

ICL PATHWAY LIMITED

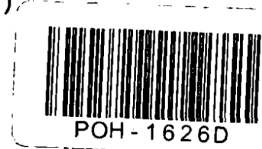
MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

HELD AT

ICL HOUSE, 1 HIGH STREET, PUTNEY, SW15 1SW

ON MONDAY, 2ND SEPTEMBER ~~JULY~~ 1996 ¹²⁵

Present: Sir Michael Butler (Chairman)
Mr T K Todd
Mr R Christou
Mr J H Bennett
Mr A Oppenheim
Mr T Reynolds



In attendance: Mr R F Scott (Secretary)
Mr T Austin

Apologies for absence were received from Mr R Banks and Mr J White.

ACTION

96/63 MINUTES OF LAST MEETING

The minutes of the meeting held on 30th July 1996 were approved as a correct record and signed by the Chairman.

96/64 DRAFT STATUTORY REPORTS AND ACCOUNTS

The Board reviewed the draft. Mr Oppenheim would check the taxation implications of the wording relating to commencement of business in the Report of the Directors. It was noted that a note similar to other ICL subsidiaries, concerning Directors' interests (pointing out that although the Directors had no interests in the shares of the Company, several had interests in the capital of ICL PLC) would probably be added before the accounts were signed.

It was agreed that Mr Todd and Mr Oppenheim would then on behalf of the Board approve the accounts and authorise signature on the balance sheet by any one Director, would approve the Director's report and authorise signature of it by the Company Secretary, then approve that the Company Secretary arrange the Company's Annual General Meeting at a convenient date following signature by the Auditors of their report.

GRO

96/64 MANAGING DIRECTOR'S REPORT

Mr Bennett supplemented his written report and there was a discussion with the following points noted:

- a) The operational trial had begun today, a significant milestone which, if not met, would have brought penalties.
 - b) Mr Bennett would circulate the Board a draft of the Company's communications plan and it was agreed that although some briefings would take place (for example of the local press in Stroud) regarding the "limited go live", at present we would play down the publicity aspects of Pathway's activities until the national rollout next year. Nevertheless, the Chairman said we should be prepared for all eventualities.
 - c) On relationships it was noted that the core negotiating team (CNT) had been revived. This involved Messrs Oppenheim, Spencer, Morley and others as necessary from Pathway and Ms Kelsey and others from the customer. Mr Bennett and Mr Andrew Stott were holding weekly meetings and these were going well.
- There would be a business development meeting with POCL towards the end of September and prior to that Mr Bennett would ensure Pathway's information on ICL Retail's activities was up to date on matters such as loyalty systems.
- d) The ways in which we might be able to ensure POCL took more responsibility for the solution was discussed and Mr Bennett would consider these. The Board also discussed the way strategic DSS activities would affect the solution and Pathway's business, for example a computerised register of deaths. It was agreed that the large scale project the DSS was announcing to completely re-engineer its activities was quite likely to include such a register amongst many ramifications and Mr Todd said that other functions in ICL were and would remain abreast of these developments.
 - e) Mr Bennett said further work was required on sub contracts including Girobank where a discussion with Mr Banks was about to be held. On BT, discussions were taking place whether Energis would be used as a sub contractor to BT or not and following Board discussion it was agreed that we

GRO

Mr Bennett

would carefully consider the terms of the BT contract to ensure we were able to take advantage of any reducing telecommunications prices in future.

Mr Bennett drew attention to the increased pressure on Pathway resources and the fast pace of recruitment. He concluded by reporting that he had presented on Pathway and the solution to Fujitsu in Tokyo where a keen interest and a willingness to help and learn from Pathway's experience, was expressed. Mr Todd said feedback from Tokyo had been very favourable and he congratulated Mr Bennett and Mr Hollingsworth on their efforts.

96/65 PROGRAMME UPDATE

Mr Austin gave an oral update and there was a discussion, points noted:

- a) Mr Austin said that since the last meeting of the Board, where there had been some pessimism on meeting the initial go live date (IGL) of 23rd September, matters had improved significantly and he was now optimistic of success with the tremendous amount of work which Pathway had to do within the next three weeks to achieve the milestone. The customer's agreement to combined Pathway/customer testing had been secured for the IGL and this was a significant achievement.
- b) Although IGL involved only 1500 individual benefit recipients covered by ten post offices in Stroud, each with two counter positions involved, nevertheless IGL, a full end to end service, was the foundation for Release 1 and the full solution.
- c) On the basis of achieving combined customer/Pathway testing on IGL, Mr Austin hoped to achieve common testing for Release 1.
- d) Mr Austin emphasised the complexity of Release 1 and the fast pace at which the programme was moving. Inevitably, there were considerable pressures on resources and skills and on the individuals concerned many of whom were working through the weekend and constantly on call. He had been talking to ICL High Performance Systems over skills, particularly architectural skills, which they could bring to help Pathway although HPS staff would need reskilling and training.

GRO

Mr Austin confirmed that work on the end to end basic functionality of the solution was back on plan after the indication of delay in Mr Bennett's report issued last week. However, there were features such as the security functionality which had not yet been integrated into Release 1. Mr Christou asked whether such functions were subject to change control ie where extra payments or agreed delays would be produced by the change control system. Mr Oppenheim replied that we did not have an agreed release strategy so there was no base-line to base a change control claim on and that achieving such a base-line represented a major challenge for the next month. Mr Oppenheim was concerned that there might be higher expectations in the customer for the performance and features of Release 1, than was actually the case.

- e) Mr Austin confirmed the critical dates on Release 1 included 31 December/2 January when the model office project would begin. This would last for 3 months until the end of March, followed by a live trial at 200 Post Offices. We had managed to compress model office and testing times effectively bringing the model office work forward to October and gaining some breathing space.
- f) In reply to Mr Reynolds, it was noted that EPOS testing would begin end October. Mr Reynolds raised another point, ie that there seemed to be some pressure on POCL from the Federation of Sub Postmasters on provision of the printer, and stationery to print receipts etc in Post Offices when benefit payments were made. After discussion it was agreed Mr Bennett would ensure this topic was reviewed most carefully since any lengthening of the time taken to process benefits at the counter could reduce Pathway's ambitions to achieve very high volumes and consequent revenue and profit. The Chairman added we appeared to have a common interest with Mr Sweetman and POCL on this and Mr Bennett would brief the Chairman for his forthcoming lunch with Mr Sweetman.

Mr Bennett

Mr Bennett

96/66 FINANCE DIRECTOR'S REPORT

Mr Oppenheim referred to elements of his written report and there was a discussion. Points noted:

- a) He emphasised that contractual negotiations were taking place in the light of a desire to enable the testing process to go ahead. He referred to the contract changes contemplated, some of which were going through the "change control" process. Mr

Mr Oppenheim Christou and Mr Todd asked that he review the pricing on extra costs to be charged to the customer to ensure that full Pathway costs and ICL overheads were met, with some profit. Mr Oppenheim would talk to the CHOTS team for advice on elements of this approach.

b) From the separate report produced by Mr Wingrove, it was noted that Pathway expected to spend in 1996, £1.2m more than previously forecast. This however could be explained by additional work on the IGL and the extra recruitment activity, including the cost of salaries etc, which Mr Austin was having to undertake to meet the project milestones.

Mr Oppenheim c) Mr Oppenheim would prepare a full review of the business case for the next Board meeting, in the light of the increased costs reported, and he would explain how through other cost reductions and increased revenue opportunities, he hoped to make up ground.

96/67 BANK FINANCING UPDATE

There was a brief discussion on the complex negotiations and plans for bank financing of the Company and the project. Full proposals had not yet been developed. It was noted that for the time being ICL continued to finance the Company and the project was not being impacted as the financing negotiations with the banks became more protracted.

Mr Todd said that ICL was itself reviewing its capacity to fund Pathway and its ability to fund other major projects. The results of this review would be borne in mind in regard to the bank financing priorities.

96/68 DATES OF NEXT MEETINGS

The date of next meeting would be Monday, 25th November 1996 at 9.00am in Putney. The following meeting would be held on Thursday, 23rd January 1997, again in Putney.

Mr Bennett would bear in mind that he could ask the Chairman to convene an emergency meeting at any time if necessary, between the pre-arranged dates and in the meantime he would circulate his 'diary note' briefings on progress with the project, to the Board.