

In Strictest Confidence

POLB(03)4th
POLB03/34 to 55

Post Office Ltd

(company no. 2154540)

Minutes of the meeting of the Board of Directors
held at 80-86 Old Street, London
on 19th June 2003

Present:

Sir Mike Hodgkinson	Non-Executive Chairman
David Mills	Chief Executive
Alan Barrie	Information Technology Director
Peter Corbett	Finance Director
David Miller	Chief Operating Officer
Gordon Steele	Sales & Marketing Director

In attendance:

Ian Anderson	Human Resources Director designate
Jonathan Evans	Company Secretary
Martin Gafsen	Mergers & Acquisitions Project Director, Royal Mail Group
Graham Halliday	Executive Director, Banking & Financial Services
Neil Owen	Notes

Apologies

Allan Leighton	Chairman, Royal Mail Holdings
John Main	Human Resources Director
Elmar Toime	Executive Deputy Chairman, Royal Mail Holdings

POLB03/34

APPOINTMENT OF DIRECTORS

- (a) The Board agreed to the resignation of John Main as the Human Resources Director of the Company, with effect from 1st July 2003. The Board expressed its warmest thanks to John Main for his very valuable contribution to the Company during his many years of service;
- (b) The Board noted that the Royal Mail Holdings Board of 4th March 2003, had agreed to the nomination of Ian Anderson as Director of the Company. The Board agreed to the appointment of Ian Anderson as Director of the Company, with effect from 1st July 2003.

POLB03/35

MINUTES OF PREVIOUS MEETING POLB(03)2nd and 3rd

The Board approved the minutes of the Board meetings of 9th April 2003 and May 19th 2003.

GRO

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POB03/36

STATUS REPORT POLB(03)34

- (a) The status report was noted.

Irrelevant

POLB03/37

CHAIRMAN'S BUSINESS

The Chairman reported the following matters to the Board:

Action:
Directors

- (a) Business Strategy: The Chairman had examined the strategic plan and was content with the current scope and direction. Future Board meetings would always feature a strategy agenda item, and Directors were asked to provide Neil Owen with their strategy ideas for discussion at the Board. The Chief Executive would decide which items would be brought forward onto the agenda;

Action:
Alan Barrie

- (b) Horizon: The Chairman expressed a particular interest in furthering his understanding of the capabilities and limitations of the Horizon system. Meetings would be arranged with the appropriate managers to provide the Chairman with a detailed overview;

Action:
Directors

- (c) Role of the Chairman: The Chairman welcomed ideas and suggestions from Board concerning how the office of non-executive Chairman could be developed, and the type of activities the Board hoped the Chairman would be involved in.

POLB03/38

CHIEF EXECUTIVE'S REPORT

The Board noted in discussion that:

Irrelevant

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Action:
Directors

Irrelevant

- (e) Network Reinvention: The Chief Executive and David Miller had met with the Chairman of Postwatch Peter Carr to discuss branch closures under the Network Reinvention Programme. The principle of 'area by area' rather than piecemeal closures had been accepted, together with an acceleration of the whole programme. David Mills confirmed that Royal Mail Group would underwrite the extra administration costs incurred by Postwatch from accelerating the programme;

Irrelevant

- (g) Future of the Rural Network: A very productive off-site meeting had taken place between Post Office Ltd, Postcomm and DTI, to discuss informally possible future scenarios. It was crucial that the appropriate decisions were made by December 2003, primarily because of funding implications;
- (h) Select Committee: The recent Trade and Industry Select Committee hearing into benefits payments had gone well. The transcript of the session had been released and was acceptable. The Board recognised Colleen Walsh for her excellent work in providing the Directors with accurate and thorough briefing material;

Irrelevant

Action:
David Miller

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Irrelevant

POLB03/39

BUSINESS CASES – RULES OVERVIEW

Peter Corbett outlined the revised procedure for approval of future Company investment cases. The Board noted that:

- (a) Business cases below £10m would be approved by the Post Office Ltd Board rather than the Royal Mail Management Board. Business cases above £10m would require approval of the Royal Mail Holdings Board;
- (b) An obligation existed for the appropriate papers to be submitted to Martin Gafsen's Investment Appraisal team two weeks before the intended circulation date of the papers to the Board. Exceptions to this policy would only be made in special circumstances;
- (c) It would be the responsibility of the sponsor to ensure that the business case was properly written and complete;

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Irrelevant

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Irrelevant

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Irrelevant

POLB03/44

**END TO END SIMPLIFICATION – ACCOUNTING & CASH
MANAGEMENT POLB(03)39a-c**

Peter Corbett presented the Accounting & Cash Management business case to the Board. In discussion the Board noted that:

- (a) The initiative would be funded by both cash and Horizon Prepaid Systems Integration in a ratio of approximately 50:50;
- (b) The initiative would generate significant cost savings, simplify procedures, reduce time at branch level, and provide other softer benefits;
- (c) Clear milestones would underline the benefits to the business that each release would bring.

The Board agreed that the case should be forward to the Holdings Board for approval subject to:

- (i) Royal Mail Holdings Board approval of the allocation of Prepaid SI to Post Office Ltd;
- (ii) Total Project spend being capped at £17.1m;

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- (iii) A post implementation review being produced to deal with both spend and benefits achieved from the commencement date. A full post implementation review would also be produced 2 years from the commencement date when the project had been completed;
- (iv) Confirmation that the £2.8m per annum Horizon savings were available and contractually enforceable.

Furthermore the Board agreed that a suitable name would be provided for the project, which had connotations of 'moving forward'.

Irrelevant

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Irrelevant

POLB03/48

BUREAU AUTOMATION POLB(03)43

Gordon Steele presented the Bureau Automation business case to the Board.

The Board noted that discussions with FRTS had taken place to finalise the business case.

The Board agreed the project and expenditure.

Irrelevant

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Irrelevant

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POLB03/52

BANKING & FINANCIAL SERVICES POLB(03)47

The Board noted the report.

In addition the Board noted that:

- (a) Error Reports: Progress has been made in reducing the number of error reports from 40% to 15%. Of the 15%, 9% were outright rejects and 6% were repairable;

Irrelevant

POLB03/53

INFORMATION TECHNOLOGY POLB(03)48

The Board noted the report.

Irrelevant

- (a) The Board conveyed their warmest congratulations to the Chairman for the award of a knighthood he had received in the Birthday Honours List;
- (b) The Board noted that several other people in Post Office Ltd had been recognised in the Birthday Honours list. David Mills would write a personal letter of congratulation to each of these people.

Action:
David Mills

GRO

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CLOSE

There being no further business, the meeting was closed.

Sir Mike Hodgkinson