

Company Secret

ICL PLC

Minutes of the meeting of the Board of ICL Pathway Limited

Held at 10.30 am on Tuesday 20th July 1999
At 26 Finsbury Square, London, EC2A 1SL

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

In attendance: Mr R F Scott (Secretary)
Mr A Nagai
Mr H Hirata

Action by: 1. Membership of the Board

It was proposed that Mr Kurokawa join the Board. It was also proposed that Mr M Stares and Mr T Escudier become directors to, in particular, enable the Board to form a single ICL view on how the Pathway project will help with ICL's Government and financial service customers. The Board agreed the proposals and

RESOLVED

- a) That Mr H Kurokawa be and he is hereby appointed a Director of the Company.
- b) That Mr M Stares be and he is hereby appointed a Director of the Company.
- c) That Mr T Escudier be and he is hereby appointed a Director of the Company.

2. Minutes of the past meetings

The Minutes of the meetings held on 7th May 1997 and 11th May 1999 were approved as a correct record and signed by the Chairman.

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Mr Christou confirmed that the accounts for the year ending 31st December 1997 had been filed at Companies House.

4. Managing Director's Report

Mr Bennett expanded on certain points in the report circulated with the meeting papers and there were questions and discussions. Points noted:

- a) Software release LT2 had been successfully implemented as planned and was making a significant difference in the existing 299 post offices in live trial. 23 more post offices were being added very shortly.
- b) Acceptance was now "centre stage" and many incidents were being handled via the "acceptance incident list" prior to the expected acceptance date. These included the "hot list" which had mainly arisen from the live trial experience. Items on the "hot list" must be resolved before acceptance was complete.
- c) Mr Bennett referred to "cost down" proposals which were as important to the financial outcome as the programme milestones. These proposals centred on reduction in manpower, dealing effectively with compensation claims from sub-contractors arising from cancellation of the benefits card and savings on ongoing sub-contract activities.
- d) The Board noted the cash payments which would follow acceptance and then successful roll out of the first 1800 post offices. The payment on acceptance was £68m. Acceptance was targeted to happen on the 16th August and the invoice could be raised shortly afterwards with a 30 day payment period. The earliest time the first roll out could be achieved would be at the end of the first week of November. Then the invoice could be raised with 30 day payment. Delays on acceptance and roll out involved delays in payment through Christmas and into, possibly, Year 2000 issues and it was determined that this situation be avoided. It was later made clear in the meeting that if payment were received on the dates indicated above, ICL Pathway would not require a further standby financing facility from Fujitsu.

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- Mr Bennett
- e) Until roll out was successfully achieved it was not realistic to refer to ICL Pathway as having a full partnership with the Post Office (which it was hoped would lead to increases in business above the base contract in future). We should therefore concentrate at present on a successful relationship as a contractor to the Post Office. Mr Bennett referred to the “close engagement” policy we were following on Acceptance with the Post Office with urgent attention to issues which arose for example on Wednesday evening in the Post Offices. Mr Todd asked the executives to ensure that all mission critical issues were identified and dealt with such that the “go live” date was not delayed.
- Sir Michael/
Mr Todd
- f) Sir Michael referred to ICL Pathway and ICL’s reputation over the project, to government attitudes and the activities of the Parliamentary Committees particularly those for Trade and Industry and the Public Accounts. Mr Christou had been approached by the National Audit Office requiring information, probably as a precursor to investigation into and discussion of the recent events on the project, by the Public Accounts Committee. A draft letter was being prepared to correct the impression given by Ministers in their evidence to the Trade and Industry. It was hoped this would prevent Ministers from again implying that ICL or ICL Pathway was responsible for the problems of the project. Mr Todd and Sir Michael would discuss this approach. Also, Mr Christou and Mr Bennett would re-read the PA and Treasury panel reports in order to advise Mr Todd whether there was any reason why we could not confirm we saw no issues concerning commercial confidentiality (i.e. as far as we were concerned these reports could be given to the Parliamentary Committees).
- Mr Bennett/
Mr Christou

5. Commercial and Financial Director’s Report

Mr Oppenheim referred to his report which had been circulated and there were questions and discussion. Points noted:

- a) Codification of the new contract between ICL Pathway and Post Office Counters Limited, to replace the legally binding Letter of Intent executed at the end of May 1999 had progressed well and signature had been recommended to the Post Office Board. Mr Oppenheim said that he felt this was a clear contract, better than the original and with more acceptance within the Post Office

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Mr Oppenheim

than the previous Letter Agreement. He felt it would form the basis of a successful working relationship. Staff would be educated on the new agreement. Mr Oppenheim said that in addition to the new contract, the entire change control procedure had been re-written in order to make this process more understandable to all concerned.

- b) Mr Kurokawa referred to the necessary guarantee letter of ICL Pathway, in respect of the new contract, from Fujitsu Limited which was going to the Fujitsu Management Committee for consideration on 21st July. Mr Todd took the opportunity to again acknowledge the positive and helpful support of Fujitsu in the Pathway project. He also thanked the negotiating team including Mr Oppenheim, backed up by Mr Christou, for their efforts in arriving at the new contract document.
- c) Mr Oppenheim said that ICL Pathway now had a clear financial and banking strategy and relations with the banks were improving. He confirmed that if acceptance and roll out took place on time there would be no need for a further Fujitsu standby facility. Nevertheless this matter would remain under review and Mr Kurokawa would be advised immediately of any delays in acceptance and roll out which would impact (inter alia) on the need for further finance from Fujitsu.
- d) Mr Oppenheim referred to the business case for the project. He felt ICL Pathway was on track with the assumptions made in the existing business plan but contract negotiations had taken precedence over business plan improvement for the time being. Mr Todd requested Mr Bennett and Mr Oppenheim to produce a plan before the end of September in order to show how we can move the project into profit. This would be a recovery plan for the project's profitability and Mr Todd had committed this to Mr Akikusa (at present the business plan showed profit through to 2002 of £130m, £50m less than the provision taken of £180m).

Mr Bennett

6. Financing and Share Issue

Mr Oppenheim explained the financial background to the Company's position leading to the proposal that the Company issue £131.7m new ordinary shares to its parent International Computers Limited which would, in particular, enable loans and other financing to be repaid.

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The Company Secretary explained the formalities required to increase the Company's share capital and issue the new shares and the Board

RESOLVED

THAT the following Ordinary and Special Resolutions be approved for submission to the Company's Shareholder with the request that they be approved:

"The Undersigned hereby Resolve that:**Ordinary Resolutions**

- A The Authorised share capital of the Company be increased from £20,000,000 to £151,701,000 by the creation of 131,700,000 new ordinary shares of £1 each ranking pari passu in all respects with the £1 ordinary shares in the capital of the Company in issue on the date of passing of this resolution.
- B With effect from the time of passing of this resolution the directors be unconditionally authorised, pursuant to Section 80 of the Companies Act 1985, to allot relevant securities (as defined in that Act) up to a maximum amount of £131,700,000 at any time or times during the period of five years from the date hereof and at any time thereafter pursuant to any offer or agreement made by the Company before the expiry of this authority.

Special Resolution

- C In accordance with Article 3(b) of the Company's Articles of Association the Directors of the Company be and are hereby instructed that the following authorised but unissued share capital

131,700,000 ordinary shares of £1 each created today under the ordinary resolution A above;

shall be offered immediately to International Computers Limited".

Following this there was a brief adjournment of the Board meeting to enable the Company's shareholder, International Computers Limited to consider the above shareholders resolutions and, if agreed, to formally apply for the new

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shares in the Company.

International Computers executed the shareholder resolution and made application for the new shares. The Chairman then reconvened the meeting, and

The Directors note that

International Computers Limited (ICL) had made application to the Company for 131,700,000 ordinary shares of £1 in the capital of the Company payable at par and had accordingly made arrangements for payment to the Company of £131,700,000, and the Directors hereby

RESOLVE

A **THAT** 131,700,000 ordinary shares of £1 each in the capital of the Company be and are hereby issued and allotted to ICL that the name of ICL be entered in the Register of Members as holder of the said 131,700,000 ordinary shares and that the Common Seal of the Company be affixed to a share certificate in the name of ICL therefor.

B **THAT** the Company Secretary be and he is hereby authorised to file all necessary documents resolutions returns and forms make entries in the Company's Register and otherwise do any act or thing needed to complete or perfect the matters referred to in the resolution set out above.

7. Statutory Accounts for the Period 31st March 1999

Mr Oppenheim tabled a new draft of the proposed Statutory Accounts and explained the salient features. It was noted that there was still matters to be finalised on the accounts and the auditors had not yet confirmed they were ready to sign their report. Accordingly the Chairman proposed that a Committee be established to finalise the accounts, authorise their signature and complete other necessary formalities. The Board then

RESOLVED

THAT a Committee comprising Mr A E Oppenheim and Mr R Christou be and are hereby authorised on behalf of the Board to

- i) Approve and arrange signature of the Directors Report and Financial Statements and otherwise approve the said

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Report and Accounts after making such changes to any draft as they deem necessary or desirable.

- ii) Authorise and sign any Letter of Engagement and/or Letter of Representation to the auditors, Messrs Pricewaterhouse Coopers.
- iii) Instruct the Company Secretary to arrange a shareholder meeting including any necessary formalities for the appointment of Messrs PricewaterhouseCoopers as auditors until the next Report and Accounts are laid before the Company's shareholders.
- iv) Negotiate, agree and arrange any Letter of Support or Guarantee from any holding company or otherwise relating to any aspect of the Company's business and give any commitment or undertaking on behalf of the Board in connection with the approval etc of the Report and Accounts or related matters.

8. Change of Registered Office

The Secretary reported that the Post Office had changed the post code of the Finsbury Square building with the result that ICL Pathway Limited amongst other ICL subsidiary companies must change its registered office from 26 Finsbury Square, London, EC2A 1DS to 26 Finsbury Square, London, EC2A 1SL. This was agreed and the Company Secretary would file the form.

9. Date of Next Meeting

The next previously planned meeting was 24th November 1999 but it was agreed a meeting would be held in September to consider the position concerning acceptance and roll out in particular. The Company Secretary would contact Board members and fix a date.

Company
Secretary