

RESTRICTED - CONTRACTS

POST OFFICE COUNTERS LTD
- and -
PATHWAY GROUP LIMITED

INFORMATION TECHNOLOGY
SERVICES AGREEMENT FOR
BRINGING TECHNOLOGY TO
POST OFFICES AND
BENEFITS PAYMENTS

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THIS AGREEMENT is made the fifteenth day of May 1996

BETWEEN:

(1) Post Office Counters Ltd whose registered office is situated at Drury House, 1-16 Blackfriars Road, London SE1 9UA ("POCL"); and

(2) Pathway Group Limited whose registered office is at ICL House, Putney, London SW15 ("the CONTRACTOR").

RECITALS

WHEREAS:

- (a) 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 POCL (collectively "the AUTHORITIES") wish to contract for the design, development, integration and establishment of the Service Infrastructure (as defined herein) and for the Services (as defined herein);
- (b) The AUTHORITIES and the CONTRACTOR have entered into an Agreement on the same date herewith ("the AUTHORITIES' Agreement") for the supply of the Service Infrastructure and the provision of certain of the Services which are of common interest to both AUTHORITIES;
- (c) POCL and the CONTRACTOR wish to contract for the provision of the POCL Services (as defined herein).

NOW THEREFORE IT IS HEREBY AGREED as follows:

PART 1 : INTRODUCTION

Clause 101. Contract Structure

101.1 The Related Agreements

This agreement forms part of a suite of three related agreements between the parties ("the Related Agreements") comprising:

- (a) a separate agreement between DSS, POCL and the CONTRACTOR ("the AUTHORITIES' Agreement");
- (b) a separate agreement between DSS and the CONTRACTOR ("the DSS Agreement"); and
- (c) this agreement between POCL and the CONTRACTOR ("the POCL Agreement").

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101.2 Precedence of the Related Agreements

In the event of and to the extent only of any conflict or inconsistency between the provisions of the AUTHORITIES' Agreement and the provisions of the POCL Agreement, the provisions of the AUTHORITIES' Agreement shall prevail.

101.3 Amendments to Clauses, Schedules and Annexes of the POCL Agreement

The provisions of the POCL Agreement may not be amended unless such amendment is approved on behalf of the parties at the appropriate levels of authority as follows:

- (a) except as provided by paragraph (b) below, and subject to the change control procedures specified in Schedule A5 of the AUTHORITIES' Agreement, amendments to the Clauses, Schedules and Annexes of the POCL Agreement must be approved by the POCL Development Director or his successor on behalf of POCL and by the Managing Director or his successor on behalf of the CONTRACTOR;
- (b) any amendment to the Clauses, Schedules or Annexes of the POCL Agreement which conflicts or is inconsistent with the Double Key Requirements in Schedule B4 of the AUTHORITIES' Agreement or of the Double Key Solutions in Schedule B5 of the AUTHORITIES' Agreement in whole or in part shall be subject to the approval of all three parties thereto in accordance with Clause 101.3.1 (a) thereof.

101.4 Other Changes

Changes in connection with the POCL Agreement which do not require any amendment to the POCL Agreement may be approved by the BA/POCL Procurement Manager or his successor on behalf of POCL and by the Managing Director or his successor on behalf of the CONTRACTOR in accordance with the change control procedures specified in Schedule A5 of the POCL Agreement.

101.5 Failure by the AUTHORITIES to perform Obligations under the Related Agreements

The CONTRACTOR shall not be liable to POCL for any failure to perform or delay in performing its obligations hereunder where the CONTRACTOR proves that such failure or delay has been

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directly caused by the failure of DSS or POCL to perform any of its obligations under the Related Agreements. This Clause shall not apply to Clause 809, which shall be governed by the specific rule stated in Clause 809.2.

Clause 102. Interpretations

102.1 As used in the POCL Agreement:

102.1.1 the terms and expressions set out in Schedule A1 shall have the meanings ascribed therein;

102.1.2 the masculine includes the feminine and the neuter; and

102.1.3 the singular includes the plural and vice versa.

102.2 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.

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

102.4 References in the POCL Agreement to Clauses, Parts and Schedules are, unless otherwise provided, references to the clauses, parts, and schedules of the POCL Agreement.

102.5 In the event and to the extent only of any conflict or inconsistency between the Clauses and Schedule A1 and the Schedules (other than Schedule A1), the Clauses and Schedule A1 shall prevail. In the event and to the extent only of any conflict or inconsistency between the Schedules (other than Schedule A1), the provisions of Schedules 2, A2 to A11, A13 and A14 shall prevail over those of all other Schedules (other than Schedule A1), the provisions of Schedule A15 shall prevail over those of all other such Schedules, and the provisions of Schedule A16 shall prevail over those of the other Schedules, except those of the Schedules listed above. Notwithstanding the foregoing, if and only to the extent that Schedule 3 expressly states that a particular requirement in Schedule A15 will be met in a particular form, manner or quantity, or at a particular time or place, the provisions of Schedule 3 will prevail. Moreover, for the avoidance of

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doubt, POCL acknowledges that a particular solution in Schedule A16 shall not be treated as being in conflict or inconsistent with any requirement in Schedule A15 merely because the solution states that the requirement will be met in a particular form, manner, quantity, time or place.

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

Clause 103. Severability

If any provision of the POCL Agreement is held invalid, illegal or unenforceable for any reason by any court or regulatory body of competent jurisdiction, such provision shall be severed and the remainder of the provisions hereof shall continue in full force and effect as if the POCL Agreement had been executed with the invalid, illegal or unenforceable provision eliminated. In the event of a holding so fundamental as to prevent the accomplishment of the purpose of the POCL Agreement, POCL and the CONTRACTOR shall immediately commence good faith negotiations to remedy such invalidity. However, if POCL and the CONTRACTOR fail to conclude such negotiations within a reasonable period of time, the POCL Agreement shall terminate without further liability to any party (subject to Clause 902.7). For purposes of the foregoing, the parties acknowledge that a holding of invalidity of any part of Clauses 106.7, 106.8 or 106.9 shall be treated as so fundamental as to prevent the accomplishment of the purpose of the POCL Agreement.

Clause 104. Law and Jurisdiction

104.1 The POCL Agreement shall be considered as a contract made in England and according to English Law and, subject to Clause 807, shall be subject to the exclusive jurisdiction of the English Courts to which the parties hereby submit.

104.2 Except as specified in Clause 101, the POCL Agreement is binding on POCL and its successors and permitted assignees and on the CONTRACTOR and the CONTRACTOR's successors and permitted assignees.

Clause 105. Entire Agreement

This POCL Agreement and the applicable provisions of the AUTHORITIES' Agreement constitute the entire understanding between the parties relating to the subject matter of the POCL Agreement and, save as may be expressly referred to or referenced herein, supersede all

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prior representations, agreements, negotiations or understandings with respect thereto, whether oral or in writing, except in respect of any fraudulent misrepresentation made by either party.

Clause 106. General Principles

106.1 POCL shall control the rights for using and marketing the POCL Services provided in post offices, other than in relation to benefit payments. The CONTRACTOR shall have no control over the use or marketing of the POCL Services, including in relation to benefit payments.

106.2 The CONTRACTOR shall offer all reasonable assistance to POCL in preventing fraudulent use of the POCL Services and POCL Service Infrastructure by POCL's employees and Agents.

106.3 The POCL Service and the POCL Service Infrastructure shall be provided in accordance with and comply with all relevant applicable industry standards, as these are listed in Schedule A2.

106.4 The CONTRACTOR shall, if so requested by POCL, work with POCL to identify and develop new business opportunities for POCL and the CONTRACTOR.

106.5 For the avoidance of doubt, the CONTRACTOR shall ensure migration of appropriate automated systems without any reduction in existing service or security levels to POCL's clients and customers.

106.6 Except as otherwise agreed from time to time between POCL and the CONTRACTOR, POCL will retain control itself of its critical business processes and relationships, such as:

106.6.1 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;

106.6.2 contractual relationships with Agents;

106.6.3 contractual relationships with its clients;

106.6.4 policy control of its network;

106.6.5 its reconciliation, settlement and key infrastructure support processes;

106.6.6 its relationship with its suppliers;
and

106.6.7 its product and service design.

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106.7 The CONTRACTOR shall not restrict POCL from using the POCL Services and the POCL Service Infrastructure for its existing and future clients, Agents, customers, products and services. However, for the avoidance of doubt, the foregoing provision shall not prevent the CONTRACTOR from charging for such use in accordance with Schedules A6 of the AUTHORITIES' Agreement and Schedules D7, E7, F7 and G9 (as appropriate).

106.8 The CONTRACTOR's and its subcontractors contacts with Agents shall be arranged via POCL.

106.9 The POCL Service Infrastructure (other than any Public Service Telecommunications Networks) may not be used other than by POCL without the prior written consent of POCL to provide any services to:

- (a) POCL's current clients in respect of current products and services;
- (b) POCL's current clients in respect of new products and services;
- (c) new clients in respect of current products and services;
- (d) new clients in respect of new products and services; or
- (e) POCL's current market domains (including:
 - personal cash and banking services - cash withdrawals and deposits, cashing cheques, benefit payments and postal orders;
 - communications - letter and parcel services including stationery and greetings products, other telecommunications retail products and services;
 - corporate cash services - cash management services for business customers, including business deposits, cash handling and processing;
 - entertainment and leisure services - lotteries, fishing licences, membership applications, TV licences and cable TV bill payment, tickets for events;
 - personal savings and budgeting - savings and investment accounts,

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household bill payment and pre-payment, credit services, personal pensions, household insurance;

- 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;
- insurance - other general risk insurance and life assurance products;
- information services - about the products and services offered by POCL and its clients.)

106.10 For the avoidance of doubt, and without limitation to the generality of Clause 902.2, any failure by the CONTRACTOR to comply with any of the provisions of Clauses 106.7, 106.8 or 106.9 shall be treated as a Default for the purposes of to Clause 902.2.

Clause 107. Condition Precedent

The parties hereto shall have no obligations or liabilities hereunder until successful completion of the process of extrapolation and transportation of Schedules 3, A6, B1 to B5, B7, B8 and C5 of the AUTHORITIES' Agreement and of clarification of Schedule B1 of the AUTHORITIES' Agreement in accordance with Clause 201 of the AUTHORITIES' Agreement. The Schedules listed in Schedule 2 shall be populated from Schedules 3, A6, B1 to B5, B7, B8 and C5 of the AUTHORITIES' Agreement as specified in Schedule 2.

PART 2 : PERFORMANCE OF POCL SERVICES AND SUPPLY OF PRODUCTS**Clause 201. Performance of Basic POCL Services**

201.1 The CONTRACTOR shall be responsible for meeting the requirements specified in Schedule A15 in accordance with the Solutions specified in Schedule A16 by performing the Basic POCL Services referred to in Clause 201.2. However, for the avoidance of doubt, and subject to Clause 102.5, the parties acknowledge that POCL's acceptance of the CONTRACTOR's solutions in Schedule A16 and their agreement to the service descriptions contained in

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the relevant Schedules of the POCL Agreement, shall not relieve the CONTRACTOR of its obligation to meet the requirements specified in Schedule A15, as modified by Schedule 3.

201.2 The CONTRACTOR shall perform the following Basic POCL Services in accordance with all applicable provisions hereof:

201.2.1 the POCL Development Services pursuant to Clause 402;

201.2.2 the roll out Services pursuant to Clause 404;

201.2.3 the POCL Steady State Services pursuant to Clause 405;

201.2.4 the management Services pursuant to Clause 602;

201.2.5 the POCL Contingency Services pursuant to Clause 410; and

201.2.6 the Transfer Services pursuant to Clause 906.

Clause 202. Performance of Optional POCL Services

POCL shall have the option, exercisable on prior written notice thereof as specified in Schedule C1 to the CONTRACTOR, of obtaining the following Optional POCL Services:

202.1 the Optional POCL Services identified as such in Schedule A6 of the AUTHORITIES' Agreement.

Such Optional POCL Services shall be performed in accordance with all applicable provisions hereof.

Clause 203. Performance of Additional POCL Services

The CONTRACTOR undertakes to perform at any time during the term of the POCL Agreement such Additional POCL Services as may be agreed by it and POCL in accordance with the provisions of Clause 101.3 for the purposes contemplated by the Related Agreements and within the scope of the Advertisement. Such Additional POCL Services shall be performed in accordance with all applicable provisions of the POCL Agreement.

Clause 204. Supply of Basic Products

204.1 To support the performance of the POCL Services, the CONTRACTOR shall supply the following Basic Products in accordance with all applicable provisions hereof:

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204.1.1 all of the Products comprising the POCL Service Infrastructure;

204.1.2 the Documentation.

204.2 The CONTRACTOR warrants that the Documentation comprises:

(a) a complete set of operating manuals; and

(b) a complete set of manuals for the POCL Service Architecture, (which for the avoidance of doubt shall not include the POCL Service Architecture Design Document).

Clause 205. Supply of Optional Products

POCL shall have the option, exercisable on prior written notice thereof as specified in Schedules B1 and B2 to the CONTRACTOR, of obtaining all or any of the following Optional Products:

205.1 items of the same type as the elements of the Service Infrastructure provided by the CONTRACTOR for use on the Premises (other than any Public Service Telecommunications Network equipment).

The Optional Products shall be supplied in accordance with all applicable provisions hereof.

Clause 206. Supply of Additional Products

The CONTRACTOR undertakes to supply at any time during the term of the POCL Agreement such Additional Products as may be agreed by it and POCL in accordance with the provisions of Clause 101.3 for the purposes contemplated by the Related Agreements and within the scope of the Advertisement. Such Additional Products shall be supplied in accordance with all applicable provisions hereof.

Clause 207. Supply of POCL Consumables

POCL shall have the option of obtaining all or any of the POCL Consumables in such quantities as may be reasonably required by POCL by giving the CONTRACTOR not less than thirty (30) days prior written notice thereof. The POCL Consumables shall be supplied in accordance with all applicable provisions hereof.

Clause 208. CONTRACTOR Consumables

The CONTRACTOR shall at its own expense provide all CONTRACTOR Consumables which are required for the performance of the POCL Services.

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PART 3 : CONSIDERATION**Clause 301. Charges****301.1 Basic POCL Services**

The Charges for the Basic POCL Services shall be calculated in accordance with the Common Charging Mechanism in Schedule A6 of the AUTHORITIES' Agreement and the provisions of Schedules D7, E7, F7 or G9 (as appropriate).

301.2 Optional POCL Services

The Charges for any Optional POCL Services shall be calculated in accordance with the Common Charging Mechanism or such other mechanism as may be specified to apply thereto in Schedule A6 of the AUTHORITIES' Agreement and the provisions of Schedule C1 (as appropriate).

301.3 Additional POCL Services

Whenever possible, the Charges for any Additional POCL Services shall be calculated in accordance with the Common Charging Mechanism or such other mechanism as may be specified to apply thereto in Schedule A6 of the AUTHORITIES' Agreement. Where it is agreed that this is not possible, such Charges shall be calculated in accordance with such alternative provisions as may be agreed by the parties and specified in Schedule A6 of the AUTHORITIES' Agreement.

301.4 Basic Products

The Charges for the supply of the Basic Products shall be included within the Common Charging Mechanism in Schedule A6 of the AUTHORITIES' Agreement.

301.5 Optional Products

The Charges for the supply of any Optional Products shall either (a) be included within the Common Charging Mechanism or such other mechanism as may be specified to apply to Optional POCL Services in Schedule A6 of the AUTHORITIES' Agreement or (b), if not so included, shall be calculated in accordance with the CONTRACTOR's then current list prices less

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the discount specified in Schedule A6 of the AUTHORITIES' Agreement, but shall in no event exceed the prices then generally offered in the United Kingdom for such products on similar terms.

301.6 Additional Products

The Charges for the supply of any Additional Products shall either (a) be included within the Common Charging Mechanism or such other mechanism as may be specified to apply to Additional POCL Services in Schedule A6 of the AUTHORITIES' Agreement or (b), if not so included, shall be calculated in accordance with the CONTRACTOR's then current list prices but shall in no event exceed the prices then generally offered in the United Kingdom for such products on similar terms.

301.7 POCL Consumables

The Charges for the supply of any POCL Consumables shall be as specified in Schedule B4.

301.8 Variation of Charges

The Charges for Basic POCL Services, Optional POCL Services and Additional POCL Services shall be subject to annual variation in accordance with the procedures set out in Schedule A6 of the AUTHORITIES' Agreement.

Clause 302. Packaging

No additional charge shall be made for packaging used by the CONTRACTOR. All such packaging shall be removed by the CONTRACTOR at no additional cost when no longer required.

Clause 303. Payment

303.1 In consideration of the supply of the Products and the performance of the POCL Services in accordance with the provisions of the POCL Agreement POCL shall pay the Charges in accordance with the invoicing and payment procedure specified in Schedule A10.

303.2 Payment of Charges in relation to the POCL Services performed hereunder shall be made within thirty (30) days of receipt by POCL (at its nominated address for invoices) of a valid invoice, in accordance with the provisions of Schedule A10, from the CONTRACTOR.

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303.3 In the event that the CONTRACTOR, in accordance with the terms of the POCL Agreement, enters into a supply contract or a sub-contract in connection with the POCL Agreement, the CONTRACTOR shall ensure that a term is included in the supply contract or a sub-contract which requires the CONTRACTOR 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).

Clause 304. Value Added Tax

It is hereby agreed that the Charges are exclusive of Value Added Tax, which POCL

shall pay to the CONTRACTOR at the rate and in the manner prescribed by law from time to time, subject to the production by the CONTRACTOR of a valid tax invoice giving the requisite details of the taxable supply.

**PART 4 : DEVELOPMENT, IMPLEMENTATION AND PERFORMANCE OF
POCL STEADY STATE SERVICES****Clause 401. Initial Asset Transfer****401.1 Sale and Purchase**

401.1.1 POCL, free of encumbrances, liens, charges, mortgages, pledges or other third party rights shall sell and transfer and the CONTRACTOR shall purchase and accept the POCL Transferred Assets listed in Schedule A9.

401.1.2 Subject to Clause 401.1.3, the POCL Transferred Assets are sold and transferred by POCL to the CONTRACTOR "as is" and POCL provides no warranty as to the state, quality or fitness for purpose of the POCL Transferred Assets and all such statutorily implied warranties are hereby excluded. POCL warrants it has good title to the POCL Transferred Assets.

401.1.3 To the extent to which POCL is legally able to do so, POCL hereby assigns all POCL's rights against manufacturers, suppliers and third parties in respect of the POCL Transferred Assets to the CONTRACTOR. POCL shall at the CONTRACTOR's request and expense give to the CONTRACTOR reasonable assistance to enable the CONTRACTOR to enforce such rights.

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401.1.4 Title to and risk in the POCL Transferred Assets shall pass to the CONTRACTOR on the Transfer Date.

401.2 Sale Consideration

401.2.1 As consideration for the agreement by POCL to sell the POCL Transferred Assets, the CONTRACTOR hereby agrees to pay to POCL an amount to be agreed, which will be specified in Schedule A9, and which shall be paid on the Transfer Date.

401.2.2 It is hereby agreed that the sum to be paid pursuant to this Clause 401.2 is exclusive of Value Added Tax, which the CONTRACTOR shall pay to POCL at the rate and in the manner prescribed by law from time to time, in addition to the sum payable in Clause 401.2.1, subject to the production by POCL of a valid tax invoice giving the requisite details of the taxable supply.

401.3 Transferred Support Agreements

401.3.1 POCL and the CONTRACTOR hereby acknowledge and agree that with respect to the POCL Transferred Support Agreements listed in Schedule A9 they have entered into deeds of novation as a result of which the rights, obligations and liabilities of POCL contained in the POCL Transferred Support Agreements (as amended pursuant to the terms of the said deeds of novation) will following the Transfer Date be assumed by the CONTRACTOR.

401.3.2 POCL undertakes to pay, discharge and satisfy all liabilities and obligations arising in the period up to the Transfer Date when the same fall due to be paid, satisfied or discharged in respect of the relevant POCL Transferred Support Agreements and to indemnify the CONTRACTOR from and against such liabilities and against any and all losses, costs, liabilities and expenses arising out of or in connection therewith. The CONTRACTOR undertakes to reimburse POCL upon the Transfer Date in respect of all pre-payments made by POCL which relate to any period following the Transfer Date. The CONTRACTOR and POCL shall prior to the Transfer Date prepare and agree a written statement itemising such pre-payments.

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401.3.3 The CONTRACTOR undertakes to pay, discharge and satisfy all liabilities and obligations arising after the Transfer Date when the same fall due to be paid, satisfied or discharged in respect of the POCL Transferred Support Agreements and to indemnify POCL from and against such liabilities and against any and all losses, costs, liabilities and expenses arising out of or in connection therewith.

401.4 Completion

401.4.1 Completion of the sale and purchase and/or transfer shall take place on the Transfer Date at the offices of POCL.

401.4.2 Upon completion POCL shall deliver to the CONTRACTOR:

401.4.2.1 quiet possession of all the relevant POCL Transferred Assets;

401.4.2.2 executed documentation sufficient for the purposes of transferring title to the relevant POCL Transferred Assets;

401.4.2.3 copies of documentation relating to the relevant POCL Transferred Support Agreements including relevant technical information and terms and conditions of such POCL Transferred Support Agreements.

401.4.3 Upon completion of the Transfer the CONTRACTOR shall deliver to POCL in a manner to be agreed between the parties the sum specified in Clause 401.2.1.

401.5 Initial Lease of Assets

POCL shall lease to the CONTRACTOR the POCL Leased Assets in accordance with the provisions of Schedule A9.

401.6 Transfer of Undertakings (Protection of Employment) Regulations 1981

401.6.1 In the event that, by virtue of the application for whatever reason of the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended or replaced from time to time) to the assumption of responsibility by the CONTRACTOR for the provision of all or any part of the Services hereunder, there is transferred to the CONTRACTOR any contract of employment of any

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employee of POCL, and provided that the CONTRACTOR:

- (i) shall not have offered employment to such employee or otherwise have encouraged him to seek or to claim employment with the CONTRACTOR; and
- (ii) shall have notified POCL in writing of the CONTRACTOR's intention to terminate the employment of such employee at least fourteen (14) days before terminating such employment; and
- (iii) shall immediately after such notification to POCL have given POCL reasonable opportunity to offer such employee reemployment with POCL; and
- (iv) shall have terminated the employment of such employee as soon after the date on which the CONTRACTOR first became aware of the transfer to it of his employment as permitted under the relevant contract of employment,

POCL, subject always to the CONTRACTOR's proper observance of its obligations under this Clause, shall fully indemnify the CONTRACTOR from and against any and all liabilities and obligations which the CONTRACTOR may incur in connection therewith (including any liabilities and obligations, accruing prior to such transfer of employment, in relation to personal injury, sexual discrimination and any liabilities and obligations arising after such transfer of employment on the subsequent termination of employment by the CONTRACTOR of any such employees so transferred to it).

401.6.2 In the event of any claim or demand being made or action brought to which Clause 401.6.1 applies, POCL shall be promptly notified thereof and POCL shall at its own expense conduct all negotiations for settlement of the same and any legal proceedings that may rise therefrom. The CONTRACTOR, its sub-contractors, agents and employees shall at the request of POCL 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

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may be prejudicial to the defence of any such claim or demand or action.

Clause 402. POCL Development Services

402.1 The CONTRACTOR shall perform the following POCL Development Services:

402.1.1 development of Optional POCL Services as described in Schedule C1;

402.1.2 development of the Benefits Encashment Service as described in Schedule D1;

402.1.3 development of the Automated Payment Service as described in Schedule E1;

402.1.4 development of EPOSS as described in Schedule F1; and

402.1.5 development of the POCL Infrastructure Services as described in Schedules G1, G2 and G3.

402.1.6 development of the POCL Service Architecture Design Document; and

402.1.7 development of the POCL Contingency Services as described in Schedules D9, E9, F9 and G11.

Clause 403. POCL Operational Trial

403.1 The CONTRACTOR shall, during the POCL Operational Trial Period, make available the POCL Operational Trial System (which for the purposes of this Clause 403 shall include the POCL Service Architecture Design Document) for the POCL Operational Trial as set out in Schedules H1 to H5 to be performed in accordance with the timetable set out in Schedule H2. POCL shall be entitled to subject all Basic POCL Services and Optional POCL Services to the POCL Operational Trial, but in relation to Optional POCL Services, the rights of termination granted pursuant to this Clause shall apply only to the particular Optional POCL Service being tested.

403.2 The objectives of the POCL Operational Trial shall be as specified in Schedule H1. The POCL Operational Trial Criteria:

403.2.1 for the Benefit Encashment Service shall be as set out in Schedule D2;

403.2.2 for the Automated Payment Service shall be as set out in Schedule E2;

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403.2.3 for EPOSS shall be as set out in Schedule F2;

403.2.4 for the POCL Infrastructure Services shall be as set out in Schedule G4; and

403.2.5 for the POCL Contingency Services shall be as set out in Schedules D9, E9, F9, G11.

403.3 POCL shall accept the POCL Operational Trial System in accordance with the POCL Operational Trial Procedures.

403.4 The POCL Operational Trial shall be recorded as successful and the CONTRACTOR notified accordingly where all the POCL Operational Trial Criteria are met in accordance with the POCL Operational Trial Procedures.

403.5 The POCL Operational Trial shall be recorded as unsuccessful and the CONTRACTOR notified accordingly where any of the POCL Operational Trial Criteria are not met in accordance with the POCL Operational Trial Procedures.

403.6 If the POCL Operational Trial in respect of the POCL Operational Trial System has not been recorded as successful pursuant to Clause 403.4 by the end of the POCL Operational Trial Period, POCL shall have the right, without prejudice to its other rights and remedies:

403.6.1 to accept such part of the POCL Operational Trial System as POCL may decide and pay a pro-rated Charge therefor or such other charge as may be agreed between the parties;

403.6.2 to extend the POCL Operational Trial Period for up to two (2) consecutive additional periods of the same duration or of such shorter duration as POCL may notify the CONTRACTOR, during which the CONTRACTOR shall use reasonable endeavours to correct the deficiency or Acceptance Incident which caused the POCL Operational Trial to be recorded as unsuccessful; or

403.6.3 (subject to Clause 403.10) to terminate this POCL Agreement or, if appropriate, the relevant POCL Application Services in accordance with Clause 902.2 or 903.2 (as appropriate).

For the purposes of the foregoing, the "relevant" POCL Application Services mean the POCL Application

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Services in respect of which the POCL Operational Trial has been recorded as unsuccessful.

403.7 In the event that POCL extends the POCL Operational Trial Period for a period pursuant to Clause 403.6.2 and the POCL Operational Trial has not been recorded as successful by the end of that period, POCL shall have the right without prejudice to its other rights and remedies:

403.7.1 to accept such part of the POCL Operational Trial System as POCL may decide and pay a pro-rated Charge therefor or such other charge as may be agreed between the parties;

403.7.2 to extend the POCL Operational Trial Period for a further period in accordance with Clause 403.6.2 up to a maximum of three (3) consecutive periods in total; or

403.7.3 (subject to Clause 403.10) to terminate this POCL Agreement or, if appropriate, the relevant POCL Application Services in accordance with Clause 902.2 or 903.2 (as appropriate).

For the purposes of the foregoing, the "relevant" POCL Application Services mean the POCL Application Services in respect of which the POCL Operational Trial has been recorded as unsuccessful.

403.8 POCL will perform the POCL Trial Responsibilities as set out in Schedule H4.

403.9 For the avoidance of doubt, the CONTRACTOR acknowledges that successful completion of any part of the POCL Operational Trial Systems shall not relieve it of its obligation to continue to perform the POCL Services in accordance with all applicable provisions hereof.

403.10 Notwithstanding the foregoing provisions of this Clause, POCL shall have no right of termination of the POCL Agreement in relation to failure of the POCL Operational Trial System successfully to complete the POCL Operational Trial except in accordance with Schedules A11 and H5.

Clause 404. Roll Out of POCL Service Infrastructure and POCL Steady State Services

404.1 The CONTRACTOR shall implement the POCL Service Infrastructure in accordance with the provisions and timetable in Schedule B6. Elements of the POCL Service Infrastructure shall be subject to POCL Acceptance Testing in accordance with Clause 408.

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404.2 POCL may on prior written notice defer implementation of any part of the POCL Steady State Services and of any of POCL Service Infrastructure until successful completion of the Operational Trial under the AUTHORITIES' Agreement.

404.3 The CONTRACTOR shall implement the Benefit Encashment Service in accordance with the timetable in, and provisions of, Schedule D4. Elements of the Benefit Encashment Service shall be subject to POCL Acceptance Testing in accordance with Clause 411.

404.4 The CONTRACTOR shall implement the Automated Payment Service in accordance with the timetable in, and the provisions of, Schedule E4. Elements of the Automated Payment Service shall be subject to POCL Acceptance Testing in accordance with Clause 411.

404.5 The CONTRACTOR shall implement EPOSS in accordance with the timetable in, and the provisions of, Schedule F4. Elements of EPOSS shall be subject to POCL Acceptance Testing in accordance with Clause 411.

404.6 The CONTRACTOR shall implement the POCL Infrastructure Services in accordance with the timetable in, and the provisions of, Schedule G6. Elements of the POCL Infrastructure Services shall be subject to POCL Acceptance Testing in accordance with Clause 411.

Clause 405. Performance of POCL Steady State Services

The CONTRACTOR shall, from the Operational Trial Acceptance Date (as defined in the AUTHORITIES' Agreement), perform the following POCL Steady State Services:

405.1 the Benefit Encashment Service, in accordance with the provisions of Schedule D1;

405.2 the Automated Payment Service, in accordance with the provisions of Schedule E1;

405.3 EPOSS, in accordance with the provisions of Schedule F1;

405.4 the POCL Infrastructure Services, in accordance with the provisions of Schedules G1, G2 and G3;

405.5 the POCL Contingency Services in accordance with the provisions of Schedules D9, E9, F9 and G11; and

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405.6 any Optional POCL Services ordered pursuant to Clause 202 in accordance with the provisions of Schedule C1.

Clause 406. Inspection of POCL Premises

406.1 The CONTRACTOR confirms that it has been offered the opportunity to inspect the POCL Premises in order to satisfy itself that the POCL Premises are suitable for the installation and operation of the Products in the POCL Service Infrastructure and the supply of the POCL Services. However, the CONTRACTOR does not warrant that the use of such Products when installed will comply with applicable Health and Safety legislation or that the POCL Premises will comply with such legislation, only that installation work carried out by the CONTRACTOR and the Products as installed in their immediately surrounding environment will so comply. The CONTRACTOR shall not be liable for any delay or Default directly caused by any delay or failure in obtaining any third party consents or licences which are necessary to permit such installation.

406.2 In relation to any changes to the POCL Premises which are strictly necessary to ensure compliance with relevant electrical standards and legislation before any element of the POCL Service Infrastructure can be installed, the CONTRACTOR shall inspect the POCL Premises, specify the changes necessary and, subject to POCL's prior written approval of the changes to be made and the costs thereof, make such changes. The costs of such changes shall be chargeable to POCL in accordance with Schedule B7. POCL reserves the right to arrange for such changes to be made by parties other than the CONTRACTOR in accordance with procedures and specifications reasonably agreed by the parties. The CONTRACTOR will not be liable for any delay or Default, directly caused by such changes being made by a party other than the CONTRACTOR.

406.3 POCL shall only be liable to pay for the CONTRACTOR's costs for those changes to the POCL Premises which are strictly necessary to install the Products to enable the CONTRACTOR to perform the POCL Services, and these costs shall only be chargeable pursuant to the charging structure in Schedule A6 of the AUTHORITIES' Agreement. The CONTRACTOR will minimise such installation and operations costs.

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Clause 407. Marking of Products

The CONTRACTOR shall ensure that each Product in the POCL 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 POCL Service Infrastructure.

Clause 408. Delivery and Acceptance of Products and POCL Consumables

408.1 The CONTRACTOR shall deliver any Products and POCL Consumables to an authorised representative of POCL at times and locations to be mutually agreed between the CONTRACTOR and POCL (such agreement not to be unreasonably withheld or delayed). Any Software supplied as a Product will be delivered in object code.

408.2 POCL shall accept the relevant Product or POCL Consumables in accordance with the POCL Acceptance Procedures contained in Schedule A11. The POCL Acceptance Criteria for Basic Products shall be as specified in Schedule B5.

408.3 A POCL Acceptance Test shall be recorded as successful and the CONTRACTOR notified accordingly where all the POCL Acceptance Criteria are met in accordance with the POCL Acceptance Procedures.

408.4 A POCL Acceptance Test shall be recorded as unsuccessful and the CONTRACTOR notified accordingly where any of the POCL Acceptance Criteria are not met in accordance with the POCL Acceptance Procedures.

408.5 If the POCL Acceptance Procedures, in respect of the relevant Product or POCL Consumable have not been recorded as successful pursuant to Clause 408.3 by the end of the POCL Acceptance Period, POCL shall have the right without prejudice to its other rights and remedies (excluding the right to terminate the POCL Agreement under Clause 902.2 or any POCL Application Services under Clause 903.2) either:

408.5.1 to accept such items of the relevant Products or POCL Consumables as POCL may decide and (where appropriate) pay a pro-rated Charge therefor or such other charge as may be agreed between the parties; or

408.5.2 to extend the POCL Acceptance Period for a period or periods, specified by POCL during which the CONTRACTOR shall use reasonable endeavours to correct the deficiency

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or Acceptance Incident which caused the POCL Acceptance Procedure to be recorded as unsuccessful.

408.6 In the event that POCL extends the POCL Acceptance Period for a period pursuant to Clause 408.5.2 and the POCL Acceptance Procedures have not been recorded as successful by the end of that period, POCL shall have the right without prejudice to its other rights and remedies (excluding the right to terminate the POCL Agreement under Clause 902.2 or any POCL Application Services under Clause 903.2):

408.6.1 to accept such items of the relevant Products or POCL Consumables as POCL may decide and (where appropriate) pay a pro-rated Charge therefor or such other charge as may be agreed between the parties; or

408.6.2 to extend the POCL Acceptance Period for a further period in accordance with Clause 408.5.2; or

408.6.3 to reject the relevant Product or POCL Consumable, in which case the CONTRACTOR shall return to POCL any payment made in respect of the relevant Optional or Additional Product or POCL Consumable, or, in the case of Basic Products, shall provide replacement Basic Products, or repair the relevant Basic Products (as agreed by the parties, such agreement not to be unreasonably withheld or delayed) in which case such replacement or repaired Basic Products shall be subject to POCL Acceptance Testing in accordance with this Clause 408.

Clause 409. Products and Services

The CONTRACTOR shall not introduce any product or service into the POCL Service Infrastructure or POCL Services, nor make any change to any Products or POCL Services, without POCL's prior written consent in accordance with Schedule A5.

Clause 410. POCL Contingency Services

The CONTRACTOR shall perform the POCL Contingency Services in accordance with the provisions of Schedules D9, E9, F9 and G11. In providing the POCL Contingency Services, the CONTRACTOR shall give priority, where priority can be given, to restoration of the Benefit Encashment Service in post offices, whilst taking account of POCL's other client and customer service obligations.

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Clause 411. Acceptance of POCL Steady State Services

411.1 POCL shall accept the elements of the POCL Steady State Services in accordance with the POCL Acceptance Procedures contained in Schedule A11. The POCL Acceptance Criteria for POCL Steady State Services shall be as specified in Schedules D2, E2, F2 and G4, as appropriate.

411.2 The POCL Acceptance Test in relation to any such element shall be recorded as successful and the CONTRACTOR notified accordingly where all the POCL Acceptance Criteria are met in accordance with the POCL Acceptance Procedures.

411.3 The POCL Acceptance Test in relation to any such element shall be recorded as unsuccessful and the CONTRACTOR notified accordingly where the relevant POCL Acceptance Criteria are not met in accordance with the POCL Acceptance Procedures.

411.4 If the POCL Acceptance Test, in respect of the relevant element of the POCL Steady State Services has not been recorded as successful pursuant to Clause 411.2 by the end of the POCL Acceptance Period, POCL shall have the right, without prejudice to its other rights and remedies (excluding the right to terminate the POCL Agreement under Clause 902.2 or any POCL Application Services under Clause 903.2) either:

411.4.1 to accept such part of the POCL Steady State Services as POCL may decide and pay a pro-rated Charge therefor or such other charge, as may be agreed between the parties; or

411.4.2 to extend the POCL Acceptance Period for a period or periods, specified by POCL during which the CONTRACTOR shall use reasonable endeavours to correct the deficiency or Acceptance Incident which caused the POCL Acceptance Test to be recorded as unsuccessful.

411.5 In the event that POCL extends the POCL Acceptance Period for a period pursuant to Clause 411.4.2 and the POCL Acceptance Procedures have not been recorded as successful by the end of that period, POCL shall have the right, without prejudice to its other rights and remedies (excluding the right to terminate the POCL Agreement under Clause 902.2 or any POCL Application Service under Clause 903.2):

411.5.1 to accept such part of the POCL Steady State Services as POCL may decide and pay a pro-rated Charge therefor or such other charge, as may be agreed between the parties; or

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411.5.2 to extend the POCL Acceptance Period for a further period in accordance with Clause 411.4.2.

PART 5 : OWNERSHIP, LICENCES AND RISK**Clause 501. Ownership of Hardware**

Ownership of the Hardware shall either vest in POCL upon acceptance thereof or shall remain in the CONTRACTOR (or its licensors), as specified in Schedule B2. However, POCL shall not acquire title to any Intellectual Property Rights in the Hardware.

Clause 502. Ownership of Software

Ownership of the media on which such Software is supplied by the CONTRACTOR shall either vest in POCL upon acceptance thereof or shall remain in the CONTRACTOR (or its licensors), as specified in Schedule B1. However, POCL shall not acquire title to any Intellectual Property Rights in the Software, other than Specially Written Software, the Intellectual Property Rights in which are specified in Schedule B1 as vesting in POCL, the ownership to which shall vest in POCL upon acceptance thereof.

Clause 503. Ownership of Documentation

503.1 Ownership of the media on which such Documentation is supplied by the CONTRACTOR shall vest in POCL. However, POCL shall not acquire title to the Intellectual Property Rights in the Documentation.

Clause 504. Ownership of POCL Data and Intellectual Property Rights in the POCL Service Architecture

504.1 The CONTRACTOR acknowledges that the POCL Data is the property of POCL and POCL hereby reserves all Intellectual Property Rights which may subsist in the POCL Data. The CONTRACTOR shall not delete or remove any copyright notices contained within or relating to the POCL Data.

504.2 The CONTRACTOR shall preserve the integrity of the POCL Data once the CONTRACTOR has received such POCL Data, shall prevent any corruption or loss of the POCL Data and shall comply with the validation procedures set out in Schedule B8 as such procedures may be updated and amended from time to time. The CONTRACTOR shall not be liable for any loss or

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corruption of POCL Data nor for any failure to perform the POCL Services if it can prove that such loss or corruption or failure to perform the POCL Services was caused by POCL Data which was lost or corrupted before the CONTRACTOR received it, and the CONTRACTOR has complied with the validation rules in relation to such POCL Data.

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

504.3.1 POCL may require the CONTRACTOR at its own expense to restore or procure the restoration of the POCL Data; or

504.3.2 POCL may itself restore or procure restoration of the POCL Data, and shall be repaid by the CONTRACTOR any reasonable expenses so incurred.

504.4 For the purposes of Clauses 504.2 and 504.3, the term "POCL Data" shall include the data of POCL's clients.

504.5 Ownership of any Intellectual Property Rights in that part of the design of the POCL Service Architecture (as set out in the POCL Service Architecture Design Document) which is developed during the performance of the POCL Services shall vest in the CONTRACTOR. Any use by the CONTRACTOR of the overall design of the POCL Service Architecture within the United Kingdom for purposes other than in connection with the Related Agreements shall be subject to the prior written agreement of POCL on reasonable commercial terms (such agreement not to be unreasonably withheld or delayed).

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

504.7 The CONTRACTOR shall not do anything to prejudice the security of the POCL Services.

Clause 505. Ownership of POCL Consumables

Ownership of any POCL Consumables supplied hereunder shall vest in POCL upon acceptance thereof in accordance with Clause 408.3.

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Clause 506. Licences to use Intellectual Property Rights

506.1 In consideration of the payment of the relevant Charges the CONTRACTOR hereby grants, or shall procure that the owner of the Intellectual Property Rights in the Specially Written Software and the Documentation (other than the Specially Written Software and Documentation in which ownership of the Intellectual Property Rights vests in POCL pursuant to Clause 502) grants POCL a perpetual, royalty-free, irrevocable (subject to Clause 506.12) and non-exclusive licence to Use the relevant Specially Written Software and to use, copy and modify the Documentation solely in connection with the Services.

506.2 [Not Used]

506.3 In consideration of the payment of the relevant Charges the CONTRACTOR hereby grants to POCL a royalty-free, non-exclusive licence to Use the CONTRACTOR's Software. Such licence to Use the CONTRACTOR's Software shall, subject to Clause 506.12, be perpetual and irrevocable. In the case of any CONTRACTOR's Software for which the Charges are periodic, the licence to Use shall subsist, subject to Clause 506.12, until the expiry of written notice by POCL terminating such licence. POCL's licence to Use such CONTRACTOR's Software shall be subject to any additional terms and conditions specified in Schedule B1 which do not detract from the rights granted to POCL hereunder.

506.4 In consideration of the payment of the relevant Charges in respect of Third Party Software supplied hereunder, the CONTRACTOR shall:

506.4.1 use all reasonable efforts to procure the right to grant to POCL a perpetual, royalty-free, irrevocable (subject to Clause 506.12) and non-exclusive sub-licence to Use such Third Party Software, subject to Clause 506.6 and Clause 506.7, and, by the entering into of this POCL Agreement shall grant such sub-licence; or

506.4.2 if the CONTRACTOR is unable to procure the right to grant the sub-licence referred to in Clause 506.4.1 the CONTRACTOR shall procure, prior to the commencement of the POCL Operational Trial Period (or in respect of Optional Products or Additional Products, the POCL Acceptance Period), that the third party grants to POCL a royalty-free and non-exclusive licence to Use the Third Party Software subject

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to Clause 506.6 and Clause 506.7, and shall use all reasonable endeavours to ensure that such licence is perpetual and (subject to Clause 506.12) irrevocable;

POCL'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 sub-Clause 506.4.1 or any licence granted under sub-Clause 506.4.2 shall not detract from the rights granted to POCL hereunder.

506.5 In consideration of the payment of the relevant Charges the CONTRACTOR hereby grants to POCL or shall procure prior to the commencement of any use by POCL that the relevant Third Party grants to POCL 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 506.12, 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. POCL 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 POCL.

506.6 POCL shall be entitled to engage a third party to Use the Specially Written Software and to Use the CONTRACTOR's Software, (and the CONTRACTOR shall use all reasonable endeavours to enable POCL to engage a third party to use Internal Software and Third Party Software) subject to and in accordance with this POCL Agreement on behalf of POCL provided that such third party shall have entered into a confidentiality undertaking in accordance with Clause 607.5.2.

506.7 POCL shall be entitled to copy the appropriate CONTRACTOR's 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 POCL 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 [the CONTRACTOR or the Third Party Software Owner]."

506.8 The CONTRACTOR shall place the Source Code of the Deposited Software in escrow with the NCC on the

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basis of the appropriate standard agreement or on such other terms as POCL, the CONTRACTOR the Third Party Software Owner (if applicable) and the NCC shall agree. Such escrow agreement to be entered into within thirty (30) days of the date of this POCL Agreement.

506.9 The CONTRACTOR hereby grants to POCL a perpetual, royalty-free, irrevocable (subject to Clause 506.12) 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 POCL 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 506.8 and the licence shall be subject to any restrictions contained herein in respect of the object code version of the Deposited Software.

506.10 Subject to any necessary consents (which the CONTRACTOR shall use all reasonable endeavours to obtain) any licence or sub-licence granted by the CONTRACTOR to POCL hereunder shall be transferable in accordance with the provisions of Clause 604.4.

506.11 Subject to any necessary consents (which the CONTRACTOR shall use all reasonable endeavours to obtain) any rights to Use granted hereunder to POCL are hereby granted to and are fully exercisable by members of the Post Office Group and End Users.

506.12 The CONTRACTOR may at any time by notice in writing terminate any licence granted under Clause 506.1, Clause 506.3, Clause 506.4, Clause 506.5, Clause 506.9, Clause 904.1.2 or Clause 905.12 if POCL is in Default of its obligations under the relevant Clause in relation to such licence and POCL shall fail to remedy such Default within thirty (30) days of written notice to POCL 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 POCL, POCL 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 the CONTRACTOR.

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Clause 507. Risk in Products

507.1 Risk in the Products shall pass to POCL upon acceptance thereof or shall remain with the CONTRACTOR, as specified in Schedules B1 and B2.

507.2 Notwithstanding the provisions of Clause 507.1, POCL shall be liable for any loss of or damage to any Products or part thereof supplied under this POCL Agreement while it is at the Premises prior to acceptance of the Products if such loss or damage is occasioned by the negligence or wilful acts or omissions of POCL.

507.3 The CONTRACTOR shall, on being so ordered by POCL with all possible speed make good any loss or damage affecting the Products, whether such loss or damage arises in the circumstances referred to in Clause 507.2 or otherwise, and shall notwithstanding such loss or damage proceed with and complete the installation of the POCL Service Infrastructure (where appropriate) and the performance of the POCL Services in accordance with the POCL Agreement. POCL shall pay the costs of making good unless the loss or damage is occasioned by the Default of the CONTRACTOR.

Clause 508. Damage to Plant, Tackle and Tools

508.1 All plant, tackle and tools at the POCL Premises provided by or on behalf of the CONTRACTOR shall stand at the risk and be in the sole charge of the CONTRACTOR.

508.2 The CONTRACTOR shall be required to remove all such plant, tackle and tools which it brings to the POCL Premises.

508.3 The CONTRACTOR shall ensure that all such plant, tackle and tools shall meet minimum safety standards required by law.

Clause 509. Licences for the CONTRACTOR to use Intellectual Property Rights

509.1 POCL hereby grants to the CONTRACTOR a non-exclusive licence to use any software included within the POCL Transferred Assets, the POCL Leased Assets and the Software in which the Intellectual Property Rights vest in POCL for the term of this POCL Agreement solely for the purposes of performing the POCL Services and for no other purposes. The CONTRACTOR shall be entitled to copy such software for operational purposes in accordance with the

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foregoing licence and in order to make back up copies of such software. Upon termination of the POCL Agreement or upon the CONTRACTOR ceasing to use such software, the CONTRACTOR shall either return or destroy all copies of such software as directed by POCL.

509.2 Neither the CONTRACTOR nor any sub-contractor, nor any other person, shall have a lien on any Products owned by or leased to POCL for any sum due to the CONTRACTOR, sub-contractor or other person, and the CONTRACTOR shall take all reasonable steps to ensure that the title of POCL and the exclusion of any such lien are brought to the notice of all sub-contractors and other persons dealing with such Products.

PART 6 : CONTRACT AND SERVICE MANAGEMENT**Clause 601. Monitoring**

POCL shall be entitled to monitor the performance by the CONTRACTOR of its obligations under the POCL Agreement in accordance with the procedures set out in Schedule A4.

Clause 602. Management Interfaces and Service Management

602.1 The parties shall establish the management interfaces set out in Schedule A4. All contract management of the POCL Agreement shall be performed in accordance with the provisions of Schedule A4.

602.2 In relation to the Benefit Encashment Service, the Automated Payments Service, EPOSS and the POCL Infrastructure Services, the POCL Services shall be managed in accordance with the provisions of Schedules D5, E5, F5 and G7 respectively. The CONTRACTOR shall provide the contract management services specified in Schedules D5, E5, F5 and G7. In respect of the POCL Contingency Services and the Transfer Services, the POCL Services shall be managed in accordance with the provisions of Schedules D5, E5, F5 and G7.

Clause 603. Communications

603.1 Except as otherwise expressly provided no communication from one party to another shall have any validity under the POCL Agreement unless made in writing by or on behalf of POCL or the CONTRACTOR, as the case may be.

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603.2 Any notice or other communication whatsoever which any party hereto is required or authorised by the POCL Agreement to give or make to another shall be given or made either by post in a prepaid letter, or by telex or by facsimile transmission confirmed by post in a prepaid letter, addressed to such other party in the manner referred to in Clause 603.3 below and if that letter is not returned as being undelivered that notice or communication shall be deemed for the purposes of the POCL Agreement to have been given or made after two days, for a letter, or four hours, for a telex or facsimile transmission.

603.3 For the purposes of Clause 603.2 above the address of each party shall be:

603.3.1 For POCL:

3rd Floor
Terminal House
52 Grosvenor Gardens
London SW1W 0AB

For the attention of:

Andrew Stott

Telephone

GRO

Facsimile

GRO

603.3.2 For the CONTRACTOR:

Pathway Group Limited
Forest Road
Feltham
Middlesex TW13 7EJ

For the attention of:

J.H. Bennett

Telephone

GRO

Facsimile

GRO

603.4 Any party may change its address for service by notice as provided in this Clause 603.

Clause 604. Transfer and Sub-Contracting

604.1 The POCL Agreement in personal to the CONTRACTOR. The CONTRACTOR shall not assign, novate, sub-contract or otherwise dispose of the POCL Agreement or any part thereof without the previous written consent of POCL.

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604.2 POCL hereby consents to the CONTRACTOR's sub-contracting of its obligations specified in Schedule A8 to the respective sub-contractors specified therein on the date hereof. Additional or substitute sub-contractors may be approved from time to time in accordance with Clause 604.1 after the date hereof, in which case Schedule A8 shall be amended accordingly. Notwithstanding any sub-contracting permitted in the POCL Agreement, the CONTRACTOR 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 POCL Services on the CONTRACTOR's behalf as though such acts or omissions were its own.

604.3 [Not used]

604.4 POCL shall be entitled to assign, novate or otherwise dispose of its rights and obligations under the POCL Agreement or any part thereof (including, where appropriate, requiring the grant by the CONTRACTOR or its licensors of a direct licence of any Software other than Third Party Software, and requiring the CONTRACTOR 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 POCL, provided that any such assignment, novation or other disposal shall not increase the burden of the CONTRACTOR's obligations pursuant to the POCL Agreement.

604.5 POCL shall be entitled to disclose, to the extent necessary for the purposes of the Related Agreements, to any transferee any Confidential Information of the CONTRACTOR which relates to the performance of the POCL Services by the CONTRACTOR. In such circumstances POCL shall authorise the transferee to use such Confidential Information only for purposes relating to the performance of the POCL 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.

Clause 605. POCL Responsibilities

605.1 Subject to the provisions of Clause 607, POCL undertakes to provide at its own cost and expense to the CONTRACTOR, all information, services, facilities and responses designated as POCL Responsibilities in Schedules D3, E3, F3 and G5. POCL shall use all reasonable endeavours to perform such POCL Responsibilities in accordance with any agreed

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timetable specified in Schedule B9 or elsewhere herein.

605.2 Without limitation to Clause 605.1, POCL shall use all reasonable endeavours to ensure that its Agents co-operate with the CONTRACTOR to the extent reasonably necessary to permit the CONTRACTOR to perform the POCL Services. In the event that any Agent fails to provide such co-operation, and POCL is unable to secure such co-operation within six (6) months after receiving written notice thereof from the CONTRACTOR, the CONTRACTOR shall be relieved of liability for any failure or delay to perform the POCL 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 the CONTRACTOR can show were directly incurred by it as a result of the Agent's failure to provide such co-operation.

Clause 606. Time**606.1 Timetable**

606.1.1 The CONTRACTOR shall perform the POCL Services in accordance with any timescales specified in Schedule B9 and elsewhere herein as "contractual milestones", and shall use all reasonable endeavours to perform the POCL Services in accordance with any other timescales specified in Schedule B9 and elsewhere herein, which shall be treated as "target dates". In the event of failure to meet any target date, the CONTRACTOR shall provide POCL with a method statement showing how it intends to recover any lost time. For the avoidance of doubt, time shall not be of the essence in relation to any contractual milestone unless notice is served in accordance with Clause 606.4.

606.1.2 Before POCL exercises its option for any Optional POCL Service, and before POCL and the CONTRACTOR agree on the supply of any Additional POCL Service, POCL and the CONTRACTOR shall agree a timetable for the performance of such POCL Services and such timetable shall be incorporated into the POCL Agreement as an additional Schedule in accordance with Clause 101.3.

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606.2 Extension of Time

606.2.1 If the performance of the POCL Agreement by the CONTRACTOR be delayed by reason of Default by POCL or by its employees or authorised agents, the CONTRACTOR shall be entitled to a reasonable extension of time and to any reasonable additional costs and expenses which it can show were directly incurred by the CONTRACTOR as a result of the delay. The CONTRACTOR shall notify POCL in writing within three (3) working days of becoming aware of such Default.

606.2.2 If the performance of the POCL Agreement by either party be delayed by reason of any force majeure event (as defined in Clause 606.3), 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.

606.3 Force Majeure

606.3.1 For the purposes of the POCL 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 606.5), (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 POCL Services for which the CONTRACTOR is liable under Clause 809.1) constitute a force majeure event.

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606.3.2 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 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 the POCL 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 the POCL Agreement for the duration of such Force Majeure event. In the case of the CONTRACTOR, the parties shall agree an orderly process for such continuation or resumption of performance (such consent not to be unreasonably withheld or delayed), and the CONTRACTOR shall comply with such process. The CONTRACTOR shall remain liable to perform the POCL Contingency Services, save where such POCL Contingency Services are themselves also affected by Force Majeure, in which case the CONTRACTOR shall be required to use all reasonable endeavours to perform such POCL Contingency Services.

606.3.3 If the CONTRACTOR 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 POCL within one (1) working day and shall inform POCL of the period which it is estimated that such failure or delay shall continue. If POCL shall become aware of circumstances of Force Majeure which give rise to any such failure or delay on its part, it shall forthwith notify the CONTRACTOR within one (1) working day and shall inform the CONTRACTOR of the period which it is estimated that such failure or delay shall continue.

606.3.4 It is expressly agreed that any failure by the CONTRACTOR to perform, or any delay by the CONTRACTOR in performing, its obligations under the POCL Agreement which results from any failure or delay in the performance of its obligations by any person, firm or company with which the CONTRACTOR 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

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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.

606.3.5 [Not used]

606.3.6 If any Force Majeure event prevents any party from performing its obligations hereunder for a period in excess of ninety (90) consecutive days, POCL may after consulting with the CONTRACTOR and taking into account the CONTRACTOR's views, terminate the POCL Agreement or the POCL Application Services affected by the Force Majeure event in accordance with Clause 902.1.6 or 903.1.6.

606.4 Time of the Essence

Where POCL after undue delay by the CONTRACTOR notifies the CONTRACTOR that time is of the essence of the POCL Agreement and any of its obligations stated in such notice shall not have been performed by the CONTRACTOR by any reasonable date stated in the notice, POCL may terminate the POCL Agreement in accordance with Clause 902.2.3 or the relevant POCL Application Service in accordance with Clause 903.2.3. In relation to the timescales specified herein, POCL may only give notice making time of the essence in relation to timescales specified herein as "contractual milestones".

606.5 Political Risk

Notwithstanding the provisions of Clause 606.3, a change of, or new, Governmental Regulation:

606.5.1 shall not excuse POCL from performing its obligations to meet any minimum revenue guarantees applicable under Schedule A6 of the AUTHORITIES' Agreement and, without limitation to the foregoing, if the due date for implementation such minimum revenue guarantees (or any agreed extension thereof) is delayed directly as a result of any change in, or new, Governmental Regulation, POCL agrees to meet such minimum revenue guarantees from the date when they would have come into effect but for

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such change in, or new, Governmental Regulation;

606.5.2 shall not entitle POCL to terminate the POCL Agreement under Clause 606.3.6, and any such purported termination shall be treated as a termination for convenience in accordance with Clause 902.6; and

606.5.3 shall not require the CONTRACTOR to perform any additional obligations, or any reduced or modified obligations resulting in increased cost to the CONTRACTOR, without its agreement in accordance with Clause 101.3.

Clause 607. Confidentiality

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

607.2 The CONTRACTOR hereby agrees that (other than as required by law):

607.2.1 the CONTRACTOR (and any person employed or engaged by the CONTRACTOR in connection with the POCL Agreement in the course of such employment or engagement) shall only use Confidential Information of POCL for the purposes of the POCL Agreement;

607.2.2 the CONTRACTOR (and any person employed or engaged by the CONTRACTOR in connection with the POCL Agreement in the course of such employment or engagement) shall not disclose any Confidential Information of POCL to any third party (except its approved sub-contractors as listed in Schedule A8) without the prior written consent of POCL. (POCL shall from time to time notify the CONTRACTOR of items of POCL's information which are not to be treated as Confidential Information in relation to DSS);

607.2.3 the CONTRACTOR shall take all necessary precautions to ensure that all Confidential Information of POCL is treated as confidential and not disclosed (save as aforesaid) or used other than for the purposes of the POCL Agreement by the CONTRACTOR's employees, servants, agents or sub-contractors

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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

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

607.3 POCL (other than as required by law):

607.3.1 shall treat as confidential all Confidential Information, obtained from the CONTRACTOR, including but not limited to the Source Code of the Specially Written Software (other than Specially Written Software in which ownership of the Intellectual Property Rights vests in POCL pursuant to Clause 502); and

607.3.2 shall not, subject to Clause 607.5, disclose to any third party without the prior written consent of the CONTRACTOR any Confidential Information obtained from the CONTRACTOR.

607.4 The provisions of Clauses 607.1, 607.2 and 607.3 shall not apply to any information which:

607.4.1 is or becomes public knowledge other than by breach of this Clause 607; or

607.4.2 is in the possession of the receiving party without restriction in relation to disclosure before the date of receipt from the disclosing party.

607.4.3 is received from a third party who lawfully acquired it and who is under no obligation restricting its disclosure.

607.4.4 is independently developed without access to the Confidential Information.

607.5 Nothing in this Clause shall be deemed or construed to prevent POCL from disclosing any Confidential Information relating to the POCL Agreement obtained from the CONTRACTOR to the extent necessary for purposes connected with the Related Agreements:

607.5.1 to any other member of the Post Office Group, provided that POCL has required that

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such information is treated as confidential by such members of the Post Office Group, and their servants or agents, including requiring servants or agents to enter into a confidentiality undertaking where appropriate; and

607.5.2 to any third party (in which case POCL shall notify the CONTRACTOR of such disclosure), provided that POCL shall have taken reasonable steps to ensure that the third party shall observe substantially the same terms as are contained in this Clause, including without limitation, obtaining a signed Confidentiality Undertaking between the third party and POCL or the CONTRACTOR.

607.6 Nothing in this Clause 607 shall prevent the CONTRACTOR or POCL from using data-processing techniques, ideas and know-how gained during the performance of the POCL 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 POCL or the CONTRACTOR of any Intellectual Property Right.

Clause 608. Health and Safety Hazards

608.1 The CONTRACTOR shall notify POCL of any health and safety hazards in relation to POCL Premises owned by or leased to POCL which may arise in connection with the performance of the POCL Agreement.

608.2 POCL shall notify the CONTRACTOR of any known health and safety hazards which may exist or arise at the POCL Premises owned by or leased to POCL and which may affect the CONTRACTOR. The CONTRACTOR shall draw these hazards to the attention of its employees and sub-contractors or any persons engaged by the CONTRACTOR in the performance of the POCL Agreement at such POCL Premises.

608.3 The CONTRACTOR shall inform all persons engaged in the performance of the POCL Agreement at the POCL Premises owned by or leased to POCL of all such hazards and shall instruct such persons in connection with any necessary associated safety measures.

Clause 609. Protection of Personal Data

609.1 The CONTRACTOR's attention is hereby drawn to the Data Protection Act 1984.

609.2 Both parties warrant that they will duly observe all their obligations under the Data

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Protection Act which arise in connection with the POCL Agreement.

Clause 610. Publicity

610.1 Except with the written consent of POCL (which shall not be unreasonably withheld or delayed), the CONTRACTOR shall not make any press announcements about or publicise the POCL Agreement in any way. POCL shall consult the CONTRACTOR before making any press announcements about or publicising the POCL Agreement, other than pursuant to any legal obligation or in any internal publication of the Post Office Group.

610.2 The CONTRACTOR shall take all reasonable steps to ensure the observance of the provisions of Clause 610.1 by all its servants, employees, agents, consultants, and sub-contractors.

610.3 The CONTRACTOR shall have no right to use the brand or logo of any Post Office Group member without POCL's prior written consent. The CONTRACTOR shall have no right to use the brand or logo of any part of POCL without POCL's prior written consent. The CONTRACTOR shall do nothing to injure such logos and brands or the reputation of POCL and, if it uses such brands or logos, it shall take all reasonable steps to enable POCL to protect such logos and brands and the reputation of POCL but in no event less than the steps it would take in relation to its own logos, brands and reputation.

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

Clause 611. CONTRACTOR's Personnel

611.1 POCL reserves the right under the POCL 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 611 include all persons employed or engaged by the Post Office Group and all persons other than the

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CONTRACTOR and its sub-contractors providing services to the Post Office Group), or to any post office any person employed or engaged by the CONTRACTOR, or by a sub-contractor, whose admission would be, in the reasonable opinion of POCL undesirable.

611.2 If and when directed by POCL, the CONTRACTOR 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 the POCL Agreement to any premises occupied by or on behalf any member of the Post Office Group or to any post office, specifying the capacities in which they are concerned with the POCL Agreement and giving such other particulars as POCL may reasonably require. The CONTRACTOR shall comply with any reasonable directions issued by the designated representative of POCL as to which persons may be admitted to such premises and at what times.

611.3 If and when directed by POCL, the CONTRACTOR shall secure that any person employed or engaged by the CONTRACTOR 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 the Related Agreements.

611.4 The CONTRACTOR's representatives, engaged within the boundaries of a Post Office Group establishment or post office, 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 post office and when outside that establishment or post office.

611.5 The decision of POCL 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 post office shall be final and conclusive.

Clause 612. Waiver

612.1 The failure of either party to insist upon strict performance of any provision of the POCL Agreement, or the failure of either party to exercise any right or remedy to which it is entitled hereunder, shall not constitute a waiver thereof and shall not cause a diminution of the obligations established by the POCL Agreement.

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612.2 A waiver of any Default shall not constitute a waiver of any subsequent Default.

612.3 No waiver of any of the provisions of the POCL Agreement shall be effective unless it is expressly stated to be a waiver and communicated to the other parties in writing in accordance with the provisions of Clause 603.

Clause 613. Access to POCL Premises

613.1 Any land or POCL Premises (including temporary buildings) made available to the CONTRACTOR by the AUTHORITIES in connection with the POCL Agreement shall be made available to the CONTRACTOR on such terms and conditions as may be agreed between the CONTRACTOR and POCL. The CONTRACTOR shall have the use of such land or POCL Premises as licensee and shall vacate the same upon the termination or expiry of the POCL Agreement or at such earlier date as POCL may reasonably determine.

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

Clause 614. Security Requirements

The CONTRACTOR shall comply with the security requirements as set out in Schedule A2.

Clause 615. CONTRACTOR's Key Personnel

The parties acknowledge that the CONTRACTOR's key personnel specified in Schedule A14 are essential to the fulfilment of its obligations hereunder. The CONTRACTOR undertakes to use all reasonable endeavours to ensure that such key personnel are not removed or replaced during the term hereof. However, in the event that any of its key personnel becomes unavailable for any reason (including without limitation death, injury, sickness, promotion or resignation), the CONTRACTOR shall have the right upon giving thirty (30) days' notice in writing (or such shorter period of notice as may be reasonably

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practicable) to POCL to replace such an individual with another individual whose abilities and qualifications are appropriate for the services to be performed by such individual.

PART 7 : WARRANTIES AND STANDARDS**Clause 701. Authority and Approval**

The CONTRACTOR 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 the POCL Agreement and that the POCL Agreement is executed by a duly authorised representative of the CONTRACTOR.

Clause 702. Performance of POCL Services

The CONTRACTOR warrants and represents that:

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

702.2 the CONTRACTOR shall discharge its obligations under the POCL 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;

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

702.4 the POCL Services shall be performed in accordance with all applicable service levels in the POCL Agreement;

702.5 the POCL Services shall be fully integrated within the POCL Service Architecture and the Service Infrastructure;

702.6 the POCL Services shall be performed in accordance with all applicable provisions of the POCL Service Architecture Design Document and the Service Architecture Design Document;

702.7 the POCL Services shall be compatible with the POCL Service Environment as at the date hereof, as set out in Schedule 1;

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

Clause 703. Performance of Products

The CONTRACTOR warrants and represents that:

703.1 At the POCL Operational Trial Acceptance Date, the POCL Operational Trial System shall meet the POCL Operational Trial Criteria and the regulations and standards specified in Schedule A2;

703.2 During the term of the POCL Agreement all components of the POCL Service Infrastructure shall operate in accordance with their respective specifications, except that, for the avoidance of doubt, it is agreed that POCL shall have no remedy for breach of this warranty in relation to errors or interruptions to POCL Services covered by paragraph 4.1(a) of Schedule A6);

703.3 POCL shall acquire title to the Products in which it is to acquire title under Clauses 501, 502 and 503 free from all encumbrances and POCL shall have the right to quiet possession of such Products supplied hereunder;

703.4 the Basic Products will be compatible with the POCL Service Environment as at the date hereof, as specified in Schedule 1 and the Service Environment;

703.5 all Optional and Additional Products and POCL Consumables shall be compatible with the POCL Service Infrastructure, the Service Infrastructure and the POCL Service Environment.

Clause 704. Intellectual Property Rights

The CONTRACTOR warrants and represents that:

704.1 POCL's use and operation of the Products and the POCL Service Architecture and the provision of the POCL Services shall not infringe any Intellectual Property Rights of any third party;

704.2 the CONTRACTOR has the full capacity and authority to grant the licences referred to in Clause 506;

704.3 it can comply with Clauses 904.1.3, 904.1.4, 905.1.3 and 905.1.4.

Clause 705. Technical Standards

The CONTRACTOR warrants and represents that:

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705.1 the POCL Services shall comply with, and be provided in accordance with, the policies and standards specified in Schedule A2 and all components and equipment used in the course of the provision of the POCL Services shall operate in accordance with their technical specifications;

705.2 the provision of the POCL Services shall not cause electrical interference beyond the limits laid down in the relevant standard specified in Schedule A2, provided that for the purpose of this Clause 705.2 the POCL Services shall be deemed to include the operation of any testing and monitoring instruments used in connection with the provision of the POCL Services.

Clause 706. Statements and Representations

The CONTRACTOR warrants and represents that all statements and representations made to POCL in connection with tendering for and entering into the POCL Agreement are, 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 POCL 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.

Clause 707. Disclaimer of Implied Terms

Except as expressly stated in the POCL 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.

PART 8 : REMEDIES**Clause 801. Audit**

801.1 The CONTRACTOR shall keep or cause to be kept the Records".

801.2 The CONTRACTOR shall grant or procure the grant to POCL, any statutory or regulatory auditors of POCL 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 the CONTRACTOR's compliance with the POCL Agreement

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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, the CONTRACTOR shall within a reasonable time to be agreed by the parties, transfer the Records to POCL or a replacement contractor, as instructed by POCL. The CONTRACTOR shall thereafter be released from any further liabilities under this Clause in relation to such Records.

801.3 Without prejudice to the foregoing, in the event of an investigation into suspected fraudulent activity or other impropriety by the CONTRACTOR or any third party POCL reserves for itself, any statutory or regulatory auditors of POCL and their respective authorised agents or the right of immediate access to the Records described in Clause 801.1 and Clause 801.2 above and the CONTRACTOR agrees to render all necessary assistance to the conduct of such investigation at all times during the currency of the POCL Agreement or at any time thereafter.

801.4 The CONTRACTOR shall provide POCL at no additional cost with copies of the annual and interim audited accounts of the CONTRACTOR and its approved subcontractors within fourteen (14) days of such accounts having been lodged at Companies House or its local equivalent to Companies House.

801.5 All information obtained by POCL pursuant to this Clause and Schedule A3 shall be treated as Confidential Information.

801.6 The parties shall comply with provisions of Schedule A3.

Clause 802. Service Credits and Delay

802.1 In the event that:

802.1.1 the CONTRACTOR fails to make available the POCL Operational Trial System or any part thereof for the POCL Operational Trial; or

802.1.2 the POCL Operational Trial is not recorded as successful pursuant to the relevant provisions of the POCL Agreement, and POCL elects to extend the relevant testing period in accordance with the relevant provisions hereof,

the CONTRACTOR shall at the option of POCL either credit against the Charges or pay to POCL liquidated damages calculated in accordance with Schedule H5. Unless POCL exercises its option to recover such

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liquidated damages as a payment to it, POCL shall be deemed to have exercised its option to recover such liquidated damages as a credit against the Charges.

802.2 In the event that the POCL Services fail to meet the Service Levels contained in Schedules D8, E8, F8 and G10, the CONTRACTOR shall, without prejudice to any other rights and remedies of POCL at the option of POCL either (i) as an adjustment to the Charges, credit POCL with Service Credits calculated in accordance with Schedules D8, E8, F8 and G10 respectively, or (ii) pay POCL liquidated damages calculated in accordance with Schedules D8, E8, F8 and G10 respectively. Unless POCL exercises its option to recover liquidated damages as a payment to it, POCL shall be deemed to have exercised its option to recover Service Credits as credit to it.

802.3 The CONTRACTOR shall credit POCL with the Service Credits or pay POCL the liquidated damages within thirty (30) days of receipt of a valid claim by POCL.

802.4 The parties acknowledge that the liquidated damages and Service Credits specified in the relevant Schedules referred to in this Clause are a genuine pre-estimate of the loss likely to be suffered by POCL and that the figures therein are reasonable.

802.5 The liquidated damages and Service Credits specified in this Clause are without prejudice to any other rights and remedies of POCL, except where they are specified in Schedules A6 and H5 to be POCL's exclusive remedy in damages, in which case such credit or payment of the relevant liquidated damages or Service Credits shall be in full and final settlement of the CONTRACTOR's liability in respect of the Default to which they relate. Except in accordance with Schedules A6 and H5, POCL shall have no right of termination in relation to any such Default.

Clause 803. Additional Resources

In the event that the POCL Services are not provided in accordance with all applicable provisions hereof as a result of the Default of the CONTRACTOR, the CONTRACTOR shall, at the request of POCL and without prejudice to POCL'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 POCL.

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Clause 804. Recovery of Sums Due

If any sum of money shall be due from the CONTRACTOR, the same may be deducted from any sum then due or which at any time thereafter may become due to the CONTRACTOR under the Related Agreements or under any other agreement between the CONTRACTOR

and POCL or with any member of the Post Office Group.

Clause 805. Intellectual Property Rights Indemnity

805.1 Subject always to POCL's proper observance of its obligations under this Clause , the CONTRACTOR shall indemnify POCL 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 Products or POCL Services by or on behalf of POCL or in connection with the POCL Services.

805.2 The CONTRACTOR shall promptly notify POCL if any claim or demand is made or action brought against the CONTRACTOR to which this Clause applies.

805.3 POCL shall promptly notify the CONTRACTOR if any claim or demand is made or action brought against POCL to which Clause 805.1 may apply. The CONTRACTOR shall at its own expense conduct any litigation arising therefrom and all negotiations in connection therewith and POCL hereby agrees to grant to the CONTRACTOR exclusive control of any such litigation and such negotiations. The CONTRACTOR should 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 POCL 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.

805.4 POCL shall at the request of the CONTRACTOR afford to the CONTRACTOR all reasonable assistance for the purpose of contesting any claim or demand made or action brought against POCL to which Clause 805.1 may apply or any claim or demand made or action brought against the CONTRACTOR to which Clause 805.2 may apply. The CONTRACTOR shall reimburse POCL for all costs and expenses (including but not limited to

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legal costs and disbursements on a solicitor and client basis) incurred in so doing.

805.5 POCL 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 805.1 may apply or any claim or demand made or action brought against the CONTRACTOR to which Clause 805.2 may apply.

805.6 If a claim or demand is made or action brought to which Clause 805.1 may apply or in the reasonable opinion of the CONTRACTOR is likely to be made or brought, the CONTRACTOR may at its own expense either:

805.6.1 modify any or all of the Products or the POCL Services 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 Products or the POCL Services, so as to avoid the infringement or the alleged infringement but without disrupting the performance of the POCL 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 POCL (whether by passing any form of acceptance testing or otherwise), such acceptance not to be unreasonably withheld or delayed, and shall reimburse POCL all reasonable costs directly incurred by them; or

805.6.2 procure a licence to use the Products and POCL Services on terms which afford to POCL no more extensive rights than those originally applicable hereunder and which are acceptable to POCL and shall reimburse POCL all reasonable costs directly incurred by it.

805.7 The foregoing provisions of this Clause 805 shall not apply insofar as any such claim or demand or action is in respect of:

805.7.1 any use by or on behalf of POCL of the Products or POCL Services in combination with any item not supplied or approved (such approval not to be unreasonably withheld or delayed) by the CONTRACTOR where such use of the Products or POCL Services directly gives rise to the claim, demand or action; or

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805.7.2 any modification carried out by or on behalf of POCL to any item supplied by the CONTRACTOR under the POCL Agreement if such modification is not authorised by the CONTRACTOR in writing; or

805.7.3 any use by POCL of the Products or POCL Services in a manner not reasonably to be inferred from the specification or requirements of POCL.

805.8 If the CONTRACTOR has availed itself of its rights to modify the Products or the POCL Services or to supply substitute products or services pursuant to Clause 805.6.1 (or POCL has unreasonably withheld its acceptance of such substitute products or services) or to procure a licence under Clause 805.6.2 and such exercise of the said rights has avoided any claim, demand or action for infringement or alleged infringement, or if POCL has unreasonably withheld its acceptance of any items modified or substituted by the CONTRACTOR in accordance with Clause 805.6, then the CONTRACTOR shall have no further liability thereafter under this Clause 805 in respect of the said claim, demand or action.

805.9 If a modification or substitution in accordance with Clause 805.6.1 above is not possible so as to avoid the infringement and the CONTRACTOR has been unable to procure a licence in accordance with Clause 805.6.2, Clause 805.1 shall apply.

805.10 POCL hereby warrants and represents that any instructions given in relation to the CONTRACTOR's use of any third party item supplied directly or indirectly by POCL shall not cause the CONTRACTOR to infringe any third party's Intellectual Property Rights in such item. POCL shall, to the extent reasonably possible, assign to the CONTRACTOR any indemnity in its favour in relation to the Intellectual Property Rights in such third party items.

805.11 The foregoing states the entire liability of the CONTRACTOR with regard to the infringement of any Intellectual Property Right by the use or possession of the Products by or on behalf of POCL or in connection with the receipt of the POCL Services.

Clause 806. Remedies Cumulative

Except as otherwise expressly provided in the POCL Agreement, all remedies available to the CONTRACTOR or to POCL for breach of the POCL Agreement are cumulative and may be exercised concurrently or separately and the

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exercise of any one remedy shall not be deemed an election of such remedy to the exclusion of other remedies.

Clause 807. Alternative Dispute Resolution Procedure

807.1 All disputes between POCL and the CONTRACTOR arising out of or relating to the POCL Agreement shall be referred, by either party involved in the dispute, to the Contract Administration Group (as specified in Schedule A4) for resolution.

807.2 If any dispute cannot be resolved pursuant to Clause 807.1 within a maximum of fourteen (14) days after it has been referred under Clause 807.1, that dispute shall be referred to the Contracts Steering Group (as specified in Clause A4 of the AUTHORITIES' Agreement) for resolution.

807.3 If the dispute cannot be resolved by the parties' representatives nominated under Clause 807.2 within a maximum of fourteen (14) days after it has been referred under Clause 807.2 the dispute may be referred:

807.3.1 if the dispute is of a technical nature or is expressed by the POCL Agreement to be subject to expert determination, by agreement between the parties it may be referred for final determination to an expert (the "Expert") who shall be deemed to act as expert and not as arbitrator; and

807.3.2 in all other aspects it shall be determined pursuant to Clause 104.1.

807.4 The Expert shall be selected by mutual agreement or, failing agreement, within fourteen (14) days after a request by one party to the other, shall be chosen at the request of any party by the President for the time being of the Institution of Electrical Engineers who shall be requested to choose a suitably qualified and experienced Expert for the dispute in question.

807.5 Fourteen (14) days after the Expert has accepted the appointment the parties shall submit a written report on the dispute to the Expert and to each other and seven (7) days thereafter shall submit any written replies they wish to make to the Expert and to each other.

807.6 The parties will then afford the Expert all necessary assistance which the Expert requires to consider the dispute including but not limited to full access to the POCL Service Environment and any

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documentation or correspondence relating to the POCL Service Environment.

807.7 The Expert shall be instructed to deliver his determination to the parties within fourteen (14) days or such other period as may be agreed between the parties after the submission of the written reports pursuant to Clause 807.5.

807.8 Decisions of the Expert shall be final and binding and not subject to appeal.

807.9 The Expert shall have the same powers to require any party to produce any documents or information to him and the other party as an arbitrator and each party shall in any event supply to him such information which it has and is material to the matter to be resolved and which it could be required to produce on discovery.

807.10 The fees of the Expert shall be borne by the parties in the proportions determined by the Expert having regard (amongst other things) to the conduct of the parties in relation to the dispute in question.

807.11 Work and activity to be carried out under the POCL Agreement shall not cease or be delayed by this alternative dispute resolution procedure. However, during the currency of any alternative dispute resolution procedure, POCL shall not be entitled to exercise any right of termination which would otherwise arise in respect of the dispute which forms the subject matter of such procedure.

Clause 808. Injury to Persons; Loss of Property

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

808.2 In the event of any claim or demand being made or action brought to which Clause 808.1 applies, the CONTRACTOR shall be promptly notified thereof and the CONTRACTOR shall at its own expense conduct all negotiations for settlement of the same and any legal proceedings that may arise therefrom. The CONTRACTOR shall consult with and pay due regard to the

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interests (including the commercial interests of the Post Office Group and the public interest) and views of POCL 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. POCL, its employees and agents, shall at the request of the CONTRACTOR 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.

Clause 809. Liability

809.1 Except as otherwise specified in Schedule B10 in relation to benefit payment, the CONTRACTOR shall be liable for all losses and shall indemnify POCL against all costs, expenses, losses and damages incurred (including any legal costs) as a result of:

- (a) use of copied, altered or forged Cards;
- (b) any unauthorised third party access to the POCL Service Architecture;
- (c) any impersonation of Card holders which successfully defeats extended validation procedures;
- (d) any "hacking" into the systems used by the CONTRACTOR to provide the POCL Services (whether or not constituting an offence under the Computer Misuse Act 1990)
- (e) drawing of any benefit payments by Card holders or their proxies where at the time of payment notification had been given by DSS to the CONTRACTOR to withhold payment or cancel a proxy authorisation;
- (f) any other form of fraud (in relation to any of the POCL Services).

809.2 Except as otherwise specified in Schedule B10 in relation to benefit payment, Clause 809.1 shall not apply if and to the extent that any of the matters referred to therein have been caused by POCL's non-performance of any obligation under the POCL Agreement upon the performance of which the CONTRACTOR's obligations under the POCL Agreement in respect of risk for fraud are expressed to depend. The foregoing is in place of the general rule stated in Clause 101.5.

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809.3 In any case where POCL incurs any costs, expenses, losses or damages as referred to in Clause 809.1, Clause 809.1 shall be presumed to apply unless the CONTRACTOR proves that Clause 809.2 applies.

809.4 In relation to benefit payment only, the responsibilities of the parties for the investigation of fraudulent losses and the agreed apportionment of costs under this POCL Agreement are defined in Schedule B10.

Clause 810. Limitation of Liability

810.1 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.

810.2 Subject always to Clause 810.1, the liability of each party for Defaults shall be subject to the financial limits set out in this Clause 810.2.

810.2.1 The aggregate liability for all Defaults resulting in direct loss of or damage to the Property of any other party under the POCL Agreement shall in no event exceed:

810.2.1.1 nine million pounds (£9,000,000), in the case of POCL; and

810.2.1.2 ten million pounds (£10,000,000) per Year in relation to such Defaults arising during that Year, in the case of the CONTRACTOR.

810.2.2 The aggregate liability per Year under the POCL Agreement of POCL for all Defaults (other than a Default governed by Clause 810.2.1) arising during that Year shall in no event exceed four million five hundred thousand pounds (£4,500,000).

810.2.3 The aggregate liability under the POCL Agreement of the CONTRACTOR for all Defaults (other than a Default governed by Clause 810.2.1) shall in no event exceed two hundred million pounds (£200,000,000).

810.2.4 Subject to Clause 810.2.5, the financial limits specified in Clause 810.2 apply to all claims for monetary relief which either party may have against the other either under the POCL Agreement or otherwise in relation to the subject matter of the POCL Agreement, including all claims for liquidated

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damages and Service Credits pursuant Clause 802, all claims to be indemnified pursuant to Clauses 805 or 808 and all other claims or costs which are compensable in money or money's worth.

810.2.5 The financial limits applicable to POCL under Clause 810.2 shall be exclusive of and additional to any liability of POCL to pay any Charges, any Termination Charges or any Transfer Payment which may become properly due and payable to the CONTRACTOR in accordance with the provisions hereof or any sum by way of interest thereon that a court may award.

810.3 Subject always to Clause 810.1, in no event shall any party be liable to any other party for indirect or consequential loss or damage. For the avoidance of doubt, this Clause shall not be deemed or construed to affect the CONTRACTOR's liability under Clause 809.

810.4 The provisions of Clause 810.3 shall not be taken as limiting the right of POCL to claim from the CONTRACTOR for:

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

810.4.2 expenditure or charges rendered unnecessary as a result of any Default by the CONTRACTOR.

810.5 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.

810.6 For the avoidance of doubt, it is acknowledged that nothing in the POCL 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.

PART 9 : TERM AND TERMINATION**Clause 901. Term**

The term of the POCL Agreement shall, unless terminated earlier in accordance with the provisions of Clause 902,

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be for a period commencing on the date hereof and ending five (5) years from the Roll-Out Completion Date.

Clause 902. Termination of POCL Agreement

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

902.1.1 there is a change of control, as defined by Section 416 of the Income and Corporation Taxes Act 1988, in the CONTRACTOR or the GUARANTOR ; or

902.1.2 the CONTRACTOR or the GUARANTOR, being an individual, or where the CONTRACTOR 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 behoof of his creditors; or any similar event occurs under the law of any other jurisdiction; or

902.1.3 the CONTRACTOR, being a company, passes a resolution, or the Court makes an order that the CONTRACTOR 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 the CONTRACTOR or of the GUARANTOR) of the CONTRACTOR or the GUARANTOR, or circumstances arise which entitle the Court

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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 the CONTRACTOR 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

902.1.4 if notice of termination of the AUTHORITIES' Agreement is given pursuant to Clause 902 of the AUTHORITIES' Agreement in the previous six (6) months (provided that if such notice is given pursuant to Clause 902.6 of the AUTHORITIES' Agreement, or is treated as having been so given by virtue of Clause 902.10 of the AUTHORITIES' Agreement, termination pursuant to this sub-Clause shall be treated as termination for convenience in accordance with Clause 902.6);

902.1.5 any provision hereof other than Clause 902 or any provision of the AUTHORITIES' Agreement other than Clause 902 thereof expressly entitles POCL to terminate the POCL Agreement; or

902.1.6 the circumstances in Clause 606.3.6 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 the CONTRACTOR specifying the obligation in question and requiring it to be performed or within such other period as may be requested by the CONTRACTOR and agreed by POCL, such agreement not to be unreasonably withheld or delayed; or

902.1.7 the circumstances in Clause 201.8 of the AUTHORITIES' Agreement arise.

902.2 POCL may at any time by notice in writing terminate the POCL Agreement with effect from the date of service of such notice or such later date as may be specified therein, if the CONTRACTOR is in Default of any obligation under the POCL Agreement and:

902.2.1 the Default is capable of remedy and the CONTRACTOR shall have failed to remedy the Default within thirty (30) days of written notice to the CONTRACTOR specifying the Default and requiring its remedy or within such other

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period as may be requested by the CONTRACTOR and agreed by POCL, such agreement not to be unreasonably withheld or delayed;

902.2.2 the 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 except pursuant to Clause 606.4); or

902.2.3 notice has been served pursuant to Clause 606.4 making time of the essence and all or any of the obligations specified in the notice have not been performed by the time limit stated in the notice.

902.3 [Not Used]

902.4 In the event of any termination of the POCL Agreement pursuant to Clause 902.1 or Clause 902.2, POCL shall return the POCL Service Infrastructure or any part thereof (other than any part in relation to which either or both of the AUTHORITIES has exercised an option to purchase under the Related Agreement), in which case the CONTRACTOR shall at no additional cost to POCL, remove such parts of the POCL Service Infrastructure and shall make good any damage to the POCL Premises occasioned by such removal.

902.5 POCL shall only be permitted to exercise its rights pursuant to Clause 902.1.1 for three (3) months after each such change of control and shall not be permitted to exercise such rights where POCL has agreed in advance in writing to the particular change of control and such change of control takes place as proposed. The CONTRACTOR shall notify POCL 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.

902.6

902.6.1 POCL may terminate the POCL Agreement by giving the CONTRACTOR not less than twelve (12) months' notice.

902.6.2 [Not used].

902.6.3 In the event of such notice being given, POCL shall on termination hereof pay to the CONTRACTOR the Termination Charge (calculated in accordance with Schedule A7.

902.6.4 [Not used].

902.6.5 [Not used].

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

902.8 The provisions of Clauses 101, 102, 104, 506, 607, 609, 610, 801, 804, 805, 810, 902, 903, 904, 905 and 906 and the provisions of Schedules A1, A3, A7, D6, E6, F6 and G8 shall survive the termination of this POCL Agreement by POCL.

902.9 The CONTRACTOR may terminate the POCL Agreement by notice in writing in accordance with Clause 201.8.2 of the AUTHORITIES' Agreement.

Clause 903. Termination of POCL Services

903.1 POCL may at any time by notice in writing terminate any or all of the POCL Application Services with effect from the date of service of such notice or such later date as may be specified therein if:

903.1.1 there is a change of control, as defined by Section 416 of the Income and Corporation Taxes Act 1988, in the CONTRACTOR or the GUARANTOR; or

903.1.2 the CONTRACTOR or the GUARANTOR, being an individual, or where the CONTRACTOR 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 behoof of his creditors; or any similar event occurs under the law of any other jurisdiction; or

903.1.3 the CONTRACTOR, being a company, passes a resolution, or the Court makes an

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order that the CONTRACTOR 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 the CONTRACTOR or of the GUARANTOR) of the CONTRACTOR 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 the CONTRACTOR 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

903.1.4 if notice of termination of the AUTHORITIES' Agreement is given pursuant to Clause 902 of the AUTHORITIES' Agreement in the previous six (6) months; or

903.1.5 any provision hereof other than Clauses 902 or 903 or any provision of the AUTHORITIES' Agreement other than Clause 902 thereof expressly entitles POCL to terminate the POCL Agreement or any of the POCL Application Services; and

903.1.6 the circumstances in Clause 606.3.6 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 the CONTRACTOR specifying the obligation in question and requiring it to be performed or within such period as may be requested by the CONTRACTOR and agreed by POCL, such agreement not to be unreasonably withheld or delayed.

903.2 POCL may at any time by notice in writing terminate any or all of the POCL Application Services with effect from the date of service of such notice or such later date as may be specified therein, if the CONTRACTOR is in Default of any obligation under the POCL Agreement and:

903.2.1 the Default is capable of remedy and the CONTRACTOR shall have failed to remedy the Default within thirty (30) days of written notice to the CONTRACTOR specifying the Default and requiring its remedy or within such other

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period as may be requested by the CONTRACTOR and agreed by POCL, such agreement not to be unreasonably withheld or delayed; or

903.2.2 the Default is not capable of remedy (and for the purpose of this Clause, failure to comply with a timescale shall not of itself be considered a Default not capable of remedy except pursuant to Clause 606.4); or

903.2.3 notice has been served pursuant to Clause 606.4 making time of the essence and all or any of the obligations specified in the notice have not been performed by the time limit specified in the notice.

903.3 [Not Used]

903.4 POCL shall only be permitted to exercise its rights pursuant to Clause 902.1.1 for three (3) months after each such change of control and shall not be permitted to exercise such rights where POCL has agreed in advance in writing to the particular change of control and such change of control takes place as proposed.

903.5

903.5.1 POCL may terminate any or all of the POCL Application Services by giving the CONTRACTOR not less than twelve (12) months notice.

903.5.2 [Not used].

903.5.3 In the event of such notice being given, POCL shall on termination of the POCL Application Service pay to the CONTRACTOR the Termination Charge (calculated in accordance with Schedule D6, E6, F6, or G8 (as appropriate)).

903.5.4 [Not used].

903.5.5 [Not used].

903.6 [Not Used]

903.7 Termination of POCL Application Services shall not prejudice or affect any right of action or remedy which shall have accrued or shall thereafter accrue to either party.

903.8 For the avoidance of doubt, the parties acknowledge that POCL may not terminate the POCL Core Services without terminating this POCL Agreement.

903.9 In the event of the termination of any DSS Services or POCL Services, or of any Related

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Agreement, the parties should negotiate in good faith to make any necessary consequential amendments to the POCL Agreement in accordance with Clause 101.3. Until such consequential amendments have been made, the CONTRACTOR shall not be liable for any delay or failure in the performance of its obligations under the POCL Agreement which is directly covered by the termination of any DSS Services, POCL Services or Related Agreement.

Clause 904. Rights on Termination of POCL Agreement

904.1 In the event of termination hereunder, in circumstances where POCL does not intend inviting the CONTRACTOR to continue to provide the POCL Services or to provide services equivalent to the POCL Services, POCL shall, without prejudice to POCL's other rights and remedies, have the option, exercisable at any time within four (4) months after notice of termination:

904.1.1 to purchase from the CONTRACTOR, or to require the CONTRACTOR to permit a replacement contractor to purchase from it, any or all of the hardware comprised within the POCL Service Infrastructure and/or used in connection with the performance of the POCL Services (other than where such hardware is not owned by the CONTRACTOR);

904.1.2 to acquire from the CONTRACTOR a non-exclusive licence to use (or authorise a replacement contractor to use) for the continuation of services equivalent to the POCL Services in respect of any necessary Intellectual Property Rights which are owned by the CONTRACTOR and used in connection with the performance of the POCL Agreement. Such licence shall:

904.1.2.1 not be subject to payment other than pursuant to Clause 904.1.6;

904.1.2.2 be perpetual and irrevocable (subject to Clause 506.12); and

904.1.2.3 permit use by members of the Post Office Group and End Users.

904.1.2.4 [Not used]

904.1.2.5 [Not used]

904.1.3 to require that the CONTRACTOR shall assign or novate, or (if assignment or novation is not possible) arrange for the benefit

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thereof to be transferred, in favour of POCL or to any person as may be designated for the purpose by POCL any sub-contracts, equipment rental or lease agreements and all other (non-employment) agreements entered into by the CONTRACTOR which are necessary to the performance of the POCL Services as POCL may designate;

904.1.4 to require that the CONTRACTOR shall at no cost to POCL (or a replacement contractor) forthwith release to POCL (or a replacement contractor) a copy of all the Software and all other software, data, tools, utilities, documentation and any other item necessary to provide the POCL Service hereunder. Such software (other than any in respect of which POCL has exercised its option under Clause 904.1.2) shall be subject to any applicable licence terms, provided that such terms shall not detract from POCL's or a replacement contractor's ability to provide services equivalent to the POCL Services.

904.1.5 Notwithstanding the generality of Clauses 904.1.1 to Clause 904.1.4 POCL agrees only to exercise their rights under such Clauses when and only to the extent that it is necessary for POCL either to fulfil the purposes of the POCL Agreement itself or to engage a third party so to do.

904.1.6 In the event that POCL exercises any of the options in Clause 904.1, POCL shall pay to the CONTRACTOR the Transfer Payment calculated in accordance with Schedule A7.

904.1.7 If the POCL Agreement expires and POCL does not recompute the POCL Services, POCL shall be obliged to exercise all of the options in this Clause in relation to any POCL Services not so re-competed, unless the CONTRACTOR elects to relieve POCL of this obligation in whole or in part.

904.2 In the event that the POCL Agreement is terminated as provided for herein:

904.2.1 the CONTRACTOR shall repay forthwith to POCL all monies paid in relation to POCL Services up to and including such date of termination other than monies in respect of any POCL Services or part thereof properly performed in accordance with the POCL Agreement;

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904.2.2 the CONTRACTOR shall return to POCL all Post Office Group Property in its possession;

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

904.2.4 POCL shall be entitled on termination to offer any employee or sub-contractor (being an individual) of the CONTRACTOR 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 the CONTRACTOR's obligations under the POCL Agreement employment or an agreement for services with POCL and the CONTRACTOR agrees that if such person accepts such offer the CONTRACTOR 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

904.2.5 (a)

three (3) months prior to the expiry of the POCL Agreement (in the case of the termination of the POCL Agreement through the effluxion of time) the CONTRACTOR shall at the request of POCL provide to POCL or to a replacement contractor nominated by POCL details of the terms of employment of all CONTRACTOR personnel who are then employed in the performance of the POCL Services as reasonably required by POCL in order to permit compliance with the Transfer of Undertakings (Protection of Employment) Regulations 1981 by POCL or a replacement contractor;

(b) subject always to POCL's proper observance of their obligations under Clause 904.2.5(c), the CONTRACTOR shall fully indemnify POCL from and against any and all liabilities which POCL may incur in connection with or as a result of any claim

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or demand whatsoever by any employee or former employee of the CONTRACTOR or of any of the CONTRACTOR's sub-contractors or agents in respect of his employment with the CONTRACTOR or such sub-contractor or agent (or, pursuant to the application of the Transfer of Undertakings (Protection of Employment) Regulations 1981, with POCL or any replacement contractor) and/or its termination save to the extent such claim or demand both (i) is made by an employee identified within the relevant employment details referred to in Clause 904.2.5(a) 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;

- (c) in the event of any claim or demand being made or action brought to which Clause 904.2.5(b) applies, the CONTRACTOR shall be promptly notified thereof and the CONTRACTOR shall at its own expense conduct all negotiations for settlement of the same and any legal proceedings that may rise therefrom. POCL, its sub-contractors, agents and employees shall at the request of the CONTRACTOR 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.

904.3 POCL shall only be entitled to exercise the options in Clause 904.1 and 904.2.4 to the extent that such exercise does not affect the CONTRACTOR's ability to perform any surviving Services.

Clause 905. Rights on Termination of POCL Application Services

905.1 In the event of termination of any POCL Application Service, in circumstances where POCL does not intend inviting the CONTRACTOR to continue to provide the POCL Application Service or to provide services equivalent to the POCL Application Service, POCL shall, without prejudice to POCL's other rights and remedies, have the option, exercisable at any time within four (4) months after notice of termination:

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905.1.1 to purchase from the CONTRACTOR, or to require the CONTRACTOR to permit a replacement contractor to purchase from it, any or all of the hardware comprised within the POCL Service Infrastructure and/or used in connection with the performance of the relevant POCL Application Services (other than where such hardware is not owned by the CONTRACTOR);

905.1.2 to acquire from the CONTRACTOR a non-exclusive licence to use (or authorise a replacement contractor to use) for the continuation of services equivalent to the relevant POCL Application Services in respect of any necessary Intellectual Property Rights which are owned by the CONTRACTOR and used in connection with the performance of the POCL Agreement. Such licence shall:

905.1.2.1 not be subject to payment other than pursuant to Clause 905.1.6;

905.1.2.2 be perpetual and irrevocable (subject to Clause 506.12); and

905.1.2.3 permit use by members of the Post Office Group and by End Users.

905.1.2.4 [Not used]

905.1.2.5 [Not used]

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

905.1.4 to require that the CONTRACTOR shall at no cost to POCL (or a replacement contractor) forthwith release to POCL (or a replacement contractor) a copy of all the Software and all other software, data, tools, utilities, documentation and any other item necessary to provide the relevant POCL Service hereunder. Such software (other than any in respect of which POCL has exercised its option under Clause 905.1.2) shall be subject to any applicable licence terms, provided that such terms shall not detract from POCL's or a

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replacement contractor's ability to perform Services equivalent to the relevant POCL Services.

905.1.5 Notwithstanding the generality of Clauses 905.1.1 to Clause 905.1.4 POCL agrees only to exercise its rights under such Clauses when and only to the extent that it is necessary for POCL either to fulfil the purposes of the POCL Agreement itself or to engage a third party so to do.

905.1.6 In the event that POCL exercises any of the options in Clause 905.1, POCL shall pay to the CONTRACTOR the relevant Transfer Payment calculated in accordance with Schedule A7.

905.2 In the event that any POCL Service is terminated as provided for herein:

905.2.1 the CONTRACTOR shall repay forthwith to POCL all monies paid up to and including such date of termination in respect of the relevant POCL Application Service other than monies in respect of any such POCL Service or part thereof properly performed in accordance with the POCL Agreement;

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

905.2.3 shall be entitled on termination of the relevant POCL Application Service to offer any employee or sub-contractor (being an individual) of the CONTRACTOR 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 the CONTRACTOR's obligations under the POCL Agreement in relation to the relevant POCL Application Service employment or an agreement for services with POCL and the CONTRACTOR agrees that if such person accepts such offer the CONTRACTOR shall release such person from any breach of contract with it (other than in relation to such person's

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obligations of confidentiality and notice of termination) which such acceptance may otherwise involve; and

905.2.4 (a) as soon as possible following any notice of termination being given (in the case of an early termination of the relevant POCL Application Service) the CONTRACTOR shall at the request of POCL provide to POCL or to a replacement contractor nominated by POCL details of the terms of employment of all CONTRACTOR personnel who are then employed in the performance of the relevant POCL Application Services as reasonably required by POCL in order to permit compliance with the Transfer of Undertakings (Protection of Employment) Regulations 1981 by POCL or a replacement contractor.

(b) subject always to POCL's proper observance of their obligations under Clause 905.2.4(c), the CONTRACTOR shall fully indemnify POCL from and against any and all liabilities which POCL may incur in connection with or as a result of any claim or demand whatsoever by any employee or former employee of the CONTRACTOR or of any of the CONTRACTOR's sub-contractors or agents in respect of his employment with the CONTRACTOR or such sub-contractor or agent (or, pursuant to the application of the Transfer of Undertakings (Protection of Employment) Regulations 1981, with POCL or any replacement contractor) and/or its termination save to the extent such claim or demand both (i) is made by an employee identified within the relevant employment details referred to in Clause 905.2.4(a) 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.

(c) In the event of any claim or demand being made or action brought to which Clause 905.2.4(b) applies, the CONTRACTOR shall be promptly notified thereof and the CONTRACTOR shall at its own expense conduct all negotiations for settlement of the same and any legal proceedings that may rise therefrom. POCL, its sub-contractors, agents and employees shall at the request of the CONTRACTOR afford all reasonable

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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.

905.3 POCL shall only be entitled to exercise the options in Clause 905.1 and 905.2.3 to the extent that such exercise does not affect the CONTRACTOR's ability to perform any surviving Services.

Clause 906. Transfer Services

906.1 In the event of termination of the POCL Agreement or the Benefit Encashment Service, the CONTRACTOR shall perform the Transfer Services as set out in Schedule D6.

906.2 In the event of termination of the POCL Agreement or the Automated Payment Service, the CONTRACTOR shall perform the Transfer Services as set out in Schedule E6.

906.3 In the event of termination of the POCL Agreement or EPOSS, the CONTRACTOR shall perform the Transfer Services as set out in Schedule F6.

906.4 In the event of termination of the POCL Agreement or the POCL Infrastructure Services, the CONTRACTOR shall perform the Transfer Services as set out in Schedule G8.

906.5 In the event of termination of the POCL Agreement, the CONTRACTOR shall perform the Transfer Services specified in Schedule A7.

PART 10 : MISCELLANEOUS**Clause 1001. Corrupt Gifts and Payments of Commission**

1001.1 The CONTRACTOR shall neither:

1001.1.1 offer or give or agree to give any person employed by the Post Office Group (which term shall include all persons employed or engaged by the Post Office Group and all persons providing services to the Post Office Group) any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any act in relation to the obtaining or performance of the POCL Agreement or any other agreement with the Post Office Group or for showing or

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forbearing to show favour or disfavour to any person in relation to the POCL Agreement; nor

1001.1.2 enter into the POCL Agreement if in connection with it commission has been paid or agreed to be paid to any person employed by the Post Office Group by the CONTRACTOR or on the CONTRACTOR's behalf or to the CONTRACTOR's knowledge, unless before the POCL Agreement is made particulars of any such commission and of the terms and conditions of any agreement for the payment thereof have been disclosed in writing to POCL.

1001.2 In the event of any breach of this Clause 1001 by the CONTRACTOR or by anyone employed by the CONTRACTOR or acting on the CONTRACTOR's behalf (whether with or without the knowledge of the CONTRACTOR) or the commission of any offence by the CONTRACTOR or by anyone employed by the CONTRACTOR or acting on behalf of the CONTRACTOR under the Prevention of Corruption Acts, 1889 to 1916 in relation to this or any other contract with the Post Office Group, POCL may terminate the POCL Agreement by notice in writing to the CONTRACTOR pursuant to Clause 902.1.5. Provided always that such termination shall not prejudice or affect any right of action or remedy which shall have accrued or shall accrue thereafter to POCL and provided always that POCL may recover from the CONTRACTOR the amount or value of any such gift, consideration or commission.

1001.3 The decision of POCL shall be final and conclusive in any dispute, difference or question arising in respect of:

1001.3.1 the interpretation of this Clause (except so far as the same may relate to the amount recoverable from the CONTRACTOR under Clause 1001.2 in respect of any loss resulting from such termination of POCL Agreement); or

1001.3.2 the right of POCL under this Clause 1001 to terminate the POCL Agreement; or

1001.3.3 the amount or value of any such gift, consideration or commission.

Clause 1002. Discrimination

1002.1 The CONTRACTOR shall not unlawfully discriminate within the meaning and scope of any law, enactment, order, regulation or other similar instrument relating to discrimination (whether in

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relation to race, gender, religion or otherwise) in employment.

1002.2 The CONTRACTOR shall take all reasonable steps to ensure the observance of the provisions of Clause 1002.1 by all servants, employees, agents and consultants of the CONTRACTOR and all sub-contractors.

Clause 1003. Export of Products

For the purpose of the Related Agreements only, POCL confirms that neither the Products nor their direct product(s) will be exported by POCL unless in accordance with any appropriate UK Government export licensing controls.

Clause 1004. Guarantee

The CONTRACTOR shall procure that the GUARANTOR shall within thirty (30) days after the date hereof enter into and maintain a guarantee in the form set out in Schedule A13. Breach of this Clause shall constitute a Default not capable of remedy.

Clause 1005. Insurance

The CONTRACTOR 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 POCL Services, including workman's compensation, public liability, product liability, property damage and professional indemnity. The CONTRACTOR will, if requested in writing by POCL, produce to POCL a certificate of insurance showing the applicable coverage currently in force, and will also give POCL prior written notice of (where possible), or written notice no later than thirty (30) days after, alteration or cancellation of such insurance.

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

Signed for and on behalf of POCL

By:.....

Name: STUART SWEETMAN

Title: Managing Director, Post Office Counters Ltd

Date:.....

Signed for and on behalf of the CONTRACTOR

By:.....

Name: JOHN H. BENNETT

Title: Managing Director, Pathway Group Limited

Date:.....