

COMPANY IN-CONFIDENCE

ICL PATHWAY LIMITED

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

HELD AT

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

ON FRIDAY, 14TH MARCH 1997

Present: Mr T K Todd (In the Chair)
Mr R Christou
Mr J H Bennett
Mr A E Oppenheim
Mr T Reynolds
Mr J White



In attendance: Mr R F Scott (Secretary)

Apologies for absence were received from Sir Michael Butler, Mr R Banks and Mr T Austin.

ACTION

97/10 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 30 January 1997 were approved as a correct record and signed by Mr Todd.

97/11 MATTERS ARISING

97/4 g) - Mr Bennett had circulated a paper on Year 2000 issues and the Pathway solution had been audited. He was now requesting conformance certificates from the customer on his systems. An internal discussion paper had been circulated within Pathway on the Single European Currency and the Pathway position was being fed into the overall ICL Strategy on this matter. Mr Reynolds outlined An Post's progress on both these issues.

JH BENNETT

It was agreed that on the Single European Currency, Mr Bennett would discuss the issues for Pathway in more detail with Mr White, Mr Reynolds and Ms Sue McLaren-Thomson, who was leading the ICL Centre of Excellence on the topic.

97/12 MANAGING DIRECTOR'S REPORT

Mr Bennett presented (slide copies attached for absent directors) and referred to his written report which had been circulated. Points arising:-

- a) Mr Bennett said that the significant achievement so far this year was the agreement on a joint plan for 1997 with the customer, with the commercial implications captured satisfactorily.

COMPANY IN-CONFIDENCE

b) There would be a number of phases of "Release 1" during the year, with Phase 1 (OBCS) at the end of April, and Phase 2 (including OBCS and the Benefits Payment system) at the end of June for 200 Post Offices. EPOSS and APS, ie the final full release of the solution, would be 8 September with national roll-out in November. The bottom line target was release of a full product set in 2200 Post Offices (4500 counters) by the end of the year.

c) Release 2 was being designed and under development, to go live at the end of January 1998. Only at this stage would multiple benefit payment be achieved, as all the activity within Release 1 was Child Benefit. Mr Christou noted that under the original plan, multiple benefit payments should have been achieved during 1997 and that there had been at least a twelve month slip, twenty-two months for some benefits, as a result principally of CAPS delays. Mr Todd asked that Mr Bennett look at the opportunities for additional POCL product capability to be included in Release 2 and Release 3 at end April 1998.

JH BENNETT

d) It was noted that the delay was also impacting De La Rue's card production and GiroBank's help desk activity. Mr Oppenheim said that in 1998 there would be a f10m reduction in ICL Pathway's revenue as a result of the CAPS slippage.

e) He expanded on the commercial position by saying that we had been granted a seven month extension to the contract to compensate for the slippage at the front end of the contract and also the training issue. However change control had not yet captured the CAPS migration slippage. He had written to the customer to ensure that it would go through change control but expressed concern that securing compensation would be difficult. Mr Todd expressed general concern over the CAPS delays and whether we could have confidence in the schedule the customer could now sign up to was achievable. Reviews were taking place on the CAPS issue and Mr Bennett would put together a paper setting out the Pathway view, drawing attention to all the effects and implications.

JH BENNETT

f) Part of the CAPS migration delay was down to data cleansing. This was required to enable benefits to be paid reliably since approximately 6% of the data contained errors.

JH BENNETT g) Mr Bennett would review the roll out plans between Christmas and the year end, in order to maximise use of the "quiet period" after Christmas in the Post Offices.

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COMPANY IN-CONFIDENCE

- h) On testing and integration, progress was noted, but too many changes affecting the solution, were still taking place or being put forward. Steps were being taken to put a price tag on all customer originated change requests now that basic Requirements were being met, and it was expected some suggested changes would be dropped when the customer saw all the implications.
- i) It was noted that OBCS would start at the end of April.
- j) On User Awareness, programmes had been started with subpostmasters, for the April Release and good enthusiastic attendance was being achieved. Surveys had taken place of 200 Post Offices so far and a training programme for subpostmasters agreed. Good progress had also been achieved on migration, a big issue covering the procedure and content of the office. Agreement in principle had been reached that ITSA and EDS would establish a contractual relationship, such that ICL Pathway would contract with ITSA and not EDS.
- k) Major releases had been received from Escher during the last week after much effort by all sides. However, there was a serious issue, perhaps the biggest facing ICL Pathway, of scalability of the Escher software. It seemed to Mr Bennett and Mr Oppenheim that it was unlikely that Escher itself could modify the RIPOSTE software sufficiently quickly and comprehensively to deal with the scalability issue and a contingency plan had been put in place whereby Pathway itself would do this work, with the help of specific inputs from Escher. Mr Oppenheim assured the Board this would have not major implications for operations in the Post Offices. It was agreed that Mr Austin would give a presentation on scalability, for the next meeting of the Board.

T AUSTIN

- l) Amongst updates Mr Bennett gave, it was noted that there was a way forward for Service Management and Mr Muchow would report on this to the next Board meeting. A Suppliers Round Table had been established and Risk Management reporting improved. ICL Pathway began the year with some £80m worth of risk and if the mitigation actions as currently defined were pursued we could reduce this to £27m by the end of the year. Aggressive action on the risks would continue.

JH BENNETT

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COMPANY IN-CONFIDENCE

- m) On the lower priority of opportunities for the solution with other Postal Authorities, it was noted that Escher had contracted with the Australian Post Office. Mr Todd said that the previous discussions on an ICL Pathway/An Post/Escher agreement on the way forward internationally would continue and he was particularly concerned not to become involved in any international sales without such an agreement in place.
- n) Mr Bennett said that ICL Pathway had been given good publicity through the announcement of the ICL results on 12 March and Mr Todd outlined these to the Board including ICL's successful moves to become exclusively a Systems and Services provider with, now, no manufacturing facilities. Profit at present was around 1% on revenue of £2.4bn and Mr Todd was aiming for a 5% return at least.
- o) Mr Bennett's list of challenges were noted, to include the scalability issue, for the future.
- p) Mr White enquired on the position on Post Office Counter space, discussed at the last meeting. This was still a significant, if basic, issue. Several thousand Post Offices were affected and ICL Pathway was drawing up a list of what was needed, graded by expense of alterations etc.

JH BENNETT

On this and other existing issues, Mr Bennett would tabulate these with a timescale to resolution and a note of who in ICL Pathway was responsible for resolving them.

97/13 FINANCE DIRECTORS REPORT

Mr Oppenheim reported on matters covered in his written report, not mentioned so far under the Managing Directors' report. Points noted:-

AE OPPENHEIM

- a) The question of advance payments to ICL Pathway had been raised at the last meeting, particularly in the light of programme delays and Mr Oppenheim said that such payments seemed particularly unlikely now, since the Post Office (Royal Mail) had missed its profit budget. Mr Todd asked that work intensify in ICL Pathway on an agreed procedure with the customer to obtain payment for changes going through the Change control process, ie outwith the normal transactions income of the company. Mr Oppenheim confirmed that this was now being done as routine, at the full rates set out in the contract.

AE OPPENHEIM

- b) Regarding suppliers it was noted that as a result of change control and following the CAPS delays, all supplier plans would be rebased to align with the replan. Mr Oppenheim would report to the next meeting on this and other progress with suppliers.

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COMPANY IN-CONFIDENCE

- c) Mr Todd said that it was intended to complete the project finance arrangements with Fujitsu by the end of June.
- d) Mr Todd asked that in future Mr Bennett and Mr Oppenheim prepare for the Board, a review of progress "critical drivers" or significant actions needed, with the consequent effect on all elements of the business case. For example, there might be 50 significant matters vital for ICL Pathway success and also with significant commercial implications on the business case. The Board had to be appraised at each meeting of progress on these, timescales and risks and opportunities both upside and downside.
- JH BENNETT/
AE OPPENHEIM**

97/14 RELATIONS WITH THE CUSTOMER

Mr Bennett referred to the "away day" meeting of the PDA and ICL Pathway management to try to understand each other better. Some progress had been made although there was a long way to go. In contrast, relations with POCL were much better. In due course the control of the contract between ICL Pathway and the customer could move from the PDA to POCL. In the meantime, amongst other continuing reviews with the customer, there would be an examination of the customer service level agreements to be put in place and a joint activity to address "Acceptance".

97/15 DATES OF NEXT MEETINGS

The following were again confirmed for 1997:-

Wednesday, 7 May
Wednesday, 9 July
Monday, 29 September
Thursday, 13 November

All would be held at ICL Putney, 14th floor, room 1401/2 and commence at 10am.

GRO

7.5.97