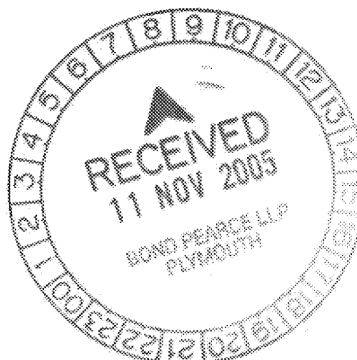


Date: 10 November 2005
Your ref: SJD3/FAC1/348035.134
Our ref: MDT.113969
Please ask for: Mark Turner
Direct dial: **GRO**
Direct fax :
E-mail: m.turner@**GRO**



Bond Pearce
Solicitors
DX 8251
PLYMOUTH

Dear Sirs

Our client: Mr L Castleton – Marine Drive Post Office, Bridlington
Your client: Post Office Limited

We refer to our letter of 7 November and enclose a copy of an extract from the November 2005 edition of *Subpostmaster* magazine.

You will see the highlighted section is a letter from a sub-postmaster in Chelmsford complaining of acute problems with the operation of the Horizon computer system, and the complete unwillingness on the part of both the Post Office and the Horizon Helpline to assist with the problem, or even acknowledge that a problem exists.

The parallels with our own client's position are striking. Indeed, our client's research shows that the situation in which the subpostmaster in question finds himself is duplicated among a substantial number of other subpostmasters around the country.

We are instructed that your client has been forced to settle claims brought against other subpostmasters, some of which involved very substantial payments being made to the subpostmaster, rather than take the matter to trial. Your client then commonly insists on the insertion of a confidentiality clause into the settlement agreement to prevent the subpostmaster discussing either the dispute or the terms of settlement.

One entirely reasonable assumption, based on the above, is that your client is only too aware that the Horizon system does not perform properly but that it cannot and will not publicly acknowledge that fact because to do so would potentially expose it to a wave of claims from subpostmasters who have been accused of shortfalls and who have made good the alleged losses. To acknowledge the problem would also most cause acute embarrassment to your client and, most likely, a public relations disaster.

In short, this is not an isolated incidence of problems with Horizon. This is entirely consistent with our client's position since this dispute first arose. Your client flatly refused to countenance that the alleged shortfall could be the result of anything other than user error (or even outright fraud) on the part of our client or his employees, despite the fact that it knew very well that there are numerous other cases with similar, if not identical facts, around the country.

Our client has spoken with Mr Bajaj, the writer of the letter in the enclosed article, and Mr Bajaj has confirmed that he will be happy to give evidence of the problems he has experienced for use in these proceedings. Likewise, the subpostmasters at Doncaster and Milson Moor, who have also experienced similar issues with Horizon and your client's refusal to acknowledge the existence of a problem, have confirmed that they will also provide statements.

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Also at London



In the circumstances, this supports our previously-expressed requirement that your client provide full and frank disclosure of the problems that it has experienced with the Horizon system, the claims that it has pursued against other subpostmasters on the basis of alleged shortfalls and the outcome of those claims. We shall expect your client to comply with its disclosure obligations in this regard as and when these proceedings move on to service of Lists of Documents.

Receipt is acknowledged for your letter of 9 November. We look forward to hearing from you once you have taken your client's instructions in that regard.

Yours faithfully

GRO

ROWE COHEN

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