieve them.

8.6.13 Fujitsu Services shall achieve completion of NBS Deployment by the date (the "NBS Release Complete Date") specified for NBS Release Complete in the NB Project Plan (as may be adjusted in accordance with the provisions of this Schedule 24). Save as specified in paragraph 8.6.14 of this Schedule 24, failure by Fujitsu Services to achieve completion of NBS Deployment by the NBS Release Complete Date shall not of itself constitute a Default and time shall not be of the essence in respect of Fujitsu Services' obligation to achieve completion of NBS Deployment by the NBS Release Complete Date.

8.6.14 If Fujitsu Services has not completed NBS Deployment by the NBS Release Complete Date Post Office may serve notice on Fujitsu Services which specifies a reasonable time period (after the NBS Release Complete Date) for NBS Deployment to be completed. Time shall be of the essence in relation to the reasonable time period specified in the notice for completion of NBS Deployment and failure to achieve NBS Deployment by expiry of that reasonable time period shall constitute a Default of Fujitsu Services entitling Post Office to terminate this Agreement.

8.7 Fujitsu Services default

8.7.1 If and to the extent that a failure to carry out a Level 2 task by the completion date for that task in the NB Project Plan has been caused by a Default of Fujitsu Services:

8.7.1.1 Fujitsu Services shall use reasonable endeavours to complete that task as soon as practicable;

8.7.1.2 if the failure to carry out that task affects the NB T&M Budget for that task or an external touchpoint (as set out in or derived from the NB Project Plan), Fujitsu Services shall in addition to any other proposals for mitigation made under paragraph 8.3.4.1 of this Schedule 24:

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(a) use all reasonable endeavours to keep the same individual or group of individuals as have been allocated to that task, working on that task until its completion; and

(b) optimise the allocation of resources between tasks;

so that potential overall delay to the NB Project Plan is minimised; and

8.7.1.3 Post Office shall be entitled to recover from Fujitsu Services, Post Office's additional internal costs and sub-contractor costs reasonably incurred as a direct result of that Default. Post Office shall provide a statement of such costs incurred for approval by Fujitsu Services, such approval not to be unreasonably withheld;

8.7.1.4 the NB Rate Reduction Date shall not be put back to reflect delay to the NB Project Plan caused by that Default.

8.8 Task cancellation

8.8.1 Post Office may at any time before NBS Acceptance send a notice (a "Task Cancellation Notice") cancelling any Level 2 NB T&M Work task (the "Cancelled Task").

8.8.2 Upon receipt of a Task Cancellation Notice Fujitsu Services shall:

8.8.2.1 not be obliged to complete the Cancelled Task;

8.8.2.2 not (except as set out in paragraph 8.8.3 of this Schedule 24) carry out any further work on or expend any further monies in relation to the Cancelled Task; and

8.8.2.3 be released from its obligations in this Agreement to which that Cancelled Task relates and obligations in respect of any other NB T&M Work the performance of which is dependent upon the completion of that Cancelled Task.

8.8.3 In the 5 working days following the receipt of a Task Cancellation Notice Fujitsu Services shall, so far as reasonably possible and using no more resource than that allocated to the Cancelled Task, close down and document the position reached in respect of the Cancelled Task. All such work shall be NB T&M Work for which Fujitsu Services shall provide Post Office with a NB T&M Budget. Such NB T&M Budget shall include any third Party costs which were part of the T&M budget for the Cancelled Task which Fujitsu Services is unable to mitigate (such costs to be agreed at Authority Level 1) (such agreement not to be unreasonably withheld by either Party)).

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8.8.4 If the aggregate value (by T&M budget) of all Cancelled Tasks becomes more than £6,500,000 Post Office shall be deemed, as at the date of receipt by Fujitsu Services of the Task Cancellation Notice for the Cancelled Task which causes that sum to be exceeded, to have exercised its right to terminate the NBS for convenience under paragraph 9.1 of this Schedule.

8.8.5 Following the cancellation of a task:

8.8.5.1 The Parties shall amend:

(a) the NB Project Plan in accordance with paragraph 8.6.1 of this Schedule 24; and

(b) the NBS Acceptance Criteria, the provisions of this Agreement and any CCDs as necessary under the Change Control Procedure,

to reflect that the task will not be carried out and the release of Fujitsu Services' obligations as referred to in paragraph 8.8.2.3 of this Schedule 24.

8.8.5.2 Where reasonably practicable, one CCN may be used to introduce the amendments required under sub-paragraph 8.8.5.1 for more than one such release. If the Parties' agreement to such amendments is required for the purposes of the NBS Acceptance Procedure, such amendments may be agreed in writing at Authority Level 1, and shall be subsequently ratified using the Change Control Procedure.

8.8.5.3 The amendments referred to in paragraph 8.8.5.2 shall be such as to ensure that (subject to paragraph 8.8.4) the effect of cancellation is not to render NBS Acceptance impossible.

8.8.6 If Post Office wishes Fujitsu Services to resume work on any Cancelled Task, the Parties shall enter into good faith negotiations in relation to the terms of that restart.

8.9 Dates

8.9.1 The tables in paragraphs 8.9.1.1, 8.9.1.2 and 8.9.1.3 of this Schedule 24 set out the dates contained in the initial version of the NB Project Plan (as at the date of approval of CCN850) for the milestones and touchpoints between Fujitsu Services and Post Office or third Parties for the delivery of the NBS. The Parties agree that the dates in those tables need not be updated to reflect changes made subsequently to the NB Project Plan and that the NB Project Plan shall have precedence over those tables.

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8.9.1.1 NBS Contract Controlled Documents

Activity Code	Document	Originator issue first Draft	Originator issue final version for agreement
L2_1855	TD/ARC/030 OPS Architecture Specification	31 Jul 02	18 Sep 02
L2_1860	CS/SIP/002 Business Continuity Framework	15 Aug 02	03 Oct 02
L2_1865	TI/IFS/008 Pathway to Post Office Technical Interface Specification	17 May 02	05 Jul 02
L2_1870	TD/STD/004 Generalised API for OPS/TMS	21 Jun 02	09 Aug 02
L2_1880	RS/POL/002 ICL Pathway Security Policy	25 Jul 02	12 Sep 02
L2_1890	RS/FSP/001 Security Functional Specification	25 Jul 02	12 Sep 02
L2_1910	NB/SDS/008 Network Banking MIS Reports Design	19 Apr 02	07 Jun 02
L2_1980	CS/IFS/003 ICL Pathway/Post Office Interface Agreement for Operational Business Change - Outlet	17 Jun 02	05 Aug 02
L2_1945	SD/DES/005 Horizon OPS Reports and Receipts - Pathway Horizon Office Platform Service	31 May 02	19 Jul 02
L2_1950	SD/STD/001 Horizon OPS Style Guide	19 Jun 02	07 Aug 02
L2_1960	CR/FSP/006 Audit Trail Functional Specification	12 Feb 02	02 April 02
L2_1970	VI/STR/001 Revisions to the Testing and Integration Strategy for Pathway for the NWB Release	31 May 02	19 Jul 02
L2_1940	CS/PRD/058 ICL Pathway/PON Interface Agreement for Operational Business Change - Product	18 Jul 02	05 Sep 02
L2_1985	BP/DES/003 Counter Hardware Design Specification	28 Jun 02	16 Aug 02
L2_1990	TD/ARC/029 TMS Architecture Specification	31 Jul 02	18 Sep 02
L2_1856	CS/PRP/001 Counter Transaction Performance Measurement and Benchmarking	13 Sep 02	01 Nov 02
L2_1857	XX/YYY/NNN NBS Testing Specifications	12 Jul 02	30 Aug 02
L2_1858	XX/YYY/NNN NBS Testing Plan	12 Jul 02	30 Aug 02
L2_1859	NB/PRO/001 Networking Banking PPD	14 Jun 02	02 Aug 02
L2_1861	CR/FSP/004 Service Architecture Design Document	19 Aug 03	07 Oct 03
L2_1862	XX/YYY/NNN Security Incident Management (PO Limited Document)	13 Sep 02	01 Nov 02

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L2_1863	IM/MAN/022 PIN Pad Technical Installation Training Guide	09 Apr 02	28 May 02
L2_1864	XX/YYY/NNN (Caveat Clearance Version) Technical Interface Specification – Horizon to NBE	21 Aug 02	09 Oct 02
L2_1866	Y/NNN (Caveat Clearance Version) NBE - Horizon Application Interface Specification	21 Aug 02	09Oct 02
L2_1867	CS/SPE/011 (Caveat Clearance Version) Network Banking End to End Reconciliation Reporting	22 Nov 02	10 Jan 03
L2_1868	CC/YYY/NNN "Closure of NBE Link Procedures" (CCD mentioned in N05).	13 Sep 02	01 Nov 02

8.9.1.2 NBS Working Documents

Activity Code	Document	Originator issue first Draft	Originator issue final version for agreement
L2_1920	RS/POL/003 Access Control Policy	12 Aug 02	30 Sep 02
L2_1930	SD/SPE/016 Horizon OPS Menu Hierarchy	30 May 02	18 Jul 02
L2_1931	CS/PLA/O11 Business Continuity Test Plan	12 Aug 02	30 Sep 02
L2_1932	CS/IFS/007 ICL Pathway/Post Office Interface Agreement for Post Office Support Desk and HSH Interface	12 Aug 02	30 Sep 02
L2_1933	XX/YYY/NNN NBE Operational Level Agreement (PO Limited Document)	12 Aug 02	30 Sep 02
L2_1934	IS/SLR/002 PIN Pad Supply Logistics Requirements	17 May 02	05 Jul 02
L2_1935	CS/IFS/001 Reference Data Change Catalogue	13 Sep 02	01 Nov 02
L2_1936	XX/YYY/NNN Reference Data Business Rules and Values	13 Sep 02	01 Nov 02
L2_1937	XX/YYY/NNN RAC Data Flow Models (Documents the RACOC1 model)	31 Aug 02	18 Oct 02
L2_1938	RDP/TEC/977 Network Banking/RDS Rules and Values		No Forecast
L2_1939	Business Release Test Strategy	17 Jun 02	05 Aug 02
L2_1941	Business Integration Test Strategy	10 Jun 02	29 Jul 02

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L2_1942	V&I Test Strategy	24 Jun 02	12 Aug 02
L2_1943	Release Test Strategy	24 Jun 02	12 Aug 02
L2_1944	E2E Test Strategy	26 Jul 02	13 Sep 02

8.9.1.3 NBS Programme Development Touchpoints:

Activity Code	Event	Date
	NBE DIT	
L2_2450 (TP1)	Agree NBE DIT Acceptance Criteria	31 May 02 Complete
L2_3408 (TP57)	Test link installed – Feltham to Warwick	01 Jul 02
L2_3120 (TP3)	Fujitsu Services complete DIT proving – Analysis	15 Jul 02
L2_3135 (TP4)	Fujitsu Services ready for DIT (Obtain release authorisation to start DIT)	15 Jul 02
L2_3410 (TP5)	Post Office prepare DIT Test specs	N/F
L2 2460 (TP6)	IBM make available initial version of Processor interface for connectivity testing	15 Jul 02
L2_2462 (TP7)	Post Office responsible for ensuring IBM make available full version of Processor interface for DIT testing (with security)	12 Aug 02
L2_3135 (TP8)	Complete connectivity testing	29 Jul 02
L2_3137 (TP9)	Complete DIT (NBE Secure)	13 Sep 02
	NBS Development	
L2_2940 (TP10)	PIN Pad development test complete	03 May 02 Completed
L2_2690 (TP11)	Crypto for PIN Pads complete	19 Jun 02
L2_3150 (TP12)	Fujitsu Services Integration Testing Cycle 2 starts	22 Jul 02

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L2_3150 (TP13)	Fujitsu Services Integration Testing Cycle 2 completes	09 Aug 02
L2_3155 (TP14)	Fujitsu Services Integration Testing Cycle 3 starts	12 Aug 02
L2_3155 (TP15)	Fujitsu Services Integration Testing Cycle 3 complete	30 Aug 02
L2_3160 (TP16)	Fujitsu Services Integration Testing Cycle 4 starts	02 Sep 02
L2_3160 (TP17)	Fujitsu Services Integration Testing Cycle 4 complete	20 Sep 02
L2_3165 (TP18)	Fujitsu Services Integration Testing Cycle 5 starts	23 Sep 02
L2_3165 (TP19)	Fujitsu Services Integration Testing Cycle 5 Complete	11 Oct 02
L2_3167 (TP20)	DRS/MIS Regression Cycle 1 starts	14 Oct 02
L2_3167 (TP21)	DRS/MIS Regression Cycle 1 completes	01 Nov 02
L2_3168 (TP22)	DRS/MIS Regression Cycle 2 starts	04 Nov 02
L2_3168 (TP23)	DRS/MIS Regression Cycle 2 completes	22 Nov 02
L2_3420 (TP59)	Checkpoint - DRS/MIS Enhancements Ready for	22 Nov 02
L2_3205 (TP26)	Fujitsu Services Integrity/volume testing complete	11 Oct 02
L2_3411 (TP27)	NBS Stage Progression	11 Oct 02

Post Office End to End Testing

L2_3250 (TP28)	Partial E2E Testing Stage starts	02 Sep 02
L2_3250 (TP29)	Partial E2E Testing Stage completes	11 Oct 02
L2_3255 (TP30)	NB Full E2E Testing Stage starts	14 Oct 02
L2_3255 (TP31)	NB Full E2E Testing Stage completes	03 Dec 02

Network Infrastructure

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L2_3325 (TP32)	Upgrade to campus routers complete	21 Aug 02
L2_3360 (TP2)	Fujitsu Services complete installation of comms link to NBE	25 Jul 02
L2_3332 (TP35)	FRIACO operational at campus	02 Aug 02
L2_3332 (TP33)	FRIACO pilot complete	06 Oct 02
L2_3350 (TP34)	FRIACO start rollout to full estate	03 Nov 02
L2_3409 (TP58)	Pilot Outlet list available from Post Office	01 Nov 02
L2_3413 (TP36)	FRIACO rolled out to live pilot Outlets	03 Jan 03
L2_3350 (TP37)	FRIACO rolled out to full estate	30 Jan 03
	Infrastructure	
L2_2260 (TP38)	BI 2a rollout starts	17 Apr 02 Completed
L2_2260 (TP39)	BI 2a rollout completes	27 Jun 02
L2_2270 (TP40)	BI 2b rollout starts	14 Jun 02
L2_2270 (TP41)	BI 2b rollout completes	10 Sep 02
L2_3265 (TP42)	Upgrades to hardware (DRS and non-DRS) for NBS complete	06 Dec 02
L2_3272 (TP43)	Data Centre upgrade complete (NBS hardware joins the live estate)	05 Jan 03
L2_3278 (TP52)	BI3 national rollout complete	31 Mar 03
	NBS Release	
L2_3398 (TP45)	Fujitsu Services Customer Services (Operations) ready to support NB Pilot (Soft Launch)	06 Jan 03
L2_3399 (TP46)	Fujitsu Services Customer Services (Operations) ready to support live operation	06 Jan 03
L2_3400 (TP47)	Fujitsu Services Customer Services (Network) ready to support NB Pilot (Soft Launch)	03 Jan 03

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L2_3401 (TP48)	Fujitsu Services Customer Services (Network) ready to support live operation	01 Nov 02
L2_3255 (TP49)	NBS ready for Release Authorisation NB Authorisation Pilot (Soft Launch) (End of E2E)	06 Dec 02
L2_3276 (TP50)	NBS ready to commence NB Pilot (Soft Launch)	13 Jan 03
L2_3274 (TP51)	NBS ready for Release B Authorisation for full Release	17 Jan 03
L2_3278 (TP52)	NBS Release complete	31 Mar 03
	RDS	
L2 2435 (TP53)	Completion of modification by Post Office of Post Office RDS for the purpose of the NBS (Provide Ref Data to Fujitsu Services)	09 May 02 Completed
L2_2455 (TP54)	Post Office Reference Data required for DIT	14 Jun 02 Completed
L2_3055 (TP55)	Start of Fujitsu Services' RDS DIT	18 Jun 02
L2_3055 (TP56)	End of Fujitsu Services' RDS DIT	10 Jul 02

9. TERMINATION OF BANKING IMPLEMENTATION ACTIVITIES

9.1 Prior to NBS Acceptance, Post Office may at its discretion (without being obliged to give any reasons) terminate the Banking Implementation Activities (as a whole) by giving Fujitsu Services not less than two (2) weeks' notice.

9.2 Prior to NBS Acceptance, Post Office may at any time by notice in writing terminate the Banking Implementation Activities (as a whole) with effect from the date of service of such notice or such later date as may be specified therein, if Fujitsu Services commits an NBS Default and:

9.2.1 the NBS Default is capable of remedy and Fujitsu Services shall have failed to remedy the NBS Default within thirty (30) days of written notice to Fujitsu Services specifying the NBS Default and requiring its remedy or within such other period as may be requested by Fujitsu Services and agreed by Post Office, such agreement not to be unreasonably withheld or delayed; or

9.2.2 the NBS Default is not capable of remedy (and for the purposes of this paragraph, failure to comply with a timescale shall not of itself be considered a NBS Default not capable of remedy).

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9.3 Prior to NBS Acceptance, Post Office may not terminate this Agreement for Defaults which are exclusively NBS Defaults, but this Clause shall not act to restrict or curtail Post Office's rights under this Agreement in respect of Defaults of Fujitsu Services which are not exclusively NBS Defaults.

9.4 In the event of notice being given under paragraph 9.1, Post Office shall on termination of the Banking Implementation Activities pay to Fujitsu Services the NBS Termination Charge (calculated in accordance with paragraph 10.2).

9.5 [Not used].

9.6 In the event of termination of the NBS prior to NBS Acceptance, the development of Debit Card and Fujitsu Services' obligations regarding the provision of Debit Card shall terminate.

9.7 In the event of termination of the Banking Implementation Activities before NBS Acceptance, Post Office shall, without prejudice to Post Office's other rights and remedies but subject to payment of all sums due and payable to Fujitsu Services up to the date of Banking Implementation Activities termination, have the option, exercisable at any time within one month after notice of termination, to acquire from Fujitsu Services or to require Fujitsu Services to permit a replacement contractor to acquire from it, in consideration of the NBS Transfer Payment, those NBS Project Assets which can be separated without impact upon performance of the Services (other than the Banking Implementation Activities).

9.8 In the event that Post Office exercises the option referred to in paragraph 9.6, Post Office shall pay to Fujitsu Services the NBS Transfer Payment (calculated in accordance with paragraph 10.4).

9.9 All the assets to be acquired pursuant to the exercise by Post Office of its option under paragraph 9.7 shall be acquired "as is", but free from encumbrances and the Parties agree that all express and implied warranties and conditions relating to such assets are excluded to the full extent permitted by law.

10. NBS TERMINATION CHARGE, NBS TRANSFER SERVICES AND NBS TRANSFER PAYMENT

10.1 Introduction

10.1.1 This paragraph 10 of Schedule 24 covers the responsibilities and payments related to termination of the Banking Implementation Activities prior to the occurrence of NBS Acceptance.

10.1.2 In the event of termination of the Banking Implementation Activities prior to NBS Acceptance, Post Office may seek to continue to obtain services equivalent to

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the Banking Implementation Activities, either by performing them itself or by means of a replacement contractor.

10.1.3 The Charges for the NBS Transfer Services shall be as set out in Annex D of Schedule 10. These Charges shall be paid by Post Office in addition to the NBS Termination Charge and NBS Transfer Payment.

10.2 NBS Termination Charge

10.2.1 The NBS Termination Charge is intended to represent a contractual good faith recognition of the loss of revenues that Fujitsu Services may reasonably have planned for in establishing the NBS and implementing the PIN Pads and their supporting infrastructure.

10.2.2 Where the NBS Termination Charge is payable to Fujitsu Services following termination of the Banking Implementation Activities prior to the occurrence of NBS Acceptance, Post Office shall pay to Fujitsu Services a sum equal to V+W+X+Y, where:

10.2.2.1 V shall be:

(a) £16,007,153.00 (being the total of the Charges to Post Office set out in paragraphs 17.6, 20.1, 20.2, 24.1.1 and 24.2.1 of Schedule A12 of the Codified Agreement (i.e. the form of this Agreement prior to approval of CCN 1100); plus

(b) if Post Office gives notice to increase the number of PIN Pads or Paypoles to be procured by Fujitsu Services, any additional Charges in respect of that increase (whether or not due for payment) calculated in accordance with paragraphs 1.1.2, 1.1.3, 1.2.2 and/or 1.2.3 of Part B of Annex D to Schedule 10 (as applicable); plus

(c) if Post Office gives Phase 2 Notice pursuant to paragraph 1.5 of the CCD entitled “Horizon Capacity Management and Business Volumes” (PA/PER/033), the additional Charges (whether or not due for payment) set out in paragraph 3.1.1 or 3.1.2 (as applicable) of Part A of Annex D to Schedule 10,

the charges referred to in sub-paragraphs (a), (b) and (c) above being together referred to as the "Fixed Item Charges"; less

(d) an amount equal to the aggregate of all payments received by Fujitsu Services prior to the date of termination in relation to the Fixed Item Charges (whether under this Agreement or the

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Codified Agreement (i.e. the form of this Agreement prior to approval of CCN 1100); and less

(e) an amount equal to such future Fixed Item Charges as Fujitsu Services is reasonably able to avoid or mitigate as a result of the early termination;

10.2.2.2 W shall be an amount equal to the aggregate of all costs to Fujitsu Services associated with the termination or transfer of the Banking Implementation Activities, including but not limited to (the extent related to the Banking Implementation Activities) closure of Fujitsu Services' facilities and termination of contracts relating to its personnel, plus any termination charges payable to suppliers and sub-contractors (Fujitsu Services being required to mitigate such exposure);

10.2.2.3 X shall be a sum equal to the aggregate charges calculated in accordance with paragraph 2.1 of Part A of Annex D to Schedule 10, with any discounts applied in accordance with paragraph 18.6 of Schedule A12 to the Codified Agreement (i.e. the form of this Agreement prior to approval of CCN 1100), but without deduction of any sums which Post Office is entitled to retain in accordance with paragraph 2.2 of Part A of Annex D to Schedule 10, for NB T&M Work carried out up to and including the date of termination less an amount equal to the aggregate of all payments received by Fujitsu Services in respect of such NB T&M Work;

10.2.2.4 Y shall be the sum of £4,000,000.00 (four million pounds).

10.3 NBS Transfer Services

10.3.1 Transfer of data

10.3.1.1 On notice of termination of the Banking Implementation Activities Fujitsu Services shall, within one month, deliver to Post Office:

(a) an inventory of the Post Office Data arising from the operation of or related to the NBS, plus any other NBS related data available for transfer or deletion;

(b) a data structure definition covering all such data available for transfer or deletion;

(c) a proposed physical transfer method and method of deletion; and

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(d) a proposed method for testing the integrity and completeness of the data transferred and the completeness of the data deleted.

10.3.1.2 Within two months or other period agreed by the Parties (such agreement not to be unreasonably withheld or delayed) of receiving Fujitsu Services' data transfer and deletion proposals as described in paragraph 10.3.1.1 above, Post Office shall notify Fujitsu Services of the data it wishes to be transferred or deleted, and Post Office and Fujitsu Services shall enter good faith discussions to develop a data transfer plan.

10.3.1.3 No later than five months after the date of notice of termination of the Banking Implementation Activities or three months after agreement of the data transfer and deletion plan, whichever is later, Fujitsu Services and Post Office shall co-operate in commencing testing and proving the data transfer and deletion plan, such that transfer may be concluded in accordance with the agreed plan. Once the transfer of Post Office Data to Post Office in accordance with this paragraph is complete, all remaining Post Office Data to which this paragraph 10.3.1 applies held by Fujitsu Services shall be destroyed. For the purpose of this paragraph "destroyed" means physical destruction of the media upon which such data are held or irretrievable deletion of data from such media (including, without limitation, by reformatting those media).

10.3.1.4 This paragraph 10.3.1 shall apply only in respect of Post Office Data or other data held by Fujitsu Services and to the extent applicable to the NBS (including, without limitation, records of Banking transactions relating to any period of the NB Pilot (Soft Launch) which may have been carried out).

10.3.2 Transfer of assets

10.3.2.1 On notice of termination of the Banking Implementation Activities Fujitsu Services shall, within one month, deliver to Post Office an asset register comprising a list of all assets eligible for transfer to Post Office under the terms of paragraph 9.7.

10.3.2.2 Within three months of receiving Fujitsu Services' asset register as described in paragraph 10.3.2.1 above, Post Office shall notify Fujitsu Services of the assets it wishes to be transferred, and Post Office and Fujitsu Services shall enter good faith discussions to develop a plan for asset transfer, covering both passing of title to assets and any physical transfer required.

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10.3.2.3 The Fujitsu Services and Post Office shall co-operate in transferring the assets in accordance with the plan developed under paragraph 10.3.2.2 above.

10.4 NBS Transfer Payment

10.4.1 In the event of termination of the Banking Implementation Activities:

10.4.1.1 in circumstances in which the NBS Termination Charge is payable, then should Post Office wish to exercise its option under paragraph 9.7, the NBS Transfer Payment shall be £1; and

10.4.1.2 in all other cases, should Post Office wish to exercise its option under paragraph 9.7 to acquire NBS Project Assets, the NBS Transfer Payment shall be a sum equivalent to the total charges to Post Office as set out in Annex D of Schedule 10 (or relevant portion thereof) for the NBS Project Assets to be transferred less:

(a) an amount equal to the aggregate of all payments received by Fujitsu Services prior to the date of termination for those NBS Project Assets; and

(b) an amount equal to such future charges for those NBS Project Assets (as set out in Annex D to Schedule 10 or the relevant portion thereof) as Fujitsu Services is reasonably able to avoid or mitigate as a result of the early termination,

save that where the resulting figure is less than £1 then the NBS Transfer Payment shall be £1.

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ANNEX 1 TO SCHEDULE 24

1. TESTING STAGES

1.1 Acceptance Stage 1 (the "NBS Testing Stage") - this stage involves the discrete testing of the NBS and NB System solely within Fujitsu Services' domain and without reference to or reliance on any other element of End to End Banking provided by Post Office or to Post Office by third Parties. This testing stage shall be under Fujitsu Services' control.

1.2 Acceptance Stage 2 - this stage involves partial End to End Banking (including NBE, LINK, Banks and Post Office and/or Royal Mail Group systems but excluding the NBS and the NB System). This testing stage shall be under Post Office's control.

1.3 Acceptance Stage 3 (the "Partial E2E Testing Stage") - this stage involves the testing and early release of the NBS in a parallel end-to-end mode, including NBE, LINK, Banks and Post Office and/or Royal Mail Group systems. This stage will be undertaken partially in parallel with NBS testing cycles 4 and 5 within the NBS Testing Stage. This testing stage shall be under Post Office's control and Post Office shall ensure that it and other third Parties with whom these tests are to be carried out are ready and available to participate in such parallel end-to-end testing.

1.4 Acceptance Stage 4 (the "NB Full E2E Testing Stage") - this stage involves testing of the NBS as part of testing of full End to End Banking (including NBS, NBE, LINK, Post Office and/or Royal Mail Group Systems and Banks ready and available for participation in testing of full End to End Banking). Post Office shall ensure that the other Parties with whom these tests are to be carried out are ready and available to participate in such full end-to-end testing. This testing stage shall be under Post Office's control.

1.5 Acceptance Stage 5 ("NBS/NBE Testing Stage") - this stage shall be undertaken within the NB Pilot (Soft Launch) phase and involves the testing of whether the NBS and NBE work in an operational environment and are ready for full operational rollout. This testing stage shall be under Post Office's control.

1.6 Acceptance Stage 6 ("CAPO Testing Stage") - this stage involves end-to-end testing with the CAPO. This stage shall be under Post Office's control.

1.7 Acceptance Stage 7 ("Bank Interface Testing Stage") - this stage involves testing of interfaces to Banks. This Acceptance Stage 7 will be repeated as each new Bank is introduced. This stage shall be under Post Office's control. If Acceptance Stage 7 or any element of Acceptance Stage 7 takes place following NBS Acceptance, Fujitsu Services' involvement in any such stage will be agreed under the Change Control Procedure.

1.8 The NB Pilot (Soft Launch) phase involves testing the NBS and NB System as part of the End to End Banking service in a live environment. This NB Pilot (Soft Launch) phase shall be under Post Office control.

2. NBS Tests

2.1 Form of NBS Acceptance Tests

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Each NBS Test shall take the form of one or more NBS Trials as described in paragraph 2.2 of this Annex 1, one or more NBS Reviews as defined in paragraph 2.3 of this Annex 1, or combinations thereof.

2.2 NBS Trials

2.2.1 Each NBS Trial shall consist of one or more of the following:

2.2.1.1 previously prepared and agreed scripted tests (recorded in a NBS Testing Specification, or other document referenced by the NBS Testing Specification) of elements of the NB System to be carried out in a test environment in which the actual results are checked to conform with the expected results;

2.2.1.2 previously prepared and agreed scripted demonstrations (recorded in a NBS Testing Specification, or other document referenced by the NBS Testing Specification) of the elements of the NB System in operation in a test environment in which the actual results are checked to conform with the expected results;

2.2.1.3 running a real, simulated or modelled operational workload in a test environment on elements of Horizon Service Infrastructure, such workload to be agreed by the Parties (such agreement not to be unreasonably withheld) with reference to the projected operational volumes (set out in the CCD entitled "Horizon New Service Business Volumes " (PA/PER/031)).

2.2.2 Post Office shall be entitled to send representatives to observe any NBS Trial and Fujitsu Services shall give 10 working days notice of the first occurrence of each NBS Trial and three working days notice in the case of repeat testing to Post Office to enable Post Office to determine whether or not to send representatives. Without prejudice to the preceding paragraph, Post Office shall notify Fujitsu Services which NBS Trials it plans to send representatives to attend so that a plan for witnessing the execution of those trials may be prepared.

2.3 NBS Reviews

2.3.1 each NBS Review shall consist of one or more of the following:

2.3.1.1 inspection by one or more reviewers nominated by Post Office of a deliverable or documentary evidence that the part of the NBS in question has been provided. Evidence for review may comprise documentation provided by Fujitsu Services, or documentation provided by Fujitsu Services' subcontractors or suppliers;

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2.3.1.2 a minuted meeting (minutes to detail meeting date, venue, agenda, attendees, decisions made, actions, copies of any presentations made or documents discussed at the meeting (save that copies of documents or presentations which contain commercially sensitive or security sensitive information of either Post Office or Fujitsu Services shall not be appended to such minutes but appropriate identifying reference details shall be provided instead)) between Post Office and Fujitsu Services at which one or more of the following occur:

(a) documentary evidence is inspected;

(b) a presentation is given by Fujitsu Services;

(c) the results of prior inspections, visits or presentations are reviewed and the outcome agreed;

(d) Fujitsu Services undertakes to conform to specific reasonable Post Office requirement(s) in cases which the Parties agree are not appropriate for testing by NBS Trial or other forms of NBS Review;

2.3.1.3 any other form of testing or review as agreed by the Parties.

3. NBS Testing specifications

3.1 The NBS Tests shall be documented by Fujitsu Services in applicable NBS Testing Specification(s) (there may be more than one NBS Testing Specification) no later than eight (8) weeks prior to the agreed date for performance of the relevant NBS Tests.

3.2 In the case of NBS Trials, the NBS Testing Specification(s) shall identify the testing cycles or testing elements which comprise each NBS Trial and the results expected for that trial by reference to the relevant test script or scripts. NBS Trials shall not commence until their respective NBS Testing Specification(s) or part thereof has been agreed.

3.3 In the case of NBS Reviews, the NBS Testing Specification(s) shall state the purpose and structure of the document to be reviewed, which sections of the document are relevant to the particular NBS Acceptance Criteria, and the review criteria to be applied. NBS Reviews shall not commence until their respective NBS Testing Specification(s) or part thereof has been agreed.

4. NBS Testing plan

4.1 The NBS Testing Plan shall comprise:

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4.1.1 a list of documents to be provided by Fujitsu Services for NBS Review giving for each such document the date on which it will be delivered by Fujitsu Services and the date by which Post Office shall have completed the NBS Review in question;

4.1.2 a list of the tests to be carried out by Fujitsu Services that are relevant to NBS Acceptance, showing the method and expected results of each such test by reference to the NBS Testing Specifications or other applicable documents; and

4.1.3 a list of the tests to be carried out by Post Office that are relevant to NBS Acceptance, showing the method and expected results of each such test.

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ANNEX 2 TO SCHEDULE 24

1. LINK TESTING

1.1 During the NBS Testing Stage, Partial E2E Testing Stage and NB Full E2E Testing Stage, Fujitsu Services shall provide reasonable assistance when reasonably requested by Post Office to facilitate LINK testing between the NBE and the Banks.

1.2 Post Office shall be responsible for the operation and control of such LINK testing.

1.3 Post Office shall be responsible for providing such documentation as is necessary for Fujitsu Services to plan and resource its activities in respect of supporting Post Office gain LINK accreditation in accordance with this Schedule 24.

2. LINK REQUIREMENT COMPLIANCE

2.1 The Acceptance Criteria shall include criteria based upon the security requirements, standards and test sequences applicable to the NBS as set out in the following documents:

2.1.1 the LINK Information Security Standards (v1.0 dated January 2001); and

2.1.2 the LINK Member Testing Strategy (version 2.6).

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ANNEX 3 TO SCHEDULE 24

(Level 1) project plan

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ANNEX 4 TO SCHEDULE 24

(Level 2) project plan

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ANNEX 5 TO SCHEDULE 24

(Level 3) project plan

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ANNEX 6 TO SCHEDULE 24

Board	NBS Acceptance Board	NBS Acceptance Management Board
Purpose	• To resolve failures to agree escalated from the NBS Acceptance Management Board, NBS Acceptance Specifications and the NBS Acceptance Plan. • To review the status of NBS Acceptance Test results in the period leading up to NBS Acceptance Date. • To consider NBS Acceptance disputes referred to it by the NBS Acceptance Management Board. • To ratify proposed rectification plans. • To review the potential impact on NBS Acceptance of the activities of third party suppliers.	• Agree NBS Acceptance Specifications and the NBS Acceptance Plan. • Agree classifications of severity of NBS Acceptance Incidents and NBS Acceptance Progress Incidents. • Agree proposed rectification plans. • Agree the potential impact on NBS Acceptance of the activities of third party suppliers. • Consider and attempt to resolve NBS Acceptance disputes. • Document and escalate to the NBS Acceptance Board any failures to agree the above.
Starting Date	28/06/02	28/06/02
Frequency	Monthly or more frequently by agreement.	Weekly or less frequently by agreement.

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Board	NBS Acceptance Board	NBS Acceptance Management Board
POCL Attendees	• Programme Integration Director • Release 1 Programme Manager • Head of Business Architecture • Programme Office representative	Attendees will comprise of one or more from the following; • Release 1 Programme Manager • PO Ltd Design Authority • PO Ltd Project Manager • IS Service Manager • PO Ltd Acceptance Manager
Contractor Attendees	• Programme Director • NBS Programme Manager • Director Consultancy Services • And any other attendees as decided by the Contractor from time to time.	• NBS Acceptance Manager, NBS Programme Manager • Any other attendees as decided by the Contractor from time to time.
POCL Approval	Programme Integration Director	Release 1 Programme Manager
Contractor Approval	Programme Director	NBS Acceptance Manager