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Minutes of the meeting of the Board of ICL Pathway Limited

Held at 08.30 a.m. on Wednesday 23rd February 2000
At 26 Finsbury Square, London, EC2A 1SL

Present: Sir Michael Butler (Chairman)
Mr T K Todd
Mr J H Bennett
Mr R Christou
Mr T Escudier
Mr H Kurokawa
Mr A E Oppenheim
Mr M Stares

In attendance: Mr R F Scott (Secretary)
Mr H Imanishi

Action by:

1 The Board

This was Sir Michael's last meeting of the Board after five years as Chairman. Mr Todd paid tribute to his skills and support for ICL, the project and to him personally over a difficult time, now over.

Secretary Mr Todd went on to say that Mr Christou would become Chairman of the Board from the next meeting and the Board formally agreed this. The Board noted Sir Michael's resignation.

2 Minutes of previous meeting

The Minutes of the meetings held on 15th September 1999 and 24th November 1999 (after one deletion) were approved as a correct record and signed by the Chairman.

3 Managing Director's Report

Mike Stares delivered his first report to the Board, updating his written report and there was discussion. Points noted:

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a) He was pleased to be able to report good progress against the business plan. Rollout of the Horizon system into Post Offices had reached 300 post offices in a single week. The 3,000 milestone should be reached this week, 4,000 in March and 5,000 in April. This remains a major challenge although there are currently no major issues threatening this progress. Post Office masters/sub post masters were adapting well and Post Office Management attitudes were improving.

b) The Pathway team was working with the ICL team for PFI contracts on how to best use Pathway's rollout experience.

c) The CSR+ delivery plan was still achievable. Interim release CI3 was in testing and issues over CI4 (CSR+) were sufficiently far into the future that they could still be managed.

d) Customer Service was becoming more focussed as the rollout progressed. Mr Stares referred to the statistics collected to monitor progress and the next meeting would have an explanation of these. A core set was being placed on the project website and would be attached to future Board reports. Helpdesk performance had improved.

e) Several developments were covered in regard to new business opportunities with the Post Office beyond the existing Horizon project.

Mr Stares and team had met Mr D Miller and team to improve relationships and to learn of and contribute what we could, to the Post Offices' future plans.

i) The Post Office have a project called ERA to attack the overall network cost base. The objective is to take out 20% of costs by changing their approach to business. Until the meeting, the emphasis had been on back end systems and Horizon/Pathway had not been part of the scope for change. We have now been brought into the project and the scope expanded.

ii) Post Office Networks Unit (Dave Miller's unit) see an opportunity to use Horizon to encourage "up-selling" by prompting clerks to offer related products (normal practice in retail chains). We have agreed to some

Mr Stares

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early joint work.

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- iii) Develop the service offerings to their clients. A re-engineering plan will be shared with us early next month.

The Post Office was attacking its network cost base aiming at a 20% reduction (not through Horizon). They wished to sell more over the Post Office counters using Horizon, and were re-engineering their whole approach to business. On these three areas current indications are that there would now be more co-operation and involvement of Pathway although there is still a lot of bridge building to be achieved.

- f) The Post Office continued to work on its aspirations for network banking and it seemed that the idea of a "Social Bank" was re-emerging in Government, perhaps as a result of the realisation that the private sector banks would not wish to handle all the benefit related work.

Basil Larkin (ex. Abbey National) is Managing Director of Post Office Network Banking Unit and Mr Stares would be meeting him next week.. Pathway was attempting to drive the issue forward in such a way that Horizon is the delivery vehicle for the Post Offices' banking aspirations. Mr Todd said that we must avoid giving the impression of "smugness" as these banking developments came to resemble what ICL Pathway had anticipated. Post office lack of funds was however, likely to restrict the way forward.

- Mr Stares
- Mr Stares
- Mr Stares
- g) Mr Todd and Mr Christou will discuss a meeting with John Roberts of the Post Office. Also Mr Stares will conduct a "charm offensive" with other Post Office executives to improve relationships. Mr Todd said ICL Pathway should not give up its comparative advantage in ensuring that network banking was delivered through Horizon. A total "end to end" sales campaign will be needed. Also Mr Stares and Mr Escudier will discuss the possibilities and relationships. Mr Christou informed the Board that ICL Pathway were currently trying to get Horizon positioned as an integral part of any Post Office solution regardless of the chosen supplier of other parts of the solution.

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4 Finance Director's Report

Mr Oppenheim amplified his written report and there was discussion. Points noted:

- a) He felt the focus of ICL Pathway was now definitely moving towards future possibilities, as the project continued to go well with acceptance behind us. The business was looking stronger and although the profits expected over the life of the contract were still not as good a return as we needed, the a degree of risk and of unallocated task were reducing significantly. However risks could increase in the near future as the demands on the system increased significantly with the rollout.
- b) Mr Oppenheim was confident that a good settlement would shortly be reached with De La Rue.
- c) Mr Todd had met PricewaterhouseCoopers, ICL and ICL Pathway's auditors. At present they still felt we were taking into the accounts, too much revenue in the early phases of the contract. (Mr Oppenheim would be explaining the treatment of revenue to PWC.) However PWC were comfortable over the profit percentage taken.
- d) On PC provision, the intention is to build out the full programme using the existing 365PC: the issues are determining the numbers required, and securing a fair price. Mr Oppenheim outlined an approach to eliminate the volume risk or need for contingency stock by "trading" POCLs PC entitlement for a credit note to be used for services. It was agreed that only those components requiring a last time buy should be provisioned now: we should not yet pay for these to be assembled. We will also negotiate strongly with Fujitsu-Siemens on PC prices.

Mr Oppenheim

Mr Todd also requested that we establish the future technical strategy for PC upgrades. The project should still be operating in fifteen years and we needed to future-proof the on-going operation.

Mr Stares

- e) The trading of surplus requirements for credit notes to use for services would be a means of allowing POCL to go forward with new developments despite the financial stringency at present. The approach was

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endorsed by the Board.

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Mr Stares Mr Todd also asked Mr Stares and Mr Oppenheim to ensure that ICL Pathway was paid for all the development work done for the Post Office.

Mr Oppenheim Also that Mr Oppenheim should prepare a summary of the risks, on the project, for the Board.

f) Mr Oppenheim was progressing use of timesheets in ICL Pathway, linked to ICL's propel initiative including Oracle. We were likely to be one of the first ICL businesses with this in place.

Mr Stares g) Mr Stares to prepare a report for Mr Todd on difficulties ICL Pathway is having in finding staff via A&TC with the right skills.

Mr Stares h) ICL Pathway will follow a tactical course of releasing the Post Office from payment obligations on work not required in order that the Post Office could use this cash on future developments with ICL Pathway. This would be a means of allowing them to go forward with new developments despite the financial stringency at present. Mr Christou added that we were on a "knife edge" in relations with the Post Office as a customer (having previously been worse) and that the next six months will determine the future course of business with them.

i) It was likely that eventually the Government will recognise and praise the ICL Pathway contribution through Horizon, but probably not until the whole network was in place.

5 Quality of the System

Mr Stares Mr Kurokawa raised the possibility of logging issues arising in the system against numbers of Post Offices "rolled out" in order to track software problems and "pinnacles" (of software bugs). This will be investigated, along with further statistics on numbers of calls/help desk activity.

Mr Stares Mr Todd said each Camelot CEO's report included a page of important metrics and Mr Stares will consider this.

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Mr Bennett said this was circulating round Whitehall for comment and he will seek ICL's copies. It is still likely the public accounts committee will discuss the NAO Report. The Chairman felt the perception of ICL in the Government's various investigation processes, had improved with the DTI report and should improve further when the Public Accounts Committee examined the issue.

Mr Bennett added that it appeared that CITU and the Cabinet Office still had negative perception of the Post Office and the Post Office should be advised to improve their image with them in a "modern" way.

7 Date of Next Meeting

23 February

09 May

(July replacement meeting under discussion)

29 November

(After the meeting finished there was a presentation to Sir Michael of a small gift by Mr Naruto and Mr Todd. Sir Michael remarked that a good team had been formed at Pathway and which had, through great effort brought the project to the favourable position it was now in.)