

Company Secret

ICL PLC

Minutes of the meeting of the Board of ICL Pathway Limited

Held at 12.40 am on Wednesday 15th September 1999
At 26 Finsbury Square, London, EC2A 1SL

Present:	Sir Michael Butler Mr T K Todd Mr R Christou Mr J H Bennett Mr A E Oppenheim Mr H Kurokawa Mr M Stares	(Chairman)
In attendance:	Mr R F Scott Mr A Nagai Mr H Hirata	(Secretary)

Apologies were received from: Mr T Escudier

Action by: 1. Minutes of previous meeting

The Minutes of the meeting held on 20th July 1999 were approved as a correct record and signed by the Chairman.

2. Matters Arising

4f) *Parliamentary Committees etc* – Contact had been made with the National Audit Office. The Public Accounts Committee would probably produce a report on Pathway which could lead to appearances by Pathway before the Committee. In addition Ian McCartney had been asked by the Prime Minister to head a project concerning all IT programmes across Government. We would try to contribute constructively to these through Mr Bennett and Mr Hall. Mr Todd added that he had seen Mr Bourne of the National Audit Office and noted that in this process ICL had to retain creditability and try to avoid any criticism of its position.

Mr Bennett

5d) *Recovery plan for the Project's profitability* – the Chairman emphasised it was important for the Board to be appraised of how profitability on the project could be

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Mr Bennett

recovered. Mr Bennett would be asked to present to the next Board meeting together with moves to enhance the partnership with the Post Office for the future. This subject will receive appropriate management time after the issues of Acceptance and Go Live were cleared.

7. *Statutory Accounts for the 15 month period to 31st March 1999* – the Secretary confirmed these had now been signed and would shortly be filed at Companies House.

3. Managing Director's Report

Mr Bennett, with Mr Oppenheim reported and then there was a discussion. Points noted:

- a) The implementation programme continued – effectively national roll out although it was not yet called this – week 3 beginning on 6th September produced 47 outlets installed. The present week, week 4 was expected to produce nearly 80 installations.
- b) It had been intended to achieve 1,800 outlets installed by the week ending 7th November but this now seemed unlikely to happen before Christmas. POCL appeared to want to stop new installations from 5th November and negotiations with them were taking place so that, if 1,800 was not achieved, a pro-rata payment from the £90m agreed for national roll out could be received.
- c) However, progress with national roll out depended on the crucial issue of Acceptance. This had been delayed from the date forecast at the time of the last Board meeting, of 16th August and was now targeted for 24th September. There was still three high severity incidents not yet resolved, which could delay Acceptance.
- d) A negotiation, both technical and commercial, with the customer would be needed to resolve these three incidents. Also another significant issue had arisen to be covered in the negotiations. This was that POCL were concerned that until Acceptance took place there was a possibility they could not reconcile their financial position with their customers, particularly the DSS but also Giro Bank, in some circumstances as a result of the effect of the incidents not yet closed. They had reached an estimate of £20m as their maximum possible exposure from this eventuality and were requiring an indemnity from ICL Pathway which would provide them with recompense if the worst happened.

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- e) The Board discussed this and it was accepted that because of the strength of the systems in place and the data/reconciliations which ICL Pathway undertook, the risks involved are extremely small. There was therefore the possibility that an indemnity could be accepted as a last resort in the negotiations, particularly if this would avoid a retention from the £68m payable on full Acceptance.
- f) The Board then discussed a further report that the POCL legal advisers were suggesting that the Fujitsu guarantee of ICL Pathway performance of the project would not cover this indemnity. (I.e. if ICL Pathway was liable under the indemnity and could not pay, then the Fujitsu guarantee could not be used by the customer to obtain payment.) The customer had then suggested that a letter of clarification be obtained from Fujitsu to confirm that the guarantee would cover the indemnity and after discussion Mr Kurokawa advised that this might be possible in the limited circumstances applying to the indemnity, namely that it would only be in existence until satisfactory installation of a new reconciliation function, forecast to be achieved by mid-January 2000.
- g) However, it was agreed that Mr Christou would fully review the situation before beginning negotiations with the customer and would discuss the matter with Mr Kurokawa. The Board members therefore delegated resolution of the indemnity/guarantee issue to Mr Christou and Mr Kurokawa.

Mr Christou

4. Commercial and Financial Director's Report

Mr Oppenheim referred to his report which had been circulated and there were questions and discussion, which concentrated on the financial effects of Acceptance, which clearly depended on the date Acceptance was achieved.

The most likely scenario, as noted in the Managing Director's Report above was that we would not achieve roll out of all 1,800 installations before the date at which POCL wished to stop for consolidation etc. over the Christmas period. This could be as early as 5th November. It was considered that we might achieve a proportional payment of £75m to £80m, which, including the effect of VAT brought us close to the figure in the original business plan (£90m). This would leave the remainder of the 1,800 outlets to be installed in the

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first few weeks of January.

If the above was not achieved, the position could worsen considerably with only a relatively small proportion of outlets installed by November/December and the milestone of 1,800 delayed into March or April 2000 with consequent cash flow effects. However at present it was believed this would not happen.

5. Fujitsu Project Team

Mr Hirata outlined the activities of the team from Fujitsu assisting ICL Pathway. They had been concentrating on Acceptance and National Roll Out and also on the robustness of the system to go beyond 1,800 installed outlets. Fast communication channels were in place with Mr Kurokawa in Tokyo.

Mr Bennett/
Mr Hirata

Mr Todd praised the Fujitsu team's report on the project and asked Mr Hirata if he would kindly make it available to Mr Escudier and Mr Stares.

6. Visit to Feltham

Mr Escudier
Mr Stares

Mr Escudier and Mr Stares would make arrangements to visit the ICL Pathway operation, for a full briefing.

7. Date of Next Meeting

All please
note

The next meeting was proposed for 24th November, the date of the next ICL ISC meeting and it was agreed the start time would be provisionally set for 8.00 a.m. There was a Pathway Project Review with POCL later in the day.