

Witness Name: Richard Christou

Statement No.: WITN03840100

Dated: 20 March 2023

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF RICHARD CHRISTOU

I, RICHARD CHRISTOU, will say as follows:

INTRODUCTION

1. I am a former employee of International Computers Ltd (“**ICL**”) (later renamed Fujitsu Services Limited (“**FSL**”) and thereafter a former employee of Fujitsu Limited (“**Fujitsu**”). I retired in May 2012. I attach as an annex to this statement a brief curriculum vitae.
2. This witness statement is made to assist the Post Office Horizon IT Inquiry (the “**Inquiry**”) with the matters set out in the Rule 9 Request dated 6th January 2023 (the “**Request**”), to the extent I have direct knowledge of the matters addressed in the Request. The Request deals with events many of which took place over 25 years ago, so in some cases my recollection is limited. I have therefore refreshed my memory by reviewing the documents provided to me by the Inquiry. To the extent those documents have assisted my recollection, I refer to the documents using the URN numbers listed in the index accompanying this statement.

3. In preparing this witness statement, I have been assisted by Morrison Foerster, the recognised legal representatives for FSL in the Inquiry.

PROFESSIONAL BACKGROUND

4. Most of my involvement in the issues being examined by this Inquiry occurred in the second half of the 1990's during part of the period when I was employed as Director of Commercial and Legal Affairs for the group of companies (the "**ICL Group**") owned in the UK and abroad by the holding company then named ICL plc.
5. In this capacity, I was responsible for the provision of legal and commercial advice in connection with the participation of the ICL Group in the tender for the Horizon IT System ("**Horizon**") by a consortium operating under the umbrella of Pathway Limited ("**Pathway**"). ICL, a wholly owned subsidiary of ICL plc and its operating company in the UK, was a member of this consortium and owner of the necessary shares in Pathway on behalf of the ICL Group. The other shareholders were De La Rue and Girobank.
6. The project for the development, supply, installation and maintenance of Horizon (collectively the "**Project**") for the Benefits Agency ("**BA**") and Post Office Counters Limited ("**POCL**"), was awarded to Pathway. I was involved, acting on behalf ICL, in the legal and commercial aspects of the preparation of the tender and (after award of the Project to Pathway) the negotiation of the initial contracts for the delivery of the Project which were signed in May 1996 (the "**Related Agreements**").

DELAYS IN DEVELOPMENT OF HORIZON

7. Although I recall that there were various periods of delay and consequent changes of the time scales for the deliverables forming part of the Project, I cannot recall any details of the exact periods of delay. Certain documents which I have been asked to consider, FUJ00077850, FUJ00077835 and FUJ00077836 contain forecasts of delays, but I do not recall the details mentioned therein. However, it is clear that the forecasts were overly optimistic. For example, the forecast for completion of the national rollout was the second half of the year 2000, while in fact such completion did not occur until 2002.

8. The reasons for these delays, in my opinion, go back to the tender process and the provisions of the Related Agreements.

9. In an ideal world, the placing of any system development contract of the nature of the Project should take the following course:
 - a. The customer decides upon the high-level business requirements which the project would satisfy.

 - b. The customer (in some cases together with the contractor) then creates a detailed functional specification showing each step of the business processes involved in delivering the business requirements. The customer (even if assisted in its creation by the contractor) then

accepts that the functional specification satisfies its business requirements.

- c. The contractor then creates the detailed specification of a system (comprising hardware and software) which would operate in accordance with the requirements of the functional specification.
 - d. The resulting contract is then based on the premise that the contractor undertakes to deliver the system as specified and warrants that such system will enable the customer to carry out the business processes set out in the functional specification.
 - e. There may (but not always) then be a service level agreement under which the contractor undertakes to provide specified services (for example, maintenance or help-desk facilities) in respect of the system during the term of the contract. Such agreements may also contain change control processes which allow for the provision of additional functionality or other changes required by the customer subject to agreement on the specification, price and delivery dates.
10. Unfortunately, such an ideal contractual framework is hard to obtain in the world of competitive tendering, and impossible when dealing with the Private Finance Initiative (“PFI”) regime, which I do not believe is suitable for IT projects.

11. In practice, the tendering process for the Project resulted in little room for negotiation of the terms and conditions which, after the award to Pathway, were embodied in the Related Agreements. In addition, the time scales set out in the tender were very ambitious. BA, in particular, was anxious to conclude negotiations, make an award and place a contract for the Project as quickly as possible. I understood this to be because the then Minister, Peter Lilley, wanted to demonstrate substantial progress on the BA smart card at a forthcoming Conservative Party Conference.
12. Although some negotiation was possible, Pathway was determined to win the tender, and decided to undertake as little negotiation as possible in order to better its chances of obtaining the award.
13. The result of this was that, when Pathway finally negotiated and signed the Related Agreements, it was on the basis of an incomplete system specification with many areas left unsatisfied and subject to “agreements to agree”, which are of course not binding under English Law.
14. There was no true functional specification, and neither BA nor POCL had really considered in detail the changes to their businesses processes that would be necessitated when Horizon became POCL's business platform. I recall that POCL had very little by way of existing business process manuals. In order to proceed with the development of Horizon, it was necessary for POCL to produce these manuals with the assistance of Pathway, in parallel with the progress of the development. Thus there was

continued discussion with both customers on how to resolve “agreements to agree” and on what detailed business processes required digitalisation.

15. In my view, this was a situation in which the contracting parties were trying to finalise both a functional and a system specification at the same time as the contractor was trying to develop and deliver the system. Delays and disputes were inevitable.

16. There were two additional factors contributing to delay.

a. The first was that the Related Agreements, in essence, amounted to a consortium contracting with two customers. This is never an ideal situation. Even with good will on the part of all parties, and a properly drafted contract, genuine differences of opinion on the way forward are likely to occur.

Even if the two customers had both been enthusiastic about the completion of the Project, there would have been differences between their requirements which would have likely caused problems for Pathway. However, in this case, the problems were exacerbated because, from the outset, BA was reluctant to move to the smart card method of paying benefits (see below my views on the position of BA). In these circumstances the conclusion of any “agreements to agree” which involved BA was never easy.

- b. The second factor was the delay in the development and rollout by BA of its Customer and Accounting Payment System (“**CAPS**”). As I understood it, CAPS was necessary for the operation of the BA smart card element of the Project. This was because, when a smart card would be presented at a post office for payment of a benefit, Horizon would then have to interface with CAPS, via the relevant benefit card, in order to verify and make the payment.
17. The problems caused by the fact that Pathway was in essence a consortium were removed when the other consortium members withdrew from the Project and sold their shares in Pathway to ICL in July 1996, although I recall their representatives remained on the board of the company for some time afterward, as sub-contracts between the withdrawing shareholders and Pathway in respect of some aspects of the project were at that time still in place.
18. I believe their reason for withdrawal was their perception of the amount of risk inherent in the terms of the Related Agreements. I believe that ICL, for its part, wanted sole control of the Project in order to manage it as it thought best.
19. Pathway then became a wholly owned subsidiary of ICL, and was renamed ICL Pathway Ltd (“**ICL Pathway**”). Although the withdrawal of the other consortium members made decision making in ICL Pathway easier, it was, of course, too late to solve the problems arising from the stance taken by

the consortium members (including ICL) in the conduct of the tender and the negotiation of the Related Agreements.

20. I thus became solely responsible for advising the ICL Group, including ICL and ICL Pathway on the legal and commercial aspects of the Project. From 1997 onwards, I was therefore closely involved in the various disputes concerning the delays in the progress of the Project.

21. The short-term consequence of the above delays was increases in ICL Pathway's costs. As is always the case, this gave rise to disputes as to whether such increases were caused by ICL Pathway's default or changes in the customers' requirements. In addition, these delays put severe strain on ICL Pathway's cash flow position. There were also longer-term consequences, which I have explained further below in paragraph 68.

22. The increasing delays in the Project and their financial impact on ICL Pathway led to intensive contractual negotiations with POCL and BA during Q4 1998. It was agreed to submit the then current disputes between the three contracting parties to Mr. Graham Corbett in September 1998 by way of mediation.

RELATIONS BETWEEN POCL AND ICL/FUJITSU

23. In order to respond to questions regarding the relations between POCL and ICL/Fujitsu, I have been asked to consider documents POL00028689, POL00028444, POL00028688, POL00039895, POL00028693 and

POL00031113. These documents relate to attempts of the three parties to find a way forward which would enable the Project to continue (subject to specified contractual amendments) for the benefit of all parties. The suggested solution was based to some extent on the results of the mediation with Mr. Corbett.

24. The problem with this mediation was that Mr. Corbett considered ICL Pathway should write off all the work in progress relating to the Project which was currently held on the balance sheet in anticipation of future payments from the customers under the terms of the Related Agreements. He thought there could then be a clean slate from which to renegotiate the future performance of the Project.
25. This write off would have resulted in the insolvency of ICL Pathway, and its losses would have been reflected in the balance sheets of ICL plc and ultimately of Fujitsu. Having considered again the copy of my memorandum dated 13th October 1998 entitled "Proposed Way Forward for the BA/POCL Programme" (POL00028688) ("**My Memorandum**"), I confirm that this was an accurate summary of the status of the then current problems with the Project and of ICL's reactions to Mr. Corbett's proposal; and that My Memorandum accurately set out the objectives which ICL was seeking to secure by way of contract renegotiation in order to preserve the Project.
26. The remaining documents I have been referred to in relation to this section (POL00039895, POL00028693 and POL00031113) record the advice

given by BA and POCL's legal advisers on the merits and drawbacks, as they saw them, of the proposals in My Memorandum. I would highlight in particular the following points about the negotiation.

27. As stated above, and in My Memorandum, the financial position of ICL Pathway was precarious. It had suffered cost overruns due to delays in the project, and cash flow problems due to delays in payment. It had already spent cash of some £250m from its own borrowing sources, most of which expenditure had resulted in the accumulation of work in progress held on the balance sheet, and would require around another £250m before there was any possibility of obtaining non-recourse funding under the usual terms for PFI contracts.
28. In conclusion, ICL Pathway was faced not only with the risk of writing-off the accumulated work in progress, but also with the inability to continue the Project if it could not either find a source of funding externally or persuade ICL plc or Fujitsu to provide more cash.
29. The requirements, set out in My Memorandum, for certainty around the system specification and acceptance criteria were therefore aimed at making clear what the customers' requirements were, so as to minimise the risk of failure of the Project and the consequent write-off of the work in progress.

30. The requirements to amend the contract to make it more acceptable to third party funders were proposed in My Memorandum in the hope that they would make such funders amenable to providing, at least at some future stage in the Project, the non-recourse funding that was then the norm for PFI contracts. However, ICL Pathway was never able to obtain such non-recourse funding, and the ultimate contract was financed by Fujitsu.

31. It is interesting to note that in paragraph 10 of the Bird & Bird draft memorandum dated 13 November 1998 contained in POL00039895, Mr. Hamish Sandison comments on the Treasury Guidelines for PFI projects, which (following the advice of the CCTA) state that PFI non-recourse funding is not necessarily suitable for IT projects. In fact, my experience is that it is not possible to obtain such funding until a project has been delivered and is running in steady state; by which time the contractor has already had to finance most of the cost of the project out of its own resources.

32. In general, the contract negotiations with POCL during Q4 1998 and Q1 1999 were amicable and constructive. I took part in these negotiations and had meetings with various members of POCL including Mr. Stuart Sweetman, and Mr. John Roberts of the Post Office. The atmosphere was of two parties who were trying to cooperate to solve a problem and save the Project.

33. Sir Michael Butler's proposal at this time that POCL take an equity stake in ICL Pathway was indicative of this state of affairs. It was in effect a proposal to turn the Project into a joint venture which would completely align ICL Pathway's and POCL's interests. Ultimately, this was a bridge too far, but I believe that if it had occurred both parties would have benefitted. The problem was to solve what the new relationship would be with BA. As will be seen below this problem was insoluble.

RELATIONS BETWEEN UK GOVERNMENT AND ICL/FUJITSU

34. By the beginning of 1999, it was clear that resolution of the disputes surrounding the Project would be difficult to solve. ICL's position had not changed from the proposal it put forward following the mediation conducted by Mr. Corbett, as set out in My Memorandum. My Memorandum was discussed to some extent, but never received a positive reply, as it did not find favour with BA. By the beginning of May 1999, it was clear that this proposal on the part of ICL, which had been dubbed 'Option A' during the course of the discussions, was no longer viable. Although ICL would have been happy to proceed on this basis, Option A was withdrawn by my letter to Mr. Steve Robson dated 4th May 1999 (see POL00090460).
35. With regards to the relations between UK Government and ICL/Fujitsu, I have been asked to consider documents POL00090460, FUJ00003630, HMT00000009, HMT00000064, POL00069066, POL00028574, CBO00100002_013, FUJ00003599, CBO00100002_003 and HMT00000013. The underlying problem of the negotiations during this

period, as shown by this documentation, was that there was no consensus either within government or within Fujitsu and the ICL Group on the correct way forward (see on the part of the government, for example, the memorandum dated 10th May 1999 sent by Mr. Geoff Mulgan to the Prime Minister – CBO00100002_013– and on the part of Fujitsu and the ICL Group the minutes of meetings dated 4th February 1999 – FUJ00003630– and 14th May 1999 – FUJ00003599).

36. In my opinion, the reasons for this lack of consensus on the part of the government were: (i) the reluctance of BA to proceed with the payment of benefits by smart card, (ii) the desire of POCL to retain the income stream generated from BA or at least to be compensated for its loss, and (iii) that neither POCL nor BA were willing to pay in whole, or even in part, for ICL Pathway's sunk costs.
37. In my opinion the reasons for the lack of consensus in the ICL Group arose from: (i) the extent to which various people felt that they had been badly treated by BA and government in general, and (ii) the extent to which they felt that, under the current circumstances, the Project could not proceed further on any basis at all.
38. Fujitsu itself was more concerned with why the government and a valued supplier could not reach an amicable conclusion. At least at that time in Japan there was a close partnership and a long-term relationship of mutual support between the Japanese government and its major suppliers. Fujitsu

did not fully comprehend the tension created by the shorter-term relationships arising from the requirements for competitive tendering.

39. Further, in the case of both the ICL Group and Fujitsu, the pressure to produce a resolution of some sort, to enable both Fujitsu and the ICL Group to close their accounts for their financial years ending 31st March 1999, did not help, and was starting to give rise to hasty reactions.
40. Fujitsu were willing to be supportive of a reasonable solution, but they felt it was the ICL Group that had got itself into the Project and it was up to the ICL Group to solve the problem.

THE OPTIONS

41. The three options on the table from government were now B1 (Horizon including the BA smart card), B 3 (Horizon without the BA smart card) or C (termination). (See the memorandum dated 10th May 1999 addressed by Mr. Geoff Mulgan to the Prime Minister – see CBO00100002_013). Again, the problem was who would pick up the costs – the ICL Group or the government; and it was Fujitsu rather than the ICL Group, and the Treasury rather than BA and POCL, that held the purse strings.
42. At this stage, I personally felt that those in the ICL Group who were contemplating a fight with the government, both in the press and the courts, were not acting in the best interests of either the company or its customers. I did not favour option B 1 because I had no confidence that BA would

cooperate in the performance of the contract, even if they were instructed to agree to the use of the smart card.

43. I favoured option B 3, since I felt that this represented a deliverable project with a willing customer, provided that a suitable contract could be put in place and BA removed from the scene. I had always believed that BA had acted in bad faith in failing to cooperate in the performance of the Related Agreements since they had never favoured payment of benefits by the smart card. BA's preferred method of benefit payments was by ACT, as it was much cheaper. My recollection is that ACT cost 3p per transaction while payments through POCL would cost 50p per transaction.
44. In my opinion, Option B 3 was the best solution for POCL, and its customers. It also satisfied BA, and left the ICL Group with a potentially profitable contract which it was capable of delivering. I was certainly under no duress or indeed any form of influence to ensure that the Project proceeded no matter what.
45. In fact, in favouring option B 3 as the way forward, rather than (as was once suggested by others in the ICL Group) building a case which would enable ICL Pathway to terminate the contract by reason of breach on the part of BA/POCL (see some of the discussions in the minutes of the meeting of 14th May 1999 in FUJ00003599), I was actually swimming against the tide.

THE WITHDRAWAL OF BA

46. In late April and early May, I had some meetings with Mr. Steve Robson at which we agreed that the best course would be to focus on Option B 3, but that we needed more time to sort out the details of the new contract and arrange for the withdrawal of BA. The difficulty was how to satisfy the Fujitsu and ICL plc auditors on the position to be taken on closing their respective accounts for their financial years ending on 31st March 1999. Probably, in the absence of a solution, and certainly, in the case of a termination of the contract, the auditors would have required all of the work in progress to be written off. If this had happened, I was sure litigation would have become inevitable.
47. We agreed that the solution was to sign two legally binding agreements: one under which BA withdrew from the Project and the other under which ICL and POCL undertook that within three months from the date of signature they would exercise best efforts to negotiate a revised contract, no longer on the basis of PFI but with payment against milestones. In the event that the negotiations failed, ICL would be paid a termination payment of (as I recollect) around £150m.
48. I was able to convince Fujitsu that this was the best way forward, even though it was not without consequences for ICL because there would still be a substantial portion of unrecoverable costs from the work in progress relating to the BA smart card. However, Fujitsu was satisfied with the

solution because matters had been solved amicably between ICL and the government of the UK without resort to litigation.

49. The two agreements described above (the “**Withdrawal Agreements**”) were signed on 24th May 1999 and BA withdrew on that date. Accordingly, all further references to “Horizon” and the “Project” in my testimony should be understood no longer to include BA and the BA smart card.
50. The Withdrawal Agreements were sufficient to enable Fujitsu and the ICL Group Auditors to close the Fujitsu and ICL plc accounts for the fiscal year ending 31st March 1999. As a consequence, ICL Pathway wrote off £180m of the work in progress on its balance sheet. This related to the work on the BA smart card which no longer formed part of the contract.
51. The new agreement between ICL Pathway and POCL (the “**Codified Agreement**”) was signed on 28th July 1999. It was guaranteed by ICL plc and Fujitsu.
52. It was now possible to continue with the development of Horizon without the involvement of BA and to proceed to acceptance and rollout under the terms of the Codified Agreement. I was optimistic about the way forward for the Project, and pleased that I had been able to broker a satisfactory and amicable solution to a difficult situation which was fair to all parties concerned, even though it had necessitated some sacrifices on the part of all of them.

53. In the year 2000 I was invited by Sir John Bourne of the National Audit Office (“**NAO**”) to meet to discuss the issues surrounding cancellation of the BA smart card and the withdrawal of BA from the Project. I discussed with him in substance all of the matters set out above and my views are reflected (although of course subject to Sir John’s own opinions) in the NAO Report entitled “The Cancellation of the Benefits Payment Card project” (HC 857 Session 1999-2000) dated 18 August 2000. I thought then that this Report was a fair and balanced assessment of the problems arising during the performance of the Project under the regime of the Related Agreements. My opinion at that time was confirmed when I obtained a copy of the NAO Report from Morrison Foerster whilst preparing this statement and re-read the executive summary (POL00000805).

ROLLOUT AND ACCEPTANCE

54. After the Codified Agreement had been signed, I was content that the future task of delivery of the Project should be the responsibility of the ICL Pathway team, including roll out and acceptance. I was not therefore involved in the detail of the Horizon acceptance tests and rollout. I kept in touch with progress at a high level through meetings of the board of ICL Pathway, and meetings with Mr. Stuart Sweetman of POCL. I also visited the Horizon team of ICL Pathway and sat in on some of their review meetings. My interest was mainly commercial, revolving around the progress on milestone payments and the proper operation of the new change control procedures in the Codified Agreement.

55. The process of acceptance and consequential rollout was of necessity a joint exercise by ICL Pathway and POCL.

56. In the case of acceptance, POCL's internal IT department was fully involved. Acceptance, which had already started under the Related Agreements, was a lengthy, iterative process in which the two parties would jointly review various acceptance test results as they became available, identify issues that needed correcting, remedy them and then tick them off on the list of issues that had to be satisfied before acceptance could take place.

57. There is nothing unusual in such a process in large IT system contracts. Within ICL, the responsibility for achieving acceptance was with the ICL Pathway team, as was remedying issues which showed failure to comply with the specification in the Codified Agreement. There was sometimes discussion as to whether an issue in question was outside the specification and therefore its remediation would give rise to a change control note, but this is a common feature of acceptance programmes in such contracts.

58. The discussion about reference data in minutes of ICL Pathway board meeting dated 24 November 1999 (FUJ00003660), about which I cannot recall any further details, is an example of this process. Reference data was information about products which were supplied by post offices, for instance pricing or terms and conditions of supply. It was necessary in order to

enable consumer transactions in respect of such products to take place. This was a technical issue, the solution of which only became possible once ICL Pathway and POCL worked on it together.

59. During the latter half of 1999, the Project continued to make good progress and acceptance was achieved. The contractual requirements for the milestone payment of £68m having been satisfied, POCL paid the sum over to ICL Pathway at the end of the year.

FROM ACCEPTANCE TO COMPLETION OF ROLLOUT

60. At the beginning of 2000, Mr. Keith Todd decided to make changes in the board of ICL Pathway. Sir Michael Butler retired as chairman and I was appointed in his place. Mr. Todd also appointed a new managing director of the Company. The first managing director (Mr. John Bennet) had a background in marketing, commerce and business development, but the emphasis in the Project was now on delivery in accordance with the Codified Agreement. Mr. Michael Stares was appointed in Mr. Bennett's place. His speciality was in project delivery, service provision and logistics.
61. In July 2000, Mr. Todd left the ICL Group and I was appointed as acting chief executive in his place. This appointment was confirmed, and I became Chief Executive of the ICL Group at the end of 2000.
62. From July 2000, I followed the progress of the Project only in outline, and was content to leave its management to Mr. Stares, in whom I had complete

confidence. There were many more pressing issues which required my attention as Chief Executive. I continued to make courtesy visits from time to time to POCL and the Post Office (to Mr. Stuart Sweetman and Mr. John Roberts respectively) but I do not recall either of them raising any problems with me.

63. Mr. David Courtley (with whom I was acquainted from the time when he was working for EDS) was recruited as Chief Operations Officer of ICL plc in July 2001, reporting to me as Chief Executive. He thereupon became responsible, amongst other things, for the delivery of all major projects within the ICL Group, including Horizon. He would regularly discuss with me in face-to-face meetings (our offices were at that time next door to each other) any major problems or strategic issues related to such projects. However, I do not recall him raising with me any problems concerning Horizon. Any day-to-day problems arising would not have been escalated to me, but would have been handled initially by Mr. Stares and his team, with, from July 2001, the oversight of Mr. Courtley.

64. I only recall two substantial issues that arose at this time in relation to rollout. The first was the question of how to handle rollout over the 1999/2000 Christmas period when POCL had its peak volume to handle. This issue was resolved by a revision to the rollout programme and a suspension of activities over that period. The second problem related to the number of post offices which did not have ISDN connections. This was a technical issue which was solved in the interim by various work arounds

that I cannot recall, and was only finally solved as the UK network became more advanced with the increasing replacement of copper cable with optical fibre.

65. By 2002, the rollout to all post offices was complete. Looking back, I cannot see how the rollout could have been handled as anything other than a joint process in cooperation POCL. It was dependent on the schedules that POCL could agree with their postmasters to make themselves available to attend the mandatory training courses and their offices available for installation of the system.
66. When rollout was finally complete, I, and indeed Fujitsu and the ICL Group, regarded the completion of such a large and complex activity as a significant success.
67. I have been asked whether or not Horizon could be considered a robust system. In all my experience of over 40 years working in the Telecommunications and IT industry I have never come across the use of the word "robust" as a contractual term. With respect, I think it is a subjective term without any precise legal meaning. I believe that the only pertinent questions in relation to the Horizon system are, (a) did the system pass the acceptance tests, and (b) was it delivered in accordance with contract. Both these conditions were satisfied at the end of rollout in 2002.

CONTRACT EXTENSIONS AND REORANISATIONS

68. Nevertheless, there was a long term consequence for ICL Pathway of the delays that had occurred prior the signature of the Codified Agreement. Since the Codified Agreement was only for a term of five years, and rollout was completed in 2002, ICL Pathway now had only three years in which to receive an income stream that would provide some compensation for costs not yet recovered under milestone payments and that would hopefully generate a profit.
69. However, following completion of rollout, POCL were sufficiently satisfied with Horizon to agree an extension of the term of the Codified Agreement to 2010. Naturally, I discussed this with Mr. Courtley and supported the extension. As I recollect, the main objective for ICL in this regard was to extend the contract term in order to assist with the recovery of costs, and the generation of profits from the additional revenue to be received during the period of the extension. In responding to the Inquiry's questions in relation to the extension, I have considered the documents FUJ00003645 and FUJ00003557, however, I do not recall any further details about the other objectives mentioned in those documents.
70. At the time of the contract extension in 2002, a substantial corporate reorganisation was taking place within ICL plc. ICL plc was to be rebranded as Fujitsu Services plc. The same would happen to its operating companies in different regions. So far as concerned the UK, ICL was to be rebranded as Fujitsu Services Limited ("**FSL**").

71. Mr. Courtley and I had created a new strategic model for FSL. As part of this model ICL Pathway, with the consent of POCL, was to transfer the whole of its undertaking to FSL and become dormant. This necessitated a novation of the Codified Agreement, so that the new contract took effect between POCL and FSL. As before, it was guaranteed by Fujitsu Services plc and Fujitsu. Once this happened, Horizon was delivered as a major project within the reorganised operations of FSL.
72. I have no personal recollection of the red alert in 2004 mentioned in the minutes of the meetings in the documents which I have been asked to consider (FUJ0003590 and FUJ0003575). Nor do I have any recollection of discussing the matter with Mr. Courtley further to his report. I could not therefore have been overly concerned about it at the time. Having read the report now, I see no reason to change what must have been my initial opinion. On reading the nature of the red alert, I have no doubt this would have been an issue that Mr. Courtley was more than competent to deal with. Given my lack of knowledge and failure to recall the red alert, it would not have been possible, neither then nor now, for me to regard the red alert as symptomatic of any broader problems connected with Horizon.
73. In 2006, there were proposals to upgrade Horizon to what was called Horizon New Generation (“**HNGX**”). I have no recollection of the details of the upgrade or the contract amendments that were put in place, except that the upgrade amongst other features catered for on-line banking. This was

all handled within FSL by Mr. Courtley who had replaced me as Chief Executive of Fujitsu Services Plc on 1 April 2004. Although I was still Chairman of Fujitsu Services plc, most of my time during 2006 was taken up working with business groups in Tokyo to create a new strategy for Fujitsu's global business outside of Japan. At this time, I was also acting as director of some Fujitsu companies in the USA.

74. The document I have been asked to consider in connection with the events occurring in 2006 (Fujitsu Services Holding PLC Directors Written Resolution dated 14 August 2006, FUJ0003648) is an assurance that, despite the changes in the Codified Agreement occasioned by the HGNX upgrade, the guarantees already in place would remain in full force and effect.

REFLECTIONS

75. Finally, I have been asked my opinion on the question of who might be responsible for the miscarriage of justice in respect of certain prosecutions of postmasters by POCL. Since I have no knowledge of this issue, I do not feel able to give such an opinion. In this connection, I make the following points.
76. Following the events of 2006, I was appointed in 2007 as responsible for Fujitsu's EMEA businesses (thus becoming an employee of Fujitsu), and then in 2008 as President of the Global Business Group (all of Fujitsu's Information Technology Operations outside of Japan) I had very little

contact with the detail of operations within the various subsidiaries, and was mainly reliant on the chief executives of the country or regional operations who reported to me.

77. No further problems were raised with me in connection with Horizon during my time with Fujitsu. In particular, I had no knowledge of the prosecution of postmasters by POCL. I always regarded Horizon as one of FSL's major successes, with POCL as a satisfied customer.
78. After I retired in 2012, my only relations with Fujitsu were through a consultancy agreement. I was never consulted under this agreement about any issues relating to Horizon and thus, although I became aware of the issues between POCL and the postmasters through a few reports in the press, I therefore did not enquire further into the matter.
79. My objectives in negotiating the Codified Agreement were to create a detailed specification and precise acceptance criteria, and to replace the PFI financing provisions with a schedule of payments to be made on the achievement of specified milestones. I focused on the main provisions of the Codified Agreement, in order to achieve the above objectives. I had little involvement in preparation of the schedules and appendices of the Codified Agreement, which I never read.
80. Subject to legal review by both parties' external advisers - in ICL's case, Masons (now Pinsent Masons) - the schedules and appendices were

attached to the main part of the Codified Agreement after being drafted and agreed by joint working parties of the relevant technical, financial and commercial staff in ICL Pathway and POCL. Other than above, I cannot recall any details of the Codified Agreement, and I do not recall having dealt with any provisions relating to prosecution of postmasters.

81. Since I could not recall details of the Codified Agreement, I obtained a copy from Morrison Foerster, POCL and ICL Pathway, Information Technology Services Agreement of Bringing Technology to Post Offices - Codified Agreement dated 28 July 1999 (FUJ00000071). Once more, I read only the main contract provisions, since they contained the matters I was most involved with during the contract negotiations. I did not read the appendices.

82. The only provision I found in the contract which might, I suppose, be relevant was clause:

“106.2 The Contractor shall offer all reasonable assistance to POCL in preventing fraudulent use of the POCL Services and POCL Service Infrastructure by POCL’s employees and Agents.”

83. This does not seem to me to have anything to do with prosecuting postmasters. Liability for fraud was a point of considerable contention prior to its resolution in the Codified Agreement. Having now seen this clause, and reflected upon it, my belief is that this was part of the negotiation which

shifted to POCL some of the liability for fraud imposed on ICL Pathway in the Related Agreements, but left it with an obligation to assist in its prevention.

84. However, in conclusion, I would make the following observations on this issue.

85. In my experience, when problems arise in connection with the operation of an IT system, the easy answer is always to blame the system itself. Concerning Horizon, I think it is noteworthy that POCL was satisfied to operate with Horizon as its business platform, including a contract extension and an upgrade, until 2010 and beyond. Would this really have been the case, if, as it appears is being suggested, Horizon itself, as developed and operated under the terms of the Codified Agreement, was in some way seriously defective?

86. If I had been charged with investigating this issue, I would have focused mainly on the relevant management processes (if any) in place in both ICL and POCL which were relevant to the prosecution of postmasters, the extent to which these processes were adequate for their intended purpose, and, if they were, whether the persons charged with the carrying out of those processes had in fact complied with them.

Statement of Truth

I believe the content of this statement to be true.

Signed: _____

GRO

Dated: 20 March 2023

ANNEX***Curriculum Vitae - Richard Christou*****Education:****Eltham College, London (1955 – 1962)**

10 “O” levels

4 “A” levels (Latin, Greek, Ancient History, Comparative Religion)

County Scholarship

Trinity College, Cambridge (1963 – 1966)

B.A. (Hons) Law, Double First (later M.A.)

State Scholarship

Senior College Scholar and Prizeman

Lizette Bentwich Prize for Law

College of Law, London (1966 – 1967)

Solicitors Final Examination

Articles (1967 – 1969) with Stephenson Harwood, City of London**Career:**

Role	Employer	Date
Assistant Solicitor	Stephenson Harwood	1969
General Legal Adviser and latterly, Director and General Manager	Lanitis Bros. Limited Cyprus	1970 – 1974
Legal Adviser	STC/ITT, London	1975 – 1982
Legal Adviser and Company Secretary	STC Telecommunications	1982 – 1985
Company Secretary and Legal Director	Solaglas (UK) Ltd	1985 – 1987
Director, Commercial & Legal Affairs	STC plc	1987–1990

Role	Employer	Date
Director, Commercial & Legal Affairs	ICL	1990 – 2000
Acting Chief Executive	ICL PLC	July 2000 – Dec 2000
Chief Executive	ICL PLC (now known as Fujitsu Services Holdings Plc)	Dec 2000 – March 2004
Executive Chairman	Fujitsu Services Holdings Plc	April 2004 – March 2007
Corporate Senior Vice President and Head of Fujitsu EMEA Regional Operations	Fujitsu Limited	April 2007 – June 2008
Corporate First Senior Vice President, President of Global Business Group	Fujitsu Limited	April 2008 – June 2009
Corporate Senior Executive Vice President and President Global Business Group	Fujitsu Limited	June 2009 – April 2011
Corporate Executive Adviser, Global Affairs	Fujitsu Limited	April 2011 – April 2012
Corporate Adviser	Fujitsu Limited	April 2012 – April 2020

Publications:

Edited: "Managing Foreign Counsel"
(FT Law and Tax 1995)

"International Agency, Distribution and Licensing Agreements"
(Sweet & Maxwell 20012 6th Edition)

"Sale and Supply of Goods and Services"
(Sweet & Maxwell 2014 3rd Edition)

"Drafting Commercial Agreements"
(Sweet & Maxwell 2016 6th Edition)

"Boilerplate – Practical Clauses"
(Sweet & Maxwell 2020 8th Edition)

INDEX TO THE FIRST WITNESS STATEMENT OF RICHARD CHRISTOU

No.	URN	Document description	Control Number
1	FUJ00077850	Minutes of ICL Pathway Board Meeting on 30 January 1997	POINQ0067438F
2	FUJ00077835	ICL Pathway Chief Executive's Report for 15 July 1997	POINQ0067423F
3	FUJ00077836	Minutes of an Investment and Strategy Committee Meeting on 20 November 1997	POINQ0067424F
4	POL00028689	Letter from John Bennett to John Roberts dated 28 September 1998	POL-0025171
5	POL00028444	Standstill Agreement between Secretary of State for Social Security, POCL and ICL Pathway sent from Hamish Sandison to George McCorkell and Paul Rich dated 8 October 1998.	POL-0024926
6	POL00028688	Letter from Richard Christou to Paul Rich dated 13 October 1998	POL-0025170
7	POL00039895	Fax from Hamish Sandison to POCL dated 13 November 1998	POL-0036159
8	POL00028693	Letter from Dave Miller to Mike Coombs dated 10 December 1998	POL-0025175
9	POL00031113	Fax from Paul Lam-Po-Tang (Slaughter and May) to Keith Baines dated 8 January 1999	POL-0027597
10	POL00090460	Letter from Richard Christou to Steve Robson dated 4 May 1999	POL-0090357
11	FUJ00003630	Minutes of ICL Plc Board Meeting on 4 February 1999	POINQ0009801F
12	HMT00000009	Minutes to a meeting between Benefits Agency, POCL and ICL on 19 February 1999	VIS00007774
13	HMT00000064	Fax from Richard Christou to Steve Robson dated 4 March 1999	VIS00009875
14	POL00069066	Letter from Steve Robson to Keith Todd dated 8 March 1999	POL-0065567
15	POL00028574	Letter from Stuart Sweetman to Steve Robson dated 9 April 1999	POL-0025056

No.	URN	Document description	Control Number
16	CBO00100002_013	Letter from Steve Robson to Richard Christou dated 10 May 1999	CBO00100002_013
17	FUJ00003599	Minutes of ICL Plc meeting on 13 May 1999	POINQ0009770F
18	CBO00100002_003	Letter from Keith Todd to Stephen Byers dated 13 May 1999	CBO00100002_003
19	HMT00000013	Record of a meeting held between POCL, BA and ICL on 13 May 1999	VIS00007778
20	POL00000805	National Audit Office Report titled 'The Cancellation of the Benefits Payment Card project'	VIS00001819
21	FUJ00003660	Minutes of ICL Pathway Board meeting on 24 November 1999	POINQ0009831F
22	FUJ00003645	Minutes of Fujitsu Services Holdings Plc Board meeting dated 20 December 2002	POINQ0009816F
23	FUJ00003557	Minutes of Fujitsu Services Limited Board dated 28 March 2003	POINQ0009728F
24	FUJ00003590	Minutes of Fujitsu Services Management Committee meeting on 18 March 2004	POINQ0009761F
25	FUJ00003575	Minutes of Fujitsu Services Management Committee meeting on 9 June 2004	POINQ0009746F
26	FUJ00003648	Fujitsu Services Holdings Plc Directors Written Resolutions dated 14 August 2006.	POINQ0009819F
27	FUJ00000071	Post Office Counters Ltd and ICL Pathway Ltd, Information Technology Services Agreement for Bringing Technology to Post Offices - Codified Agreement dated 28 July 1999	POINQ0006242F