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**SCHEDULE A6****FUNDING CONDITION****Version History**

Version No.	Date	Comments
1.0	31/08/06	Agreed version as at date of signature of CCN 1200
1.1	26/09/06	Minor corrections by PO
1.2	11/10/06	Further minor corrections from FS
2.0	25/01/07	Baseline copy of 1.2
6.0	15/06/09	Moving all schedules to V6.0 as agreed with Fujitsu
7.0	26/04/10	Moving all Schedules to v7.0 as agreed with Fujitsu
8.0	21/02/12	Moving all schedules to v8.0 in accordance with CCN1294d
9.0	13/01/14	Moving all Schedules to v9.0 in accordance with CCN1349
10.0	10/09/15	Moving all Schedules to v10.0 in accordance with CCN1506
11.0	31/03/16	Moving all Schedules to v11.0 in accordance with CCN1604
12.0	03/07/17	Moving all Schedules to v12.0
13.0		Moving all Schedules to v13.0

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**SCHEDULE A6**

**FUNDING CONDITION**

Unless expressly stated otherwise, references in each Part of this Schedule to paragraphs are to the paragraphs in that part.

**PART A**

**Operation of Contract during Conditionality Period**

During the Conditionality Period the entire Agreement shall continue in force save as follows:

1. Clause 29.4 shall be deemed to be amended such that the Post Office Foreground IPR shall vest in Fujitsu Services (not the Post Office) and Fujitsu Services shall grant to Post Office an irrevocable non-exclusive, royalty free licence to use all Post Office Foreground IPR for the duration of the Conditionality Period for all purposes connected with the Agreement;
2. Clause 29.5 shall not apply at all and Clause 29.6 shall not apply in respect of Post Office Foreground IPR;
3. Clause 30 shall be deemed to be amended such that the licence granted by Fujitsu Services to Post Office in respect of Licensed IPR pursuant to that Clause shall be replaced by an irrevocable, non-exclusive, royalty free licence to use all Licensed IPR for the duration of the Conditionality Period for all purposes connected with the Agreement;
4. the provisions of this Agreement in relation to Market Testing shall not apply; and
5. the provisions of this Agreement in relation to Partial Termination shall not apply.

**PART B**

**Operation of Contract Following Service of Funding Notice**

1. With effect from the date on which, in accordance with Clause 1.3, this Part B takes effect (the "Funding Notice Date"), the provisions of Part A of this Schedule A6 shall cease to have effect and:
  - 1.1 Clauses 29.4, 29.5, 29.6 and 30 referred to in that Part A shall be deemed to have applied as if they were in force as at and with effect from the Amendment Date; and
  - 1.2 the provisions of this Agreement in relation to Market Testing and Partial Termination shall apply with effect from the Funding Notice Date.

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2. Accordingly the provisions of paragraphs 1 and 2 of Part A of this Schedule A6 shall be deemed not to have had effect and the entire Agreement, including the provisions of Clause 29.4 and 30, shall be deemed to have applied without amendment as from the Amendment Date.

**PART C**

**Operation of Contract Following Expiry of Conditionality Period**

Where, in accordance with Clauses 1.4, 1.5 or 1.6, this Part C applies, the following shall apply:

**1. Development Work**

- 1.1 Fujitsu Services shall as soon as practicable cease to carry out:

- 1.1.1 the HNG-X Project Activities; and

- 1.1.2 the Associated Change Activities,

save:

- 1.1.2.1 to the extent reasonably required for the purposes of the completion (if not already completed) of the following Associated Change Workstreams (as referred to in paragraph 3.3 of Schedule B5):

- (a) Service Desk Improvements;

- (b) Next Day Engineering Service;

- (c) Branch Network Changes; and

- 1.1.2.2 as required by Post Office pursuant to paragraph 1.2.

- 1.2 Fujitsu Services shall continue to implement such of the following as and to the extent that Post Office shall, within 14 days following the date on which this Part C takes effect, elect by notice in writing:

- 1.2.1 Associated Change Workstreams: Branch Router Development and Branch Router Rollout, as referred to in paragraph 3.3 of Schedule B5; and

- 1.2.2 HNG-X Project Workstream: Migrate Data Centres to HNG-X Configuration, as referred to in paragraph 3.2.1 of Schedule B5.

- 1.3 The Charges that Post Office shall pay to Fujitsu Services in respect of any Associated Change Workstreams or HNG-X Project Workstreams continued to be developed and/or implemented pursuant to paragraphs 1.1 or 1.2 and any related equipment or hardware, shall be the Charges applicable to those workstreams as set out in Schedules D7 and D8 of this Agreement.

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- 1.4 If and to the extent that any work being performed under Work Orders in progress on the date on which this Part C takes effect relates to the HNG-X Service Infrastructure or the Business Capabilities and Support Facilities, Fujitsu Services shall cease to perform such work as soon as practicable, but shall otherwise continue to perform each Work Order in progress on the date on which this Part C takes effect unless that Work Order is deemed to be "closed" in accordance with paragraph 6.3.3 of Schedule 9 to Baseline 7.

**2. Implementation of Baseline 7**

- 2.1 With effect from the date on which this Part C takes effect the Agreement (including its Schedules, CCDs and CRDs) shall automatically be replaced by the provisions of Baseline 7, save that:

- 2.1.1 all such provisions of this Agreement as shall be necessary to give effect to paragraph 1 shall be deemed to be incorporated into Baseline 7;

- 2.1.2 to the extent that any CCNs agreed in respect of this Agreement after the Amendment Date relate to the continued operation or enhancement of the Horizon Service Infrastructure, the Existing Services or the Horizon Applications, such CCNs shall be reflected by amendment in Baseline 7 on the basis that references in such CCNs to the provisions of this Agreement shall be read and construed as references to the most appropriate elements of Baseline 7, taking into account the subject matter of the provisions concerned;

- 2.1.3 the changes to the Service Levels in this Agreement made in connection with:

- 2.1.3.1 the implementation of the Associated Change Workstreams and/or HNG-X Project Workstream in accordance with this Agreement prior to the date on which this Part C takes effect and to the extent continued in accordance with paragraphs 1.1 and 1.2; and

- 2.1.3.2 the Counter Availability SLT as set out in section 2.3.4.2.7 in the CCD entitled "Branch Network: Service Description" (SVM/SDM/SD/0011); and

- 2.1.3.3 Banking Functions Transactions as set out in section 2.3.4.6 in the CCD entitled "Data Centre Operations Service: Service Description" (SVM/SDM/SD/0003),

shall be made to the corresponding Service Levels in Baseline 7;

- 2.1.4 the charges payable under Baseline 7 in respect of the Help Desk Service, Engineer Service, Network Service and Data Centre Operations Service (each as referred to in Baseline 7) shall be adjusted to the extent of the reductions in Fujitsu Services' costs and associated margin achieved by completing or continuing implementation of the Associated Change Workstreams and/or HNG-X Project Workstream in accordance with paragraphs 1.1 and 1.2;



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- 2.1.5 the definitions of "Aggregate Charges" and "Feasibility Work" set out in the Annex to this Schedule A6 shall be added to Schedule 1 to Baseline 7;
- 2.1.6 the paragraphs numbered 4.4, 4.5 and 6.2.2 in the Annex to this Schedule A6 shall replace the paragraphs of those numbers in Schedule 10 to Baseline 7 and the paragraphs numbered 6.2.11 and 6.3 in the Annex to this Schedule A6 shall be added as new paragraphs numbered 6.2.11 and 6.3 in Schedule 10 to Baseline 7;
- 2.1.7 the provisions of Schedule A2 of this Agreement (other than the provisions that refer to the SIP, which shall cease to be applicable) shall replace the provisions of Schedule 4 of Baseline 7;
- 2.1.8 the provisions of Schedule D4 of this Agreement shall continue to apply but only to the extent that Post Office reasonably requests so as to enable it to determine and verify:
  - 2.1.8.1 the adjustments to the charges under Baseline 7 pursuant to paragraph 2.1.4;
  - 2.1.8.2 the amount of the Contract Reversal Adjusted Charge;
  - 2.1.8.3 the amount of the Charges payable to Fujitsu Services pursuant to paragraph 1.3; and
  - 2.1.8.4 the amount of any Charges paid or payable by Post Office during the Conditionality Period, if and to the extent that Open Book would have applied to such Charges under this Agreement had it not been replaced by Baseline 7,and such provisions shall to that extent be incorporated into paragraph 4 of Schedule 11 of Baseline 7;
- 2.1.9 Fujitsu Services shall grant to Post Office (and procure the grant of) an irrevocable royalty free, non-exclusive worldwide licence to use for whatever purpose all Intellectual Property Rights created by or on behalf of Fujitsu Services, any member of the Fujitsu Services Group or any HNG-X Sub-contractor in respect of:
  - 2.1.9.1 the HNG-X Project Activities and Associated Change Activities during the Conditionality Period; and
  - 2.1.9.2 such of the activities that are continued pursuant to paragraphs 1.1 and 1.2;
- 2.1.10 the indemnities given by each Party (and all related provisions) in Clause 34 of this Agreement shall apply instead of the indemnity given by Fujitsu Services in Clause 18 of Baseline 7 solely in respect of the Intellectual Property Rights licensed pursuant to the paragraph 2.1.9 of this Schedule but, for the avoidance

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of doubt, the indemnity given by Fujitsu Services in Clause 18 of Baseline 7 shall apply in all other respects;

- 2.1.11 Post Office shall not be entitled to carry out benchmarking pursuant to paragraph 2 of Schedule 11 of Baseline 7 until the Working Day immediately following the end of 6 calendar months following the date on which this Part C takes effect.

2.2 Cross-references in Baseline 7 (as amended by this Part C):

- 2.2.1 to clauses, paragraphs, sub-clauses and sub-paragraphs of this Agreement that are intended to refer to provisions in Baseline 7 shall, where necessary, be read and construed as referring to the equivalent provision in Baseline 7 (as amended by this Part C); and

- 2.2.2 to clauses, paragraphs, sub-clauses and sub-paragraphs that are intended to refer to provisions of this Agreement shall, where necessary, be read and construed as referring to the relevant provisions of this Agreement that have been introduced into Baseline 7 as a result of the amendments made by this Part C.

- 2.3 With effect from the date on which this Part C takes effect, all the licences and sub-licences granted or procured by Fujitsu Services under Clause 30 of this Agreement in respect of Fujitsu Background IPR and Third Party Items shall terminate.

- 2.4 All software, documents materials or other things provided by Fujitsu Services pursuant to the licences granted under paragraph 2.1.9 shall be provided "as is" and the Parties agree that all express and implied warranties and conditions relating to such software, documents materials and other things are excluded to the full extent permitted by law.

**3. Contract Reversal Charge**

- 3.1 Within 30 days of the date that this Part C takes effect, Post Office shall pay to Fujitsu Services an amount equal to £5,759,327 multiplied by the proportion that the number of days from (and including) the Amendment Date to (but excluding) the date that this Part C takes effect bears to 334 (the "Contract Reversal Initial Charge").

- 3.2 Fujitsu Services shall calculate the following as soon as reasonably practicable within three months after the date that this Part C takes effect:

- 3.2.1 the aggregate amount of the charges which would have been payable by Post Office to Fujitsu Services under Baseline 7 had Baseline 7 been in force and applied during the Conditionality Period in respect of the HNG-X-Services and Development Services that were duly provided under this Agreement during the Conditionality Period (taking account of pre-payments, credits and discounts that would have been applicable under Baseline 7, including those applicable having applied paragraphs 2.1.5 and 2.1.6 to Baseline 7); plus

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3.2.2 in relation to each individual (and aggregated for all individuals) employed or engaged by Fujitsu Services (or its HNG-X Sub-contractors) to deliver Project HNG-X who would have continued to work on Project HNG-X had it not ceased in accordance with paragraph 1.1, an amount equal to the charges that would have been payable by Post Office to Fujitsu Services for work performed in accordance with the HNG-X Programme Plan by that individual according to the rates set out in the table in paragraph 2.2 of Schedule D8 (assuming 7.4 hour days), if work had continued on Project HNG-X after the date that this Part C takes effect until the earlier of:

3.2.2.1 two months after the date that this Part C takes effect; and

3.2.2.2 the date on which either (i) that individual is redeployed within Fujitsu Services or a member of the Fujitsu Services Group to undertake work in respect of any customer of Fujitsu Services or a member of the Fujitsu Services Group (as the case may be) or (ii) the relevant engagement terminated, in each case Fujitsu Services having taken reasonable steps to mitigate exposure to costs by redeploying or terminating the relevant engagement (and procuring its HNG-X Sub-contractors do the same),

and the amount determined shall not be more than the estimated aggregate HNG-X T&M Budget for such work for the relevant period as set out in the budget report to be delivered in accordance with paragraph 11 of Sub-schedule B6.2; plus

3.2.3 an amount equal to:

3.2.3.1 the aggregate of all Migration Charges due and which would have become due to be paid by Post Office in accordance with the provisions of Schedule D7; minus

3.2.3.2 all amounts paid by Post Office in respect of such Migration Charges and all of Fujitsu Services' costs (and associated margin) in relation to such Migration Charges that Fujitsu Services is able to avoid or mitigate (having taken reasonable steps to do so); plus

3.2.4 an amount equal to the aggregate of all costs reasonably incurred by Fujitsu Services (other than those recoverable pursuant to paragraphs 3.2.2 and 3.2.3) associated with all HNG-X Project Activities and Associated Change Activities that are ceased in accordance with paragraph 1.1, including but not limited to any termination charges payable to suppliers and sub-contractors (in all cases Fujitsu Services being required to take reasonable steps to mitigate its exposure to such costs); minus

3.2.5 the aggregate amount of the charges which shall have been actually payable to Fujitsu Services under this Agreement in respect of the HNG-X Services and Development Services that were duly provided under this Agreement during the



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Conditionality Period (taking account of pre-payments, credits and discounts applicable under this Agreement),

(the "Contract Reversal Adjusted Charge").

3.3 If the Contract Reversal Adjusted Charge is:

3.3.1 greater than the Contract Reversal Initial Charge, Post Office shall pay to Fujitsu Services an amount equal to the difference; or

3.3.2 less than the Contract Reversal Initial Charge, Fujitsu Services shall allow an amount equal to the difference as a credit against Charges payable by Post Office.

3.4 The amount (if any) payable by Post Office pursuant to paragraph 3.3.1 shall be invoiced to Post Office by Fujitsu Services in the same manner as any other Charge invoiced in accordance with Schedule 9 of Baseline 7 and, subject to paragraph 3.5, such invoice shall be paid by Post Office within 30 days of receipt.

3.5 Should any part of the amount invoiced under paragraph 3.4 be subject to a Dispute, then Fujitsu Services shall be entitled to be paid for that part not in dispute (including any part in respect of which such Dispute is subsequently resolved) and which has been agreed with Post Office and Post Office shall pay such amount within 30 days of receipt of a valid invoice raised under paragraph 3.4.

3.6 For the avoidance of doubt, amounts duly paid to Fujitsu Services under Schedule D8 for HNG-X Development and Associated Change Development and Schedule D7 for Migration during the Conditionality Period shall not be taken into account in calculating the amount of the Contract Reversal Adjusted Charge and shall not, by virtue of this Part C taking effect, be liable to be repaid, and all further amounts payable by Post Office in accordance with those Schedules for work performed or equipment supplied during the Conditionality Period shall not, by virtue of this Part C taking effect, cease to be payable.

**4. Reinstatement**

Fujitsu Services shall, as soon as reasonably practicable following this Part C taking effect, take all necessary steps to reverse the effect of any testing or implementation of the HNG-X Service Infrastructure (save to the extent that Post Office shall have elected to continue with the installation of such Infrastructure in accordance with paragraph 1.2 of this Part C). Post Office shall reimburse to Fujitsu Services all reasonable costs and expenses incurred by Fujitsu Services in performing its obligations under this paragraph. Fujitsu Services shall raise invoices in accordance with Schedule D2 for such costs and expenses as they arise.

**5. Further Assurance**

5.1 Each Party agrees that it shall do all such things as may reasonably be required to give effect to the provisions of this Part C. Post Office shall reimburse to Fujitsu Services all

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reasonable costs and expenses (including, without limitation, its legal costs in connection with the re-introduction of and amendment to Baseline 7) incurred by Fujitsu Services in doing such things. Fujitsu Services shall raise invoices in accordance with Schedule D2 for such costs and expenses as they arise.

- 5.2 The Parties shall, as soon as reasonably practicable following the date on which this Part C takes effect, agree and execute a revised version of this Agreement reflecting all the changes to be made pursuant to paragraph 2 of this Part C and any other necessary changes consequent upon the completion or continuing implementation of the Associated Change Workstreams and/or HNG-X Project Workstream in accordance with paragraphs 1.1 and 1.2. Any disagreement as to such terms shall be resolved in accordance with the Dispute Resolution Procedure set out in Schedule A2.



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**ANNEX**

<b>"Feasibility Work"</b>	shall have the meaning set out in paragraph 6.3 of Schedule 10;
<b>"Aggregate Charges"</b>	shall have the meaning set out in paragraph 6.2.11 of Schedule 10;

- 4.4 The value of the Core SI Services provided by Fujitsu Services to Post Office in relation to such Pre-paid SI Capacity shall be calculated on a time cost basis in the same way and at the same rates as it is calculated for Additional Resources in paragraph 6.2.1 without application of the discounts and rebates referred to in paragraph 6.2.2. This value of Core SI Services shall be adjusted to reflect any applicable discount for Feasibility Work as described in paragraph 6.3.
- 4.5 Unless otherwise agreed in accordance with paragraph 11.16 of Schedule 20, if the value of Core SI Services (calculated in accordance with paragraph 4.4) provided in a Work Period exceeds the Pre-paid SI Capacity for that Work Period, the amount of such excess shall be charged to Post Office on the basis described in paragraph 6.2.
- 6.2.2 Post Office shall receive the following discounts on, and rebates against, the Additional SI Charges payable in accordance with paragraph 6.2.1:
- 6.2.2.1 if any Additional Resource in respect of which the Additional SI Charges referred to in paragraph 6.2.1 apply was used by Post Office in relation to Feasibility Work then the Additional SI Charges shall be reduced by an amount (if any) calculated in accordance with paragraph 6.3;
- 6.2.2.2 Post Office shall receive a discount of 20% on the Additional SI Charges as adjusted in accordance with paragraph 6.2.2.1 (or if no such adjustment applies as calculated in accordance with paragraph 6.2.1); and
- 6.2.2.3 Post Office shall be entitled to a rebate against the Additional SI Charges in accordance with paragraph 6.2.11.
- 6.2.11 Post Office shall be entitled to a rebate against Additional SI Charges if in respect of any Financial Year such charges (calculated as if the Additional SI Charges payable by Post Office in respect of that Financial Year were the Additional SI Charges as adjusted pursuant to paragraph 6.2.2.1, but without any discount pursuant to paragraph 6.2.2.2) ("Aggregate Charges") fall within one of the thresholds set out in the following table:

<b>Aggregate Charge Thresholds</b>	<b>Rebate Percentage</b>
£5,000,001 to £7,500,000	2.5%
£7,500,000 to £10,000,000	5.0%
Over £10,000,000	7.5%

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Such rebate (if any) shall be the rebate percentage (which corresponds to the threshold above in which the Aggregate Charges fall) of the Aggregate Charges and shall be issued to Post Office by Fujitsu Services as a credit against the Additional SI Charges payable by Post Office in respect of that Financial Year.

6.3 Additional Discounts in relation to Feasibility Work

- 6.3.1 If in any Financial Year the services of the Core SI Team or Additional Resource are used by Post Office in relation to feasibility studies which the Parties have agreed under a Work Order to undertake as part of the Strategic Approval Stage and/or the Start-up and Feasibility Stage of the Development Process ("Feasibility Work") then the value of the Core SI Services calculated in accordance with paragraph 4.4 and/or the Additional SI Charges payable in accordance with paragraph 6.2.1 above (as the case may be) shall be reduced by an amount calculated in accordance with the following formula:

$RA (£) = \{N / 4\}$  (where the outcome of  $\{N / 4\}$  is rounded down to the nearest whole number)  $\times R$

where:

RA = Reduced amount in respect of a particular Professional Service Grade category (as set out in paragraph 6.2.1) in relation to Core SI Services and/or Additional Resource.

N = Total number of working days (as described in paragraph 6.2.5), in whole or in part, of Feasibility Work undertaken by all individuals in the Professional Service Grade category referred to in RA.

R = Rate per working day (as described in paragraph 6.2.1) for the Professional Service Grade category referred to in RA.

The above formula shall be applied in respect of each applicable Professional Service Grade category such that the total reduction to the value of the Core SI Services and/or Additional SI Charges shall equal the sum of the reduced amounts (RA) for each applicable category.