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ICL PATHWAY LIMITED
MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
HELD AT
HEATHROW HILTON HOTEL, TERMINAL 4
ON
15th AUGUST 2000

Present:	Mr R Christou	(Chairman)
	Mr M P Stares	(Managing Director)
	Mr J H Bennett	
	Mr T Escudier	
	Mr H Kurokawa	
	Mr A E Oppenheim	
In attendance:	Mrs A Steele	(Secretary to the meeting)
	Mr H Hirata	
	Mr N Akikusa	(from item 4)
	Mr Y Hirose	(from item 4)

Action by

1 **MINUTES**

The minutes of the meeting held on 9th May 2000 were approved as a correct record of the meeting.

2 **MATTERS ARISING**

Headcount requirements for testing

Mr Stares had held discussions with Ian Hardacre and Clive Fenton and a way forward had been agreed. Efforts were being made to target people (include freelances) effectively at other large projects. Mr Stares would report further on the success of this at the next meeting.

Electronic Business Development

Mr Boswell had met some of the Post Office management, but he had not yet met Mr Sweetman. This would be reconsidered after the meeting in the autumn between Mr Christou, Mr Stares and Mr Sweetman, possibly at the Future Focus facility in Reading.

3 **MANAGING DIRECTOR'S REPORT**

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Mr Stares introduced his report, updating the written paper circulated and there was discussion. Points noted:

- a) Good progress was being made against plan. The company was on schedule against budget and the full year forecast and outlook were in good shape.
- b) The CSR+ was a significant issue. This was an upgrade to the central system which would impact the whole of the 10,000+ live estate. Time scales were tight and any failure would impact both publicity and service level agreements. Although the system had passed internal tests and Post Office tests, a decision had been taken to delay migration by three weeks in order to clear a small number of key issues and to rerun full end to end testing. If this timetable was achieved then full migration should be possible by Christmas. Feedback from the Post Office, although initially disappointed, was positive. The impact of delay was discussed. Mr Stares reassured the board that this was not symptomatic of a more serious problem.
- c) Rollout is on track with over 10,500 post offices migrated, over 30,000 staff trained and in excess of 310 implementations being achieved a week.
- d) Weekly service performance is still a key issue and recent Help Desk problems shook confidence briefly but this now seems to be back on track. The key service performance metrics charts, which are now produced on a weekly basis, were noted and it was agreed that volume figures should be shown where possible to add perspective. The business plan allowed for approximately 2 calls per outlet per month, CSR+ would inevitably cause an increase in call rates but it is planned that call rates will subsequently be driven down to business plan.
- e) The PIU report has been issued. ICL was working with the Post Office (which John Roberts was driving personally) on their response.
- f) Slow progress was being made on new business e-commerce projects. Network banking was being developed. A demonstration would be run later this month. Further work would be done on the end to end design, priming work for next year. However the Post Office business plan for banking seemed to be fragmentary, and they were relying more on government leverage than winning banking friends. It might be better for the Post Office to manage this risk through one IT supplier and this should be a discussion point for the forthcoming Sweetman/Christou/Stares meeting.
ERA was another new business opportunity. The challenge was to convince the Post Office to spend significant amounts on improving process, with potential long term savings, when they were currently strategically focused on Parcel Force and logistics. Although the ghosts of the past had not been exorcised, generally new business opportunities were presenting themselves.

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- g) The National Audit Report had been issued. Mr Oppenheim and Mr Foley had worked very hard on ensuring that this was as good as could have been expected and the release timing should ensure a low profile. Mr Christou complimented the team on the work they had done on this.
- h) In summary Mr Stares felt that the ongoing business was in reasonable shape and currently inline with this years business plan. He expected a head of steam from October on new business initiatives, with firmer commitments before the end of the financial year on Network Banking in particular. However, it must be recognised that the business plan demands £64 million of new business revenue and that this is an extremely challenging objective.

4 **FINANCE REPORT**

Mr Oppenheim introduced his report, updating the written paper circulated and there was a discussion. Points noted:

- a) Financial performance continued to be better than plan. Faster than planned roll out has had a beneficial impact on revenue and cash costs have been held below plan month on month. Cash flow has also been improved by careful control of working capital.
- b) The auditors have declared themselves satisfied with the project accounting treatment (specifically revenue accrual and margin recognition) for the financial year ended 31 March 2000.
- c) Good progress is being made towards cost down. Reducing the cost base remains a challenge and one of the biggest management tasks (outside of delivery). Plans were being worked on with OSD and Large Projects to underpin rationalisation of certain activities.
- d) The business plan still shows a £15 million overall project loss at Group level, but if the risk profile can be improved the project will become closer to breakeven. Mr Christou felt that this would not be achievable until CSR+ had been smoothly rolled out. Task, risk and new business all needed to be carefully balanced.

Mr Christou complimented the team on their achievements to date. Although there was still a long way to go, at present the issues appear to be well organised and under control. Mr Akikusa added his compliments to the team.

5 **DIRECTORATE**

It was noted that Mr Todd had resigned as a director of the company with effect from 28th July 2000.

6 **ANY OTHER BUSINESS****Re-bid in 2005**

Mr Bennett asked what plans were being drawn up for the re-bid in 2005 and how any new business won would affect that. Mr Stares confirmed that this was a key consideration, particularly with ERA and that ICL would wish to start to promote contract renewal as soon as possible.

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Feedback from David Miller suggested that he recognised that this issue would need to be confronted prior to 2005. Mr Christou is planning to meet Mr Roberts later this year and this should be on the agenda to “test the water”.

National Lottery

It was noted that Mr Bennett was ICL’s representative on the Camelot board. If Camelot were successful in the re-bid, the Post Office would become joint shareholders in Camelot.

7 **DATE OF NEXT MEETING**

Secretary The next meeting will take place prior to the next ISC meeting, date to be confirmed. The Secretary will circulate the details.