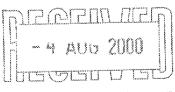
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NATIONAL EXECUTIVE COUNCIL

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Post Office Counters Ltd

Mr C Baker
General Secretary
National Federation of Sub Postmasters
Evelyn House
22 Windlesham Gardens
SHOREHAM BY SEA
Sussex
BN4 5AZ

ref. dg680 3 August 2000

Dear Colin

Following our recent conversations I thought it would be helpful to formally record where we are on a couple of issues:-

1 CSR+ Software Release

The roll out of Horizon continues to progress well, and is currently ahead of schedule. The development of our next software release, CSR+, has also been progressing well against a very stretching plan. This release extends Horizon to include Smartcard capability, a link to distribution systems to enable improved provisioning of cash and stock and significant upgrades to the infrastructure to improve system manageability and security.

A process of reviewing the outputs of testing and the readiness of both Post Office Network and ICL Pathway to begin a trial of CSR+ in 300 outlets has just been concluded. The objective of the process was to ensure that the software release could be introduced into the business without compromising our day to day operations. Now that Horizon is live in more than half the network, that process is particularly critical.

ICL Pathway have identified a number of outstanding faults related to infrastructure enhancements that could create significant problems in the live environment if CSR+ was introduced without them being fixed. They have advised that the start of the pilot should be postponed. We are fully in agreement with this recommendation.

Such an outcome had been allowed for within the plan and so the roll out of the upgrade can still be completed within the existing timescales. ICL Pathway have proposed a postponement of three weeks, well within the contingency of five weeks built into the plan, to allow for the full resolution, including testing, of the technical incidents identified.

Post Office Counters Ltd 20-23 Greville Street London ECIN 8SS

Fast Office Countries Lad Registered in England No. 21843th Registered Office King Edward Building King Ethios d Screen Landan EC12 122 3 3 August 2000 Mr C Baker

I am sorry if this sounds less than sympathetic to those who may encounter their learning curve in the busy weeks just before Christmas but if we are to automate our network as planned, with all the attendant benefits this will bring, then we cannot contemplate suspending all migration activity in any week for which it is currently scheduled. We will do all we can to enhance the support we provide to these offices. Installations will resume again after Christmas on 8 January 2001.

Yours sincerely

GRO

Don Grey

National Horizon Roll out Project Manager

Telephone number:

GRO