

POST OFFICE LIMITED

ADVICE

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Ref: HRI.348035.134

Marine Drive Post Office Bridlington
Mr. L. Castleton.

POST OFFICE LIMITED

ADVICE

1. Following judgment in *Post Office Limited -v- Castleton* I have been asked to provide a short written advice on the key points that have emerged from my involvement in the case as a whole and that judgment in particular. I should emphasise that this Advice has been written as a short preliminary overview and should not be relied upon as providing a final and definitive consideration of all steps that should be taken in order to ensure that the Post Office derives maximum advantage from the judgment.
2. The first point is that it is easier to sue a sub-postmaster on an account produced by him than try to prove that a loss has arisen in the business. Trying to prove such a loss, if it is possible at all, is extremely difficult forensically and will inevitably be expensive and time-consuming.
3. The second point is that the Post Office derives a significant advantage in litigation if the sub-postmaster bears the burden of proof to show that the account sued on by the Post Office, such as the Cash Account (Final), is wrong, rather than the Post Office having to prove that the account sued on is right.
4. This reversal of the burden of proof can only occur if the Post Office is suing on the sub-postmaster's own account, i.e. on a formal account produced by the sub-postmaster and tendered by him to the Post Office as his confirmed statement of the trading that has occurred.

5. As such, a Cash Account (Final) (or any other account produced by a sub-postmaster) is only likely to be treated as a final account for a given period if it is (i) produced by the sub-postmaster (ii) at least in circumstances where he is contractually required to produce and verify the figures as accurate, but preferably where he formally certifies the figures as such, and (iii) where the sub-postmaster physically signs off the accounts as such, alternatively signs electronically.

6. The third and final point is that if and when it is decided that a sub-postmaster is to be suspended or removed from post, he should be required, in accordance with the terms of his contract, to produce and sign a final account to the date of his removal, whether or not the Post Office has conducted its own audit. The purpose of requiring this is simply to rely on the reversal of the burden of proof and remove the necessity (though not the desirability) of having to call the auditors to prove the loss.

7. I trust that this short Advice provides sufficient overview for present purposes, but I should be happy to provide such further assistance as may be required.

RICHARD MORGAN

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Neutral Citation Number: [2007] EWHC 5 (QB)

Case No: HQ05X02706

IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 22/01/2007

Before :

HIS HONOUR JUDGE RICHARD HAVERY Q.C.

Between :

Post Office Limited
- and -
Lee Castleton

Claimant

Defendant

Mr. Richard Morgan (instructed by Bond Pearce) for the Claimant
The Defendant in person

Hearing dates: 6th, 8th, 11th, 12th, 13th December 2006; 11th January 2007.

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

HIS HONOUR JUDGE RICHARD HAVERY Q.C.

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Approved Judgment

Post Office v. Castleton

His Honour Judge Richard Havery Q.C.

1. This is a claim by Post Office Limited on an account stated by one of its former subpostmasters, the defendant Mr. Castleton. Mr. Castleton admits that he was an accounting party. The statement of the account, though not its validity, is admitted. Accordingly, the burden of proof lies on Mr. Castleton to show that the account is wrong. On that point the law is clear. In *Shaw v. Piton* (1825) 4 B. & C. 715, 729, Bayley J. said

It is quite clear, that if an agent (employed to receive money, and bound by his duty to his principal from time to time to communicate to him whether the money is received or not,) renders an account from time to time which contains a statement that the money is received, he is bound by that account unless he can shew that that statement was made unintentionally and by mistake. If he cannot shew that, he is not at liberty afterwards to say that the money had not been received, and never will be received, and to claim reimbursement in respect of those sums for which he had previously given credit.

And in *Camillo Tank Steamship Company Limited v. Alexandria Engineering Works* (1921) 38 T.L.R. 134, 143 Viscount Cave, in the course of a dissenting speech, made the following remarks, which I believe to be uncontroversial:

The expression "account stated"....has more than one meaning. It sometimes means a claim to payment made by one party and admitted by the other to be correct. An account stated in this sense is no more than an admission of a debt out of court; and whilst it is no doubt cogent evidence against the admitting party, and throws upon him the burden of proving that the debt is not due, it may, like any other admission, be shown to have been made in error.

2. The accounts in this case are weekly accounts entitled Cash Account (Final), signed by Mr. Castleton as correct, of a post office at 14, South Marine Drive, Bridlington, Yorkshire, of which he was appointed subpostmaster in June 2003. In accordance with the rules and practice of the Post Office, accounts of the transactions at the post office (which has been called "Marine Drive") were prepared weekly for the periods from Thursday to the following Wednesday. The accounts in question were accounts for weeks 42 to 51 of the year 2003/2004, which relate to the weeks ending Wednesday 14th January 2004 to Wednesday 17th March 2004. The accounts built up substantial apparent discrepancies. The Cash Account (Final) for week 51 shows a shortage of £22,963.34. In consequence Marine Drive was closed all day on 23rd March 2004 for the purpose of an audit. That audit showed a shortage of £25,758.75. Mr. Castleton was suspended from his duties on that day. An additional sum of £100.20 is claimed in relation to National Lottery moneys. The total claim is for the sum of those two amounts, viz. £25,858.95. The burden of proof on Mr. Castleton can relate only to the figure of £22,963.34. In the event, as will appear, the identity of the party on whom lies the burden of proof is not important in this case.
3. The first significant discrepancy appeared in the accounts relied on by the claimant in week 43. Thereafter significant further discrepancies appeared in weeks 44, 46, 48, 49, 50 and 51. Mr. Castleton gave evidence that the first discrepancy, of approximately £1100, appeared by week 42, but that he made it good out of his own pocket. I am satisfied on the evidence of Mrs. Catherine Oglesby, his then line manager, that he told her shortly before New Year 2004 that a shortfall of about £1100 had occurred on week 39 (the week ending 23rd December 2003). Nevertheless, for

some reason that has not been intelligibly explained, the first and only explicit mention of the figure in the accounts is a reference in the print-out of the Final Balance (see below) for week 42 of a "Discrepancy over" of £1103.00 and a "Discrepancy short" of £1103.60. The Payments column of the Final Balance shows a nett discrepancy of £0.60. Mr. Morgan did not accept that Mr. Castleton had paid in £1100. I shall return to that point. It goes only to credit, since none of the Final Balances or the Cash Accounts (Final) from week 39 onwards show a nett discrepancy of that sum. Mr. Castleton promptly reported shortfalls in weeks 43, 44, 46 and 48. Mr. Morgan disclaimed any dishonesty on the part of Mr. Castleton.

4. Mr. Castleton admits that on 23rd March 2004 there was an apparent shortfall in the account of Marine Drive in the sum of £25,758.75. He admits that he produced weekly Balance Lists (the documents in question are headed "Final Balance") and personally produced, signed off and submitted to the claimant Cash Accounts (Final) up to week 51. His case was that the losses apparently shown by the Balance Lists and Cash Accounts (Final) were illusory not real. It was entirely the product of problems with the Horizon computer and accounting system used by the claimant. The apparent shortfalls were nothing more than accounting errors arising from the operation of the Horizon system.
5. There were two computer terminals at Marine Drive. Each computer terminal included a processor, a touch-sensitive screen, a keyboard, a barcode scanner and a printer. The laid down practice, in outline, was and is as follows. The clerk records on the computer all transactions that he makes. Transactions other than on-line banking are recorded not only on the computer but also by a document, such as a television licence counterfoil, savings bank deposit or withdrawal slip or a cheque. Some transactions are known as APS (automated payment system) transactions. Those are transactions where a customer either uses a card containing a magnetic strip to pay a bill or pays a bill that is barcoded. ~~There are corresponding APS slips recording APS transactions.~~ The subpostmaster is responsible for checking daily the computer records of the transactions of the day against the documentation. He prints out the computer records of the transactions, and when satisfied that they tally with the documentation he sends the documentation in sealed bags or envelopes by the last collection of the day to the relevant centres. He receives cash, stamps and other cash-type items from time to time in sealed bags and has to record daily the amount of cash held by reference to the denominations of notes and coins. The subpostmaster is also responsible for producing a weekly balance. There are in the papers before me print-outs of weekly Final Balances for Marine Drive for the relevant weeks and of Cash Accounts (Final) signed by Mr. Castleton.
6. Every week, after close of business at 5.30 p.m. on Wednesday and before opening at 9 a.m. on Thursday, Mr. Castleton checked the stock at Marine Drive, as required by Post Office procedures.
7. It is obvious that the week's accounts of a post office balance if the difference represented by the receipts minus the payments equals the difference represented by the value of the stock at the end of the week minus the value of the stock at the end of the previous week. If those two differences are not equal, there is a discrepancy. If the former difference is greater than the latter, there is a loss, which is treated as a positive discrepancy. If the former is less than the latter, there is a gain. That is treated as a negative discrepancy. If

A_n = the stock at the end of week n ;

R_n = the receipts during week n ;

P_n = the payments during week n ;

D_n = the discrepancy for week n (positive for a loss, negative for a gain);

S_n = the algebraic sum (i.e. the sum taking into account the sign, positive or negative) of the discrepancies for all relevant weeks up to and including week n ;

then

$$R_n - P_n - (A_n - A_{n-1}) = D_n = S_n - S_{n-1}.$$

i.e.

$$R_n + A_{n-1} + S_{n-1} = P_n + A_n + S_n.$$

8. The weekly final balances produced by the Horizon system show both volume and value. I am concerned here only with value. The balances are set out in the following way. First, there is a list of the stock, described as "Stock & MOP" (cash, stamps, phone cards, postal orders and so on), giving the value of each item and a total (A_n). There follows a list headed Receipts which begins with an item "Balance brought forward". The balance brought forward is the sum of the previous week's Stock and MOP and the accumulated discrepancies as of the previous week, i.e. $A_{n-1} + S_{n-1}$. The rest of the Receipts column is a list of the receipts (R_n) for the week in question. A total, which thus represents $R_n + A_{n-1} + S_{n-1}$, appears at the bottom of the column. That is designated "Total receipts". There follows a column headed Payments. That includes a list of payments out to customers at the Post Office and remittances to central offices of the Post Office. Those payments out and remittances are what I have designated P_n . In the same column are included also the "Total Stock and MOP" (A_n) and "Nett discrepancies" (S_n). Those figures are totalled to give a "Total payments" figure which is $P_n + A_n + S_n$. The nett discrepancies are calculated so as to give rise to the same total in the Payments column as appears under the Receipts column. There is then a figure of "Balance carried forward" which is the algebraic sum of the Stock and MOP figure and the Discrepancies figure (i.e. $A_n + S_n$). The logic of the system thus requires that

$$R_n + A_{n-1} + S_{n-1} = P_n + A_n + S_n,$$

as it should. The entries (but not the balances and discrepancies calculated by the system) were entered by Mr. Castleton or his assistant in all cases at Marine Drive while Mr. Castleton was subpostmaster. He accepts, and indeed asserts, that they are correct. The correctness of the arithmetic is not in issue.

9. Mr. Castleton, being alarmed by the growing discrepancies, was allowed by the claimant to put two accumulated discrepancies (deficits) into a suspense account. That was done by entering the relevant accumulated discrepancy as a fictitious expense in the Payments column of the Final Balance document. On each occasion the accumulated discrepancy was reset at zero.
10. The figures in the weekly Final Balances were reflected in the weekly documents entitled "Cash Account (Final)" all of which were signed by Mr. Castleton as correct. The Cash Accounts (Final) showed the accumulated discrepancies appearing in the Final Balance print-outs. They also showed the suspense account figures in a table headed "Authorised Cash Shortages". The signed Cash Accounts (Final), unlike the Final Balance documents, included the authorized cash shortages in the Stock and MOP figures and in the figures carried forward (entitled "balance due to Post Office" in the Cash Accounts (Final)). The underlying logic of the two sets of documents was otherwise the same, and cannot be faulted.
11. Mr. Castleton cross-examined Mr. John Jones, who had heard Mr. Castleton's appeal against a decision of the claimant to dismiss him, on some figures that Mr. Jones had produced for the purposes of the appeal. Those figures had been extracted from the Cash Accounts (Final). The

point put by Mr. Castleton was that Mr. Jones's figures showed that the receipts for weeks 42 to 51 inclusive totalled an amount less by £9240 than the payments, yet during the same period Mr. Jones's figures showed that the cash on hand (part of the Stock and MOP figures) had fallen by only £4700. Thus Mr. Jones's figures, far from showing a positive discrepancy (loss), showed a negative discrepancy (gain). Mr. Jones said that the figures were only an extract to show trends relating to cash. He did not rely on those figures in order to show that the shortage was a shortage of cash. However, in view of that line of cross-examination I have myself extracted from the Final Balances the relevant figures of R_n , P_n , A_n , A_{n-1} and S_n . They appear in the table below.

Week	S_n (£)	A_n : Stock & MOP (£)	R_n (£)	P_n (£)
41	0.47	54,170.02		
42			122,120.66	83,915.81
43			89,237.88	109,950.20
44			76,450.26	79,158.56
45			86,575.89	82,704.43
46			66,959.03	90,580.12
47			125,739.13	87,064.04
48			64,477.79	101,368.22
49			113,583.93	79,312.39
50			64,186.39	79,984.08
51	11,210.56	47,084.67	63,689.54	74,857.91
Total			873,020.50	868,895.76
Difference	11,210.09	7,085.35		4,124.74

The last figure in the above table is the difference between the totals in the R_n and P_n columns, representing an excess of receipts over payments. It will be seen that that, plus the diminution in Stock & MOP, equals the increase in the accumulated discrepancy. Thus no flaw can be found on this account in the Horizon system. The payments figure in week 47 includes an authorized fictitious payment of £8,243.10. The payments figure in week 49 includes an authorized fictitious payment of £3,509.68. Those two payments, totalling £11,752.78, were debited to the suspense account, and they appear as authorized cash shortages in the relevant Cash Accounts (Final). The total of the discrepancies at the end of week 51, namely £11,210.56, plus the amount in the suspense account is £22,963.34. Thus the accounts show that sum to be due from Mr. Castleton to the claimants. Since Mr. Castleton accepts the accuracy of his entries in the accounts and the correctness of the arithmetic, and since the logic of the system is correct, the conclusion is inescapable that the Horizon system was working properly in all material respects, and that the shortfall of £22,963.34 is real, not illusory.

12. I shall nevertheless consider the points made by Mr. Castleton in relation to the reliability of the Horizon system.
13. Mr. Castleton submitted that there were anomalies in the operation of the Horizon system, thereby implying that the system was defective. The first anomaly was a discrepancy between a computer print-out of all inputs to the computer and a figure produced by the computer. The former showed that at 17:41:30 on 7th January 2004 Mr. Castleton (personally identified by his code) had declared (entered into the computer) a stamp total of zero. There were no subsequent relevant entries before 07:11 on 8th January. Yet the Final Balance printed out on 8th January at 07:11 showed a figure of £1183.22 for the stock of postage stamps (part of "Other postage

items”) and £1249.07 (total of “Other postage items”) for week 41. There was no suggestion that the latter figures were incorrect. Mr. Castleton said that it was the former print-out stating “Declare stamp total £0.00” that was incorrect. (There was, however, an entry on the former print-out showing “Declare stamp total £1183.22” at 17:06:59 on 7th January). Mr. Castleton said that the figure of £1249.07 would show up as a loss on the next week’s cash account. He said that the figure of £1249.07 was correct, but the zero entry would cause the computer to show a loss. As I understand his argument, the computer would do that because it would calculate the balance on the basis that the value of the stock of stamps had been diminished by £1247.09. Mr. Castleton submitted that the above matter led to the entry of “Discrepancy short” in the box at the top of the Final Balance for week 42. I reject that argument for the following reasons. First, it is abundantly clear that the computer did not calculate the balance on the basis that the value of the stock had been diminished by £1247.09. The figures printed out for week 42 were respectively £1041.96 (postage stamps) and £1094.82 (total of “Other postage items”) which are consistent with the figures mentioned above for the previous week, allowing for the sale of some of the items. Second, the figure of discrepancy shown for the week was only 60p. In a box at the top of the Final Balance for week 42 that figure is shown as the difference between £1103 which Mr. Castleton said he paid in and £1103.60 which is described as “Discrepancy short”. The production of the box, which does not enter into the calculation of the final balance, is unexplained. Third, the figure of about £1100 was the shortfall that Mr. Castleton had told Mrs. Oglesby had occurred before the previous Christmas. Thus, whilst the entry “Declare stamp total £0.00” is not explained, I am satisfied that Mr. Castleton’s argument is misconceived.

14. The second anomaly on which Mr. Castleton relied was a difference between two figures of amounts of cheques. At 17:35 on 3rd March 2004 a sales report printed out by Mr. Castleton showed receipts of cheques to the value of £3533.30. At 07:37 on 4th March 2004 in the Final Balance there was an entry in the Payments column “Rem out Data Cen £3519.43”. It was not in dispute that “Rem out Data Cen” means remitted out to Data Central, a department of the claimant which dealt with cheques, and that the entry could only refer to cheques. Between those two times twelve entries were, according to the record, made in to the computer, but it is not suggested that any of them are relevant to the present point. This apparent anomaly was put to Mr. Jones, who simply replied that the sales report had no input into the final balance, which is obviously correct. But Mr. Castleton’s submission was that the discrepancy showed an anomaly in the operation of the computer. I do not accept that that is so. The computer totals the receipts of cheques as they have been entered into it. There is evidence that clerks sometimes erroneously enter cash as cheques. But in any case, the figure does not appear in the Final Balance or Cash Account (Final). The error in the figure of £3533.30, if error it be, is not significant evidence that the Horizon system was not working properly.
15. Mr. Castleton put forward a third anomaly. The print-out of inputs into the computer shows that on 14th January 2004 at 17:41:58 and again at 18:10:42 cash total £0.00 was declared. Mr. Castleton submitted that that could not have happened. The same print-out has the following further entries, among others: 14th January 2004, 18:27:54 “Declare cash total £81899.32”; on the same day at 18:43:14 “Report trial balance – Office copy”; on 15th January at 07:30:20 “Declare cash total £82997.32”; and on the same day at 07:33:17 “Declare cash total £83328.32”. The last-mentioned figure appears in the Final Balance and in the signed Cash Account (Final). Mr. Castleton said that the figure of £81899.32 was correct and would have been entered into the computer by himself or by one of his assistants. He said that no-one would have entered a figure of £0.00: “It would be impossible for the computer to produce a report on it and not have it inputted on the other side”, he said. By “the other side”, I take it that he was referring to the Payments column in the Final Balance, which includes an amount for “Stock & MOP”, which itself includes a sum for cash. The Final Balance and the Cash Account (Final) for the week in

question (week 42) are based on the declared cash total of £83328.32. The point Mr. Castleton was making, I think, was that the record of inputs must be wrong in showing "Declare cash total £0.00". I have heard no expert evidence about the print-out of inputs into the computer. The fact that there appear entries "Declare cash £0.00" which have no apparent effect on the accounts is exiguous evidence that the Horizon system was flawed.

16. Another point arises here. A print-out of declared cash made at 07:33 on 15th January 2004 shows a total of £83328.32. The individual amounts represented by coins and notes of specified face values are set out in the print-out in a list, and the total comes to £83328.32. A manuscript page of the stocktaking of cash also shows the amounts represented by coins and notes of specified face values. Those figures are the same as those in the printed list, with a single exception. The manuscript note shows a total of £161 in 50-pence pieces. The print-out shows a total of £1590.00 in 50-pence pieces. If the figure of £161 were substituted for £1590, the total would come to £81899.32, the figure originally entered at 18:27:54 the previous night.
17. Mr. Morgan submitted that the figures shown in print-outs of stock of 20p. and 50p. coins for 15th January 2004 were implausible. There is a print-out of declared cash as of 07:33 on 15th January 2004. That is shown as week 42, being before opening time on the first day of week 43. There is also a print-out of cash on hand as of 17:32 on the same day. Cash on hand was counted and recorded daily in terms of the total value of the items of each denomination. There is a manuscript note of the count of cash on hand which was the basis of the print-out. Taking the figures in chronological order, we have 07:33; MS note; 17:32. I set out the figures in the table below, together with the numbers of coins, which are not in the original data.

Occasion	20p.		50p.	
	Value(£)	Number	Value(£)	Number
07:33	277.60	1388	1590.00	3180
MS	254.60	1273	161	322
17:32	2654.60	13273	84.50	169

18. It was said that week 42 had shown a loss of about £1100. The evidence is somewhat equivocal. Mr. Castleton wrote in his witness statement:

Until Wednesday 14th January 2004 we balanced £1103.15 short we could see no reason for this at the time.

Mrs. Christine Train was an experienced counter clerk who worked at Marine Drive at the material time. Mrs. Train wrote in her witness statement:

When in week 42 we carried out the balance and the system shows [sic] a loss of around £1100 it was a surprise but we thought we must have missed a bundle of notes and a bag of coins. The cash was recounted but we arrived at exactly the same figure again.....We were unable to identify the source of the problem on the following morning. Ultimately, Mr. Castleton had to make good the £1100 loss or so in cash from his own pocket to allow the system to balance and so enable us to roll over for the following week.

19. The difference between the cash declared at 18:27:54 on 14th January and the cash declared at 07:33:17 on 15th January is equal to the difference between £1590 and £161. Mr. Morgan submitted that it was implausible that Mr. Castleton should have paid in that sum, £1429, in 50p. pieces. He told me that they would weigh over 20 kilograms and, if placed in a pile, would reach a height of 5 metres. Moreover, I would add that all of them and more had apparently been used

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up by the end of the day. At 17:32 on the same day, 15th January, the value of the stock of 50p. coins was shown as £84.50; at 17:34 on 16th January it was shown as £78.50. Mr. Castleton told me (though not by way of his evidence on oath) that he had an ample supply of 50p. pieces.

20. Mr. Morgan also submitted that it was implausible that the stock of 20p. coins should have increased by 11,885 over the day. He gave me even larger figures of weight and height. I accept that, especially given that the print-out of the cash on hand at 17:34 on the following day, 16th January, shows the stock of 20p.coins as having the value of £262.40. I am satisfied that the intermediate figure of £2654.60 cannot be right. It may be a mistyping of the entry into the computer. The error (and I am satisfied that the figure of £2654.60 must be wrong, whatever the reason) does not affect the weekly accounts. Nor has it been put forward as evidence of a fault in the Horizon system.
21. Mrs. Train was cross-examined about her recollection of the payment in of £1100, specifically whether it involved a large number of coins. She was clearly embarrassed by the questions and gave no definite answer. I am not satisfied that the sum was paid in.
22. During the hearing, Mr. Castleton sought to adduce evidence of other complaints from subpostmasters of other post offices about the Horizon system. I admitted in evidence the fact that there were a few such complaints, but I refused to admit evidence of the facts underlying such complaints, since that would have involved a trial within a trial. I heard evidence from Dorothy Day, who was currently the temporary subpostmaster at Marine Drive. She had found intermittent problems with the system. The most worrying and inconvenient problem was that debit and credit cards would intermittently fail to register when swiped through the gateway keyboard to pay for customers' transactions. She found a way round the problem, though it took ~~some time before it was solved. Mrs. Day said that she had now been at Marine Drive post office~~ for about 2½ years and she was convinced that the problem was with the Horizon system. She recalled that in her previous post office, a small village post office, she experienced two anomalies that she could not explain. On one occasion she was several hundred pounds in surplus "which never turned up". The same thing happened again, inexplicably. Surely, she said, if she had missed inputting a Gyro payment or a National Savings and Investment payment someone would have missed it sooner or later?
23. I heard evidence from Anne Chambers, a system specialist employed by Fujitsu, the company that provides the Horizon service. She has a working knowledge of the Horizon computer system used by the claimant. She said that calls from postmasters relating to potential system problems are initially taken and logged by the Horizon system Helpdesk. I accept evidence of Mr. Castleton that he contacted the Helpdesk over problems with discrepancies in balancing accounts at Marine Drive on a number of occasions. If the helpdesks are unable to resolve the problem, calls may be passed to the System Support Centre, where Mrs. Chambers works. In this case, her first involvement with Marine Drive was on 26th February 2004. Mrs. Chambers examined the questions raised and concluded that there was no evidence whatsoever of any problem with the system. She was unable to identify any basis upon which the Horizon system could have caused the losses. Mr. Castleton cross-examined her about complaints from another branch, which he did not identify. She immediately recognized the branch with confidence as being a branch at Callender Square in Falkirk. The problem at Callender Square had, she said, arisen from an error in the Horizon system, but there was no evidence of such a thing at Mr. Castleton's branch. I found Mrs. Chambers to be a clear, knowledgeable and reliable witness, and I accept her evidence.

24. Successors to Mr. Castleton as subpostmasters at Marine Drive gave evidence before me. They were Ruth Simpson, Gregory Booth and Mrs. Day. Mrs. Simpson took over Marine Drive as temporary subpostmistress on Tuesday 23rd March 2004 and remained in that position until Wednesday 21st April 2004. Mr. Booth acted as temporary subpostmaster from 21st April 2004 until 28th May 2004. Mrs. Day, to whose evidence I have referred above, became temporary subpostmistress from about 29th May 2004. Mrs. Simpson said that she had had no problems with the computers other than the usual trivial problems that one tends to experience with computers on occasions. In particular, when the touch-sensitive computer screen was dirty, it would not accept commands, and information had to be entered via the keyboard. The screen did not freeze, nor was there any failure of communication between the two terminals. She once had to re-boot the computer because the screen went blank. She did not remember any of the equipment being changed. There were no large discrepancies during her term of office. The maximum discrepancy was £101.95. She thought it might have been due to a pension having been paid out twice. The next largest discrepancy was £19.38. Mr. Booth experienced no significant discrepancies other than two which were deliberately induced to check the operation of the Horizon system having regard to Mr. Castleton's allegations. Mrs. Day did not give evidence of having experienced any discrepancies at Marine Drive.
25. Mr. Andrew Wise, of the Network Directorate of the claimant, had worked for the Post Office since 1991 and had a working knowledge of the Horizon computer system. He wrote in his witness statement that he thought that every transaction (apart from online banking such as withdrawing or depositing cash at the counter) recorded by the clerk on to their computer has a corresponding physical document, such as TV licence counterfoil, savings bank deposit [or] withdrawal slip or cheque. After explaining the matter in some detail, he wrote this:

Accordingly, it can be seen that if the clerk or subpostmaster makes a mistake when imputing [sic: inputting?] transaction details into their computer, there are a number of points at which this can be picked up, because there are daily and weekly reports that the subpostmaster[s] have to produce at which stage they have to check and satisfy themselves that the physical documents evidencing transactions (for example, cheques, giro's, pensions and allowances) match what they have entered on the system. In addition to that, there are various teams responsible for different sorts of paperwork produced by the branch, including a giro bank team, cheques team and pension team. For example, if the clerk records an item incorrectly on the system, they should pick this up on either their daily or weekly report. However, if they fail to do so, this will be picked up at the Processing Centre. If an item has been wrongly recorded, an error notice would be generated, although this can easily take up to 12 weeks or so. This will mean that if a transaction has been over or under stated there will be either a claim error or a charge error respectively.

That evidence was not challenged, and I accept it.

26. Only three error notices relating to the operations of Marine Drive during the period in question, apart from those mentioned below relating to lottery moneys, were in evidence. One error notice was reversed and does not form part of the claim. The others are charge notices totalling £292. They are not separately claimed: I assume that they are included in the audited figure. The paucity of their number is consistent with the proper working of the Horizon system. An error due to a fault in the Horizon system could conceivably be ignored by the ultimate interested party and thus not relayed to the branch as an error notice, but there is no reason to suppose on that account that such a fault exists.

27. Helen Rose was at the material time an auditor employed by the claimant. On 23rd March 2004, she carried out an audit at Marine Drive. That involved counting the cash and stock and checking the paperwork such as Giro deposits and withdrawal receipts, Pensions and Allowances Reports. She found that the branch was short of cash in the sum of £25,753.75. I accept the accuracy of her audit. Moreover, it confirms that the shortfall at the end of the previous accounts week was real. It has not been suggested that Mr. Castleton did not start with a clean sheet.
28. There is a claim for £100.20 as the net receipts in Mr. Castleton's shop at Marine Drive of moneys placed in the National Lottery after close of post office business at 5.30 p.m. on 22nd March and during 23rd March 2004 when the post office was closed and the audit was carried out there. The till was in the shop, which was open at the material time. The claimant alleges that ~~£176 was received at those times for lottery tickets, and that £75.80 was given out to customers by way of prize money.~~ The normal practice was for those moneys to be taken into the post office accounts. That did not happen on this occasion since the post office was closed. The claimant claims by paragraph 11 of the particulars of claim a further adjustment to the account in the sum of £100.20. Before considering the merits of this claim, I shall describe the system.
29. I read evidence of Mr. Michael Johnson, whom Mr. Castleton did not require to be called as a witness. He was employed by the claimant in the Lottery Exceptions Team. The following description of the lottery system is derived largely from his evidence. At the lottery terminal in the shop the customer pays the shop clerk for a lottery ticket, which is printed by the terminal. Details of the transaction are almost instantaneously downloaded to Camelot, which runs the National Lottery. The subpostmaster uses the shop till receipts to input the details of the lottery transactions into the Horizon computer terminal. Prizes up to a certain amount are paid out by the clerk on presentation of a winning ticket (not necessarily purchased in the shop). ~~Those details are also entered into the Horizon system. Camelot electronically sends to the claimant's data centre details of the transactions for every relevant retailer.~~ The information is automatically compared to the information received on the Horizon system from each branch. If there is a discrepancy, an error notice will be issued unless (not this case) the matter is dealt with directly with the branch. Mr. Johnson exhibited extracts from a spreadsheet taken from the claimant's Issued Etrots Database for the Marine Drive branch. They showed a lottery charge error that occurred on 23rd March 2004 for £176, an amount by which lottery online sales had been understated in the receipts section. The money represented money that was received by the branch in relation to the National Lottery but not entered by the branch into the Horizon computer. In addition, a claim error notice was issued for £75.80. That represented Lottery prize payments that were understated by the Marine Drive Branch in the payments section. It represents a credit in favour of the branch.
30. The Cash Account (Final) for Mrs. Simpson's first week as postmistress, week 52, shows that £2218.50 had been entered as the amount of the lottery ticket receipts for that week. The figures from Camelot of lottery transactions at the shop for that week totalled £2394.50, a discrepancy of £176. Those figures were broken down into daily amounts. The amount for 23rd March was £176. I am satisfied that that error arose because Mrs. Simpson did not enter the amounts shown on the relevant till receipts into the Horizon system. Similarly, the figure entered in the Cash Account (Final) as National Lottery prizes for that week was £5792.80. According to Camelot, the figure should have been £5868.60, a discrepancy of £75.80. Mr. Johnson said, without explaining the mechanism, that the figure of £75.80 represented National Lottery prize payments that were understated by the Marine Drive branch.
31. The defence pleaded by Mr. Castleton's then counsel to the claim for £100.20 was

No admissions are made as to the facts in paragraph 11, being matters that occurred after the defendant's suspension, and the claimant is put to proof of them but the defendant's liability is denied. Having been suspended as set out in paragraph 2 above, the defendant had no way of transacting those matters and/or the claimant's temporary subpostmaster had already assumed responsibility for the branch and/or the claimant's audit staff had balanced the accounts prior to her doing so.

In his skeleton opening argument, Mr. Castleton said that the lottery moneys and terminal receipts were given to Mrs. Simpson on the morning of 24th March. Although he wrote about Mrs. Simpson at some length in his witness statement, he made no mention there of any payment made to her or of the handing over of any documents to her. Mr. Castleton was cross-examined about the lottery moneys:

Q. Moving on to consider the National Lottery, am I right in thinking that you now accept that you received £176 on 23rd March 2004 in respect to National Lottery sales and paid out prizes of £75.80?

A. That has never been in question.

Q. Is that a yes then?

A. Yes. It was never a question of receiving the moneys. The fact that repaid ...[inaudible].

I assume that it is payment to Mrs. Simpson that he was referring to in the above partly inaudible answer. He did not say that he himself had paid the moneys to Mrs. Simpson. Mrs. Simpson gave evidence about the subject of lottery moneys generally in her witness statement. The relevant paragraph, paragraph 11, reads as follows:

There were two things at the Marine Drive branch that struck me as being strange at the time. One related to the National Lottery cash. The National Lottery terminal at the Marine Drive branch is in the shop rather than behind the post office counter. As the shop stayed open later than the post office counter, it would continue to sell lottery tickets, and this meant that before the opening of the post office business the next day, I would use the shop till receipts to input details of the lottery transactions into the Horizon computer terminal. When I came into the branch each morning, I would find the lottery cash that the shop had received overnight left in a bag just under the post office counter screen together with the lottery till receipt. I was therefore concerned that the lottery cash was being left unattended, because it was not secure and a customer could have taken it. On one occasion (I cannot recall precisely when), the lottery print-out (showing about £50 worth of sales) was there but there was no lottery cash. I therefore asked Mr. Castleton to make this amount good from the shop, which he did. I also asked for the lottery cash to be handed to me personally.

I accept that evidence of Mrs. Simpson.

32. Although the post office at Marine Drive was closed all day on 23rd March, the shop was open. The sum of £176 must have been paid in by customers, and the prize money paid out to customers, between 5.30 p.m. on 22nd March, when the post office closed, and 7.30 p.m., when the shop closed, and during the opening hours of the shop on 23rd March. Mr. Castleton did not put to Mrs. Simpson that he had paid her the lottery money. The nearest that he came to it was

this. The discrepancy shown in the Cash Account (Final) for week 52, Mrs. Simpson's first week at Marine Drive, was £2.14 (Representing a loss of £2.14). Mr. Castleton put to her that she should have been £98 up. She gave a conditional answer that was inconclusive.

33. In her witness statement, Mrs. Train wrote that she went through Mrs. Simpson's paperwork and found the lottery tickets loose in an envelope that had not been entered

“which created the error notices. There is also a summary on which she wrote the amount of cash received from the shop on her first [day] in post. Not having a lottery terminal herself, she had made a mistake and did not account for the prize money already paid out. This should've been given back to Mr. Castleton or at least shown in the balance as being a gain but it was not”.

I have added the word “day” which seems to be required by the sense of the passage.

34. The lottery receipts in question were not in evidence. Mr. Castleton, when cross-examined as to their whereabouts, said that they were in the post office. They were disclosed by neither party to the proceedings. During the course of the cross-examination of Mrs. Simpson by Mr. Castleton, the following exchange took place:

A. So have you got the actual lottery receipts?

Q. They are not in evidence, I'm afraid.

A. Right. Well I would want to see those before I made that (inaudible).

When Mrs. Simpson was recalled for other reasons after the end of the evidence and submissions, Mr. Castleton indicated that he was in possession of the lottery receipts and wanted to put them to Mrs. Simpson in further cross-examination. On Mr. Morgan's objection, I refused to allow him to do so.

35. Mrs. Oglesby invited Mrs. Simpson to run Marine Drive on a temporary basis to take the place of Mr. Castleton. She described Mrs. Simpson as a very experienced postmaster. I accept that she was, and I found her to be a reliable witness. If Mrs. Simpson had had the lottery vouchers at the material time and entered them into the Horizon system, the error notices would not have been generated. I am satisfied that the reason why she did not enter them into the Horizon system is that she did not have them. Moreover, if she had received the moneys, then given that she did not enter the transactions into the computer, the system ought to have shown a corresponding gain of £100.20. It did not. It showed a loss of £2.14. However, that evidence is by no means conclusive since there could have been other errors.
36. Mr. Castleton was suspended from his postmastership on 23rd March. His duty to account to the claimant for the lottery moneys received on 23rd and 24th March in my judgement arises from his admitted receipt of the moneys. That point is not pleaded: but nor is the defendant's allegation that the moneys have been accounted for by way of payment to Mrs. Simpson. I am satisfied that the claimant is entitled to restitution of those moneys.
37. There will thus be judgment on the claim against the defendant for £25,858.95. I shall hear counsel and Mr. Castleton on the question of interest.

38. There is a counterclaim for damages in the sum of £11,250 on the ground that the claimant wrongfully determined the defendant's contract as a subpostmaster following his suspension.
39. The defendant's contract with the claimant was a contract for services dated 18th July 2003. The contract provides, by section 1, clause 5, that the subpostmaster is required to accept full responsibility for the proper running of his sub-office. Retention of his appointment is dependent on the sub-office being well managed and the work performed properly to the satisfaction of the claimant. Clause 8 provides that the terms of the appointment of the subpostmaster do not entitle the holder to be paid compensation for loss of office. Clause 10 provides for summary determination of the contract by the claimant in case of breach of condition by the subpostmaster or non-performance of his obligation; otherwise it may be determined by the claimant on not less than three months' notice. Section 12 clause 5 provides that the subpostmaster is held strictly responsible for the safe custody of cash, stock of all kinds and other property, papers and documents of the claimant, whether held by himself or by his assistants. Clause 12 provides that the subpostmaster is responsible for all losses caused through his own negligence, carelessness or error, and also for all losses of all kinds caused by his assistants. Deficiencies due to such losses must be made good without delay. Clause 13 provides that the financial responsibility of the subpostmaster does not cease when he relinquishes his appointment and he will be required to make good any losses incurred during his term of office which may subsequently come to light. Clause 15 provides that if a theft or burglary is committed or attempted at a sub-office....the facts must be reported at once to the police and to the regional general manager. Clause 16 provides that if a sub-postmaster considers that any stock items have been accidentally lost or stolen he should make a report as quickly as possible to the Regional General Manager. There is no evidence of any such reports, and it is no part of the defendant's case that stock was lost whether by theft or accidentally. Section 15, clause 2, provides that a subpostmaster will be required to make good any deficiency of cash or stock which may result from his assistants' actions. Section 22 clause 3 provides that the subpostmaster will be responsible for ensuring that transactions will be carried out accurately....and that all documentation is properly completed and despatched at the due time.
40. I am satisfied that the substantial unexplained deficiencies incurred in weeks 42 to 51 and in week 52 up to the close of business on 22nd March 2004 are real deficiencies and as such are irrefutable evidence that Marine Drive was not properly managed at the material time. I conclude that the claimant was entitled under clause 10 of section 1 to determine Mr. Castleton's contract summarily for non-performance of his obligation under clause 5 of that section. Moreover, the losses must have been caused by his own error or that of his assistants.
41. The counterclaim is dismissed.

Judgement on Castleton (Seedmans)

Mandy Talbot
15/01/2007 14:04

To: Clare Wardle [GRO] Biddy
Wyles/e [GRO] John D
Cole [GRO]
cc:
Subject: RE: Post Office Limited v Lee Castleton

Judgement due next week

Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

Postline: [GRO] STD Phone: [GRO] Fax: [GRO] Mobile: [GRO]
External Email: mandy.talbot [GRO]
----- Forwarded by Mandy Talbot/POSTOFFICE on 15/01/2007 14:04 -----



"Stephen Dilley"
<Stephen.Dilley [GRO]
[GRO]
15/01/2007 13:31

To: <mandy.talbot [GRO]>
cc: <martyn.mitchell [GRO]>
Subject: RE: Post Office Limited v Lee Castleton

Dear Mandy,

The Judgment is being handed down next Monday at 10am. I will attend Court with Richard who will make submissions on costs at that stage. I'll let you know how it goes after the hearing.

Kind regards,

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP
DDI: [GRO]
Main office phone: +44 [GRO]
Fax: +44 [GRO]
www.bondpearce.com

-----Original Message-----

From: mandy.talbot [GRO] [mailto:mandy.talbot [GRO]]
Sent: 15 January 2007 10:42
To: Stephen Dilley
Subject: Re: Post Office Limited v Lee Castleton

Thanks very much Stephen

Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

Postline: [GRO] STD Phone: [GRO] Fax: [GRO]
Mobile: [GRO]
External Email: mandy.talbot [GRO]

"Stephen Dilley"
<Stephen.Dilley@GRO> To:
<mandy.talbot@GRO>
<Tom.Beezer@GRO> cc: "Tom Beezer"
<martyn.mitchell@GRO> Subject: Post Office
12/01/2007 17:46
Limited v Lee Castleton

Dear Mandy

I refer to our telephone conversation on 9 January.

The hearing on 11 January went well for the following reasons:

1. Mr Castleton didn't make any headway with either of the witnesses he recalled. In fact, it rebounded quite badly on him as Anne Chambers was able to explain again why there were no I.T problems at Marine Drive that would have caused the errors.
2. It was a good opportunity to emphasise our case to the judge again. It became very clear that the judge understands our position and he challenged the relevance of the points Mr Castleton was seeking to make.
3. In terms of the lottery loss (just over £100), Mr Castleton tried to re-examine Ruth Simpson about lottery receipts he had produced during the course of the trial after her first cross examination. The court decided that he was too late and would not let him, since we had not had the opportunity to cross examine him and his witnesses about those receipts (they are the receipts that he says were found behind the post office counter which he says Ruth Simpson ought to have put through the system.
4. The hearing also effectively ensured that Mr Castleton had one less avenue for any application for permission to appeal.

I think we should get judgment within the next week or two and I will update you when I hear anything further in that regard.

Kind regards.

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP
DDI: [GRO]
Main office phone: [GRO]
Fax: +44 [GRO]
www.bondpearce.com

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Mandy Talbot
09/01/2007 14:51

To: mared.hughes [GRO]
cc: John D Cole [GRO]
Subject: Bajaj

I have been copied into your request for information from Fujitsu your e-mail to Graham Ward.

Fujitsu charge for interpretation of data provided.

Can you let me know what data we already have in respect of Bajaj and Bilku if the request was in respect of the latter and what exactly we are now asking Fujitsu for.

Is any of this data for the period after Bajaj was dismissed/ resigned? If so why are we applying for it? Does it relate solely to the period of the time of his specific complaints or does it run across the whole of the period of the complaints.

Is the data being obtained for our own purposes or just to address a request from Bajaj for disclosure?

Regards
Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

[GRO]
External Email: mandy.talbot [GRO]

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CASTLETON - MARINE DRIVE - BRIDLINGTON

Mandy Talbot

08/01/2007 14:59

To: "Stephen Dilley" [redacted] GRO
cc: John D Cole [redacted] GRO
Subject: Re: P.O -v- Castleton [redacted]

Further to our recent telephone conversation please notify Castleton that we will not actively resist the application and get the two witnesses present. This is on condition that the cross examination takes place that day if the Court grants the application.

Regards

Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

[redacted] GRO
External Email: mandy.talbot [redacted] GRO
"Stephen Dilley" [redacted] GRO



"Stephen Dilley"

[redacted] GRO
08/01/2007 11:25

To: <mandy.talbot [redacted] GRO
cc: "Tom Beezer" [redacted] GRO
<morgan [redacted] GRO
<martyn.mitchell [redacted] GRO
Subject: P.O -v- Castleton

Dear Mandy,

I refer to my email of 3 January. Please could you call me when you're out of your meeting today?

I attach a copy of my letter dated 4 January to Mr Castleton and his reply of today. He has said that he will be 45 minutes with each witness and that he wants to out questions to them arising from the Tivoli logs and that they are relevant to the "integrity of the system and balances." As I've said before, I think that he would construe anything we gave to him as the crown jewels, irrespective of whether it was truly relevant.

If we oppose his application on Thursday (on the grounds that the issues he raises are irrelevant and disproportionate) but he succeeds i.e the Court says he can examine 2 of our witnesses, then we will have to go back to Court again. On the other hand, I have checked with Anne Chambers and Ruth Simpson and they could both attend Court this Thursday. The Court has sufficient time to accommodate their re-examination. Therefore, on balance, I think we should recall them and let Mr Castleton ask any questions on Thursday (so at least he thinks he's had a fair shot, thereby reducing the chances of him successfully getting permission to appeal if judgment is against him). Hopefully, this would at least get it done and we will then get judgment on the day or shortly afterwards. Do you agree? If so, I'll line up the Court and witnesses.

I look forward to hearing from you.

Kind regards.

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP

GRO
Main office phone: **GRO**
Fax: +44 **GRO**
www.bondpearce.com

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Mandy Talbot
30/04/2007 09:24

To: John D Cole [GRO]
cc:
Subject: Post Office Limited -v- Lee Castleton

For Your information.

Regards
Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

[GRO]
External Email: mandy.talbot [GRO]
----- Forwarded by Mandy Talbot [GRO] on 30/04/2007 09:23 -----



"Stephen Dilley"
[GRO]
27/04/2007 17:29

To: <mandy.talbot [GRO]>
cc:
Subject: Post Office Limited -v- Lee Castleton

Dear Mandy,

Please see below.

I have spoken with Mr Castleton's advisors this afternoon. Mr Castleton is offering the P.O a voluntary charge over his 50% share of Marine Drive in full and final settlement of the judgment debt. If the P.O does not accept it, he is apparently going to declare himself bankrupt.

If Mr Castleton does declare himself bankrupt the P.O ought to be able to chose who the trustee in bankruptcy is (as it is the biggest creditor) and I can make some recommendations to you if that helps. After 1 year, the trustee should get a possession order and sell the property and pay the expenses of the sale and of the bankruptcy before making a distribution to the unsecured creditors. If Castleton makes himself bankrupt before the P.O's charge is made absolute, the Court will probably decline to make the charge absolute. The P.O would then rank alongside the other unsecured creditors and prove in the pound, but I believe the P.O will be by far the biggest creditor. Any trustee would also investigate what other assets Castleton has (if any) and try to bring them into the bankruptcy pot too. Therefore, bankruptcy is not necessarily bad news for the P.O.

The advantage of getting a charging order and Mr Castleton voluntarily selling the property is that there aren't another layers of expenses on top (I.e trustees fees and the other expenses of the bankruptcy) that come out of the property first.

I have asked Mr Castleton's advisors to give us more detail about his assets and liabilities and to confirm the precise value of the mortgage (they think the mortgage is for £300,000 and that the property is worth about £400,000 and therefore Mr Castleton's share of the equity is at most about £40,000 if you take into account the costs of sale). They said they'd come back to me on Monday with more information. We can then decide whether or not to accept his proposal.

I will revert to you.

Kind regards,

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP
DDI: [REDACTED] GRO
Main office phone: + [REDACTED] GRO
Fax: +44 [REDACTED] GRO
www.bondpearce.com

From: David Dowson [mailto:David@ [REDACTED] GRO]
Sent: 26 April 2007 08:58
To: Stephen Dilley
Subject: RE: Post Office Limited -v- Lee Castleton

Dear Sir

Thank you for your email 24 April

The offer of 100% of the net equity has been "indirectly" offered in previous correspondence and can now be confirmed as a formal offer in full and final settlement
This can be formalized by a voluntary charge being offered
Our client seems reluctant , for what ever reason , to sign the consent order unless a way forward can be found

Bankruptcy proceeding would appear to be in order in view of the net liability position of £300000+ (Gross Assets £40000 - Gross Liabilities £350000)

An early response would be appreciated

Yours Faithfully

LLOYD DOWSON

From: Stephen Dilley [REDACTED] GRO
Sent: 24 April 2007 19:40
To: David Dowson
Subject: RE: Post Office Limited -v- Lee Castleton

Dear Sir,

Thanks for your email of 23 April.

1. We have never previously received any offer of your client's 100% interest in the net share of the property. Certainly we have been asking him directly (and via you) for several months to give the P.O a voluntary charge on the property. Is that now being offered? If it is, why would he need to instigate bankruptcy proceedings?

2. Please can you also reply to our 27 March email about costs so that we can take instructions. For ease of reference, here is the relevant part of that email:

"Firstly as a housekeeping point, we sent Mr Castleton 3 copies of a consent order in relation to costs as long ago as 22 February 2007. We wrote to him again about this on 13 March. He said that we should revert to you. We emailed it to you on 20 March. The consent order is simply to document the agreement that has already been reached in relation to costs, following judgment being entered against Mr Castleton. Accordingly, please confirm that you will ask Mr Castleton to sign and return it to us as soon as possible."

We look forward to hearing from you as soon as possible. If you think it would be helpful to discuss this, please contact our Mr Dilley on Tel GRO

Yours faithfully,

BOND PEARCE LLP

From: David Dowson GRO
Sent: 24 April 2007 11:42
To: Stephen Dilley
Subject: RE: Post Office Limited -v- Lee Castleton

Dear Sir

Further to previous e-mails can you please confirm ASAP that the offer of our clients 100% interest in the net share of the property in full & final settlement is unacceptable

If so he can instigate bankruptcy proceedings as advised

Yours Faithfully

LLOYD DOWSON

From: Stephen Dilley
Sent: 04 April 2007 12:59
To: 'David Dowson'
Subject: RE: Post Office Limited -v- Lee Castleton

Dear Sir,

Thanks for your email and for clarifying the position on the sale.

You have still not answered paragraph 1. of our 21 March email. Please can you now do so.

We note the other points set out below, but disagree with your assertion about a "preference" because by giving a charge Mr Castleton would be reacting to the P.O's legitimate commercial pressure following the judgment it has against him (which is allowed) rather than desiring to prefer the P.O over anyone else.

We look forward to hearing from you.

Yours faithfully,

BOND PEARCE LLP

From: David Dowson
Sent: 04 April 2007 12:49
To: 'Stephen Dilley'
Subject: RE: Post Office Limited -v- Lee Castleton

Dear Sir

We refer to your email dated 03/04

Please refer to our email dated 21/03 which we feel is self-explanatory

His income & expenditure declarations are clearly an erroneous combination of his own personal situation that of his his wife's and his wife's company's position He has a modest income of £85 per week which he contributes in its entirety to the family expenses which are controlled and managed by his wife

Regarding giving voluntary charges on Lee's net half share of the property We are concerned in view of the fact he is taking insolvency advice that this may fall into the area of fraudulent preference There are other creditors in the wings !

The up to date position on the jointly owned property is that potential buyers are being shown round

As previously confirmed we do not intend to run up any further professional fees and now await the advice of the Insolvency Experts
Yours Faithfully

Lloyd Dowson

From: Stephen Dilley [GRO]
Sent: 03 April 2007 19:02
To: David Dowson
Subject: Post Office Limited -v- Lee Castleton

Dear Sir,

We refer to our unanswered emails of 27 and 28 March 2007. We wonder if you have now had the opportunity to take instructions and look forward to hearing from you as soon as possible.

Yours faithfully,

BOND PEARCE LLP

From: Stephen Dilley
Sent: 28 March 2007 17:41
To: 'David Dowson'

Subject: RE: Post Office Limited -v- Lee Castleton

Dear Sir,

Thanks for your email of earlier today.

We look forward to receiving your response as soon as possible to the remainder of our 27 March email.

In addition, please confirm whether a buyer has been found by RTA and if so, what stage the discussions are at.

Yours faithfully,

BOND PEARCE LLP

From: David Dowson [REDACTED] **GRO**
Sent: 28 March 2007 08:25
To: Stephen Dilley
Subject: RE: Post Office Limited -v- Lee Castleton

Dear Sir

Our clients total income is the modest wage he draws from his Wife's Limited Company This is a small contribution the family living expenses which are totally under the control of his wife
His only asset is half the net worth in the property which is as previously explained being marketed by RTA business sales agents

Yours Faithfully

David Dowson

From: Stephen Dilley [REDACTED] **GRO**
Sent: 27 March 2007 18:06
To: David Dowson
Subject: RE: Post Office Limited -v- Lee Castleton

Dear Sir,

Thanks for your for your email of 21 March

1. Firstly as a housekeeping point, we sent Mr Castleton 3 copies of a consent order in relation to costs as long ago as 22 February 2007. We wrote to him again about this on 13 March. He said that we should revert to you. We emailed it to you on 20 March. The consent order is simply to document the agreement that has already been reached in relation to costs, following judgment being entered against Mr Castleton. Accordingly, please confirm that you will ask Mr Castleton to sign and return it to us as soon as possible.

2. In his means questionnaire, Mr Castleton stated that his mortgage payments are £2,016 per month plus other regular outgoings are £690 per month a total of £2,706 per month. He also stated that he draw £85 each week from the business i.e. £368 per

month, a difference of £2,338. Accordingly, we wrote to Mr Castleton on 13 March to ask him to confirm on what capital or income you are managing to survive each month. Please can you confirm what his outgoings are and how he is able to pay them from his income of £85 per week. This is so that we can take informed instructions on any offer that you put forward.

3. On 7 February, we wrote to Mr Castleton and asked him whether he was prepared to agree:

(a) to give the Post Office a charge on the property voluntarily, so that, after payment of the costs and expenses of sale and any other mortgagees, the net proceeds can be used to help reduce the Judgment debt, interest and costs; and/or

(b) that his solicitors dealing with the refinancing/sale simply provide us with an irrevocable written undertaking to pay the net sale proceeds to the Post Office. We asked him to supply us with contact details of any solicitors whom he has instructed to deal with the sale.

When our Mr Dilley spoke to Mr Castleton again recently to seek his response, he said we should speak to you. Accordingly, please can you let us know the answer. Please also confirm the up to date position on the refinancing/sale.

If you think it would be helpful, please do not hesitate to contact our Mr Dilley on telephone number [REDACTED] GRO. Please note that our Mr Dilley will be out of the office on 29 and 30 March inclusive.

We look forward to hearing from you as soon as possible.

Yours faithfully,

BOND PEARCE LLP

From: David Dowson [mailto:David [REDACTED] GRO]
Sent: 21 March 2007 09:21
To: Stephen Dilley
Subject: RE: Post Office Limited -v- Lee Castleton

Thank you for your E-MAIL 20th March

The personal information form completed by our client appears to contain a combination of His personal circumstances and that of his wife and HER Limited company South Marine Drive Trading Ltd (Co 4829317)

In a nut shell the position is as follows

He owns 50% of the Property at 14 South Marine Drive Bridlington YO15 3DB Which has a joint net equity of Approx £100000

His only current source of income is £85 per week he receives from his wife's company for part time assistance

He is no fit state to full time and needs time to review his long term future

The Property is being offered for sale by RTA - £400000

Unless you are prepared to accept a modest lump sum he has no alternative but to follow the previous sourced insolvency advice and declare himself bankrupt !

As you are aware his has been unable to pay for professional advice in the past and cannot do so going forward

In view of his financial plight we do not intend to get involved in any long term correspondence

Yours

Lloyd Dowson & CO

From: Stephen Dilley **GRO**
Sent: 20 March 2007 12:05
To: David Dowson
Subject: FW: Post Office Limited -v- Lee Castleton

Dear Sirs,

Mr Castleton has contacted us and said you did not receive a copy of our 15 March email, so a further copy is set out below, with attachments.

Kindly acknowledge receipt.

Yours faithfully,

BOND PEARCE LLP

From: Stephen Dilley
Sent: 15 March 2007 15:19
To: 'David Dowson'
Subject: Post Office Limited -v- Lee Castleton

Dear Sirs,

Thanks for you fax.

We now attach a copy of the consent order and a copy of the completed means questionnaire.

The consent order is to simply document the agreement which has already been reached in writing in relation to costs.

We await hearing from you as a matter of urgency.

Yours faithfully,

BOND PEARCE LLP

From: Stephen Dilley
Sent: 15 March 2007 14:54
To: 'David Dowson'
Subject: RE: CASTLETON v POST OFFICE LTD

Dear Sirs,

Thank you for your email of today.

1. Please supply us with confirmation in writing from Mr Castleton to show that you are indeed instructed to act upon his behalf and that he is content for us to liaise with you.

2. We reject your completely groundless assertion that Mr Castleton has completed anything under duress. Are you a firm of solicitors? You should consider the position very carefully before making such allegations.

We await hearing from you.

Yours faithfully,

BOND PEARCE LLP

From: David Dowson [mailto:David.Dowson@bplaw.com] **GRO**
Sent: 15 March 2007 14:28
To: Stephen Dilley
Subject: CASTLETON v POST OFFICE LTD

Dear Sir

Our Client Mr Lee Castleton has passed us your letter dated 13/03/07 and has asked us to reply on his behalf

Could you please send us a further copy of the Consent order form referred to in your letter together with a copy of the means test questionnaire submitted by our client completed under duress and without professional assistance
He would appear to have mixed business and personal expenses on the same form a copy of which he failed to retain

Our initial assessment of his personal situation is that he has a modest amount of property wealth but very little prospect of any earnings in the near future

There is a reasonable chance of his net equity in the property being turned into cash by his family refinancing the business from which at best he may be in a position to offer a modest lump sum in full and final settlement

He has been advised by an insolvency practitioner to declare himself bankrupt advice upon which I cannot yet comment but hope to be able to do so in the near future

Your early reply would be appreciated

Yours Faithfully

D W Dowson

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Lloyd Dowson
Medina House
2 Station Avenue
Bridlington
East Yorkshire
YO16 4LZ

Telephone: **GRO**

Fax: **GRO**

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Registered in England. No. 4572561

Keith K Baines
22/01/2007 13:47

To: John D Cole [GRO]
cc:
Subject: Re: Castleton

----- Forwarded by Keith K Baines/w/POSTOFFICE on 22/01/2007 13:47 -----

Rod Ismay
22/01/2007 12:45

To: Mandy Talbot [GRO]
cc: Bidy Wyles [GRO] Clare
Wardle [GRO] David X
Smith [GRO] Doug
Evans [GRO] Graham C
Ward [GRO] Keith K
Baines [GRO] Marie
Cockett [GRO] Richard W
Barker [GRO] Rob G
Wilson [GRO] Tony R
Ulting [GRO]
Subject: Re: Castleton [GRO]

Thanks Mandy - great news. And thanks to everyone in this email and in your teams as I know you have had to do a lot of work in supporting the defence case here. Like you, my team faced a stack of witness interviews and court attendances at one time so the progress and conclusion here is great news.

What can we do on a pro-active comms front here? We've watched the various inflammatory letters in the Subpostmaster letters page and wanted to be able to assure branches and clients that they can rely on the integrity of Horizon.

We've had some good articles in the Subpostmaster about NBSC, Online Service and Cash In Transit. I am planning briefs on what P&BA does.

Any thoughts on comms following this case?
Thanks, Rod

Rod Ismay - Post Office Ltd - Head of Product & Branch Accounting
[GRO]
No 1 Future Walk, West Bars, Chesterfield, S49 1PF
P&BA.....Servicing today's clients to win tomorrow's new business
Mandy Talbot

Mandy Talbot
22/01/2007 11:38

To: Clare Wardle [GRO] Bidy
Wyles [GRO] Rob G
Wilson [GRO] Rod
Ismay [GRO] Marie
Cockett [GRO] Keith K
Baines [GRO] David X
Smith [GRO] Richard W
Barker [GRO] Tony R
Ulting [GRO] Graham C
Ward [GRO]
cc: Doug Evans [GRO]
Subject: Castleton

This is just to let you know that we have been completely successful in defending all the allegations made by Mr Castleton. You will recall that he contended that no genuine losses occurred whilst he was a postmaster and that any losses were manufactured by the HORIZON system. The Judgement has entirely vindicated the HORIZON system.

Judgement has been awarded in our favour for the original debt, the counterclaim for £250,000 was dismissed, he was ordered to pay our legal costs at the standard rate up to the date of a part 36 offer in January 2006 and the last possible date he could have accepted it and thereafter at the indemnity

rate. This was to reflect the fact that he ignored a sensible offer to settle and a number of attempts to get him to agree to mediation. Interest was awarded at the normal rate on the award of damages and the costs we have paid up to the date of the rejected part 36 but thereafter at the Bank of England base lending rate plus 10%. He was ordered to make an interim payment of £50,000 within 28 days of today's date.

Mr Castleton appeared to be stunned by the result and did not apply for leave to appeal against the decision. There were journalists at Court and it is possible that this will be picked up by the media.

Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

Postline: STD Phone: Fax: Mobile:
External Email: mandy.talbot

Mandy Talbot
15/01/2007 14:04

To: Clare Wardle [GRO] Biddy
Wyles [GRO] John D
Cole [GRO]
cc:
Subject: RE: Post Office Limited v Lee Castleton

Judgement due next week

Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

Postline: [GRO] STD Phone: [GRO] Fax: [GRO] Mobile: [GRO]
External Email: mandy.talbot [GRO]
----- Forwarded by Mandy Talbot/e/POSTOFFICE on 15/01/2007 14:04 -----



"Stephen Dilley"
[GRO]
15/01/2007 13:31

To: <mandy.talbot [GRO]>
cc: <martyn.mitchell [GRO]>
Subject: RE: Post Office Limited v Lee Castleton

Dear Mandy,

22/1/07

The Judgment is being handed down next Monday at 10am. I will attend Court with Richard who will make submissions on costs at that stage. I'll let you know how it goes after the hearing.

Kind regards.

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP

[GRO]
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Fax: +44 [GRO]
www.bondpearce.com

-----Original Message-----

From: mandy.talbot [GRO]
Sent: 15 January 2007 10:42
To: Stephen Dilley
Subject: Re: Post Office Limited v Lee Castleton

Thanks very much Stephen

Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

[GRO]
External Email: mandy.talbot [GRO]

"Stephen Dilley"

GRO

<mandy.talbot@...>

GRO

To:

GRO

cc: "Tom Beezer"

<martyn.mitchell@...>

GRO

12/01/2007 17:46

Subject: Post Office

Limited v Lee Castleton

Dear Mandy

I refer to our telephone conversation on 9 January.

The hearing on 11 January went well for the following reasons:

1. Mr Castleton didn't make any headway with either of the witnesses he recalled. In fact, it rebounded quite badly on him as Anne Chambers was able to explain again why there were no I.T problems at Marine Drive that would have caused the errors.
2. It was a good opportunity to emphasise our case to the judge again. It became very clear that the judge understands our position and he challenged the relevance of the points Mr Castleton was seeking to make.
3. In terms of the lottery loss (just over £100), Mr Castleton tried to re-examine Ruth Simpson about lottery receipts he had produced during the course of the trial after her first cross examination. The court decided that he was too late and would not let him, since we had not had the opportunity to cross examine him and his witnesses about those receipts (they are the receipts that he says were found behind the post office counter which he says Ruth Simpson ought to have put through the system).
4. The hearing also effectively ensured that Mr Castleton had one less avenue for any application for permission to appeal.

I think we should get judgment within the next week or two and I will update you when I hear anything further in that regard.

Kind regards,

Stephen Dilley
Solicitor

for and on behalf of Bond Pearce LLP

GRO

Main office phone:

GRO

Fax: +44 (

GRO

www.bondpearce.com

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Mandy Talbot
08/01/2007 14:59

To: "Stephen Dilley" [GRO]
cc: John D Cole [GRO]
Subject: Re: P.O -v- Castleton []

Further to our recent telephone conversation please notify Castleton that we will not actively resist the application and get the two witnesses present. This is on condition that the cross examination takes place that day if the Court grants the application.

Regards

Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

[GRO]
External Email: mandy.talbot [GRO]
"Stephen Dilley" [GRO]



"Stephen Dilley"
[GRO]
08/01/2007 11:25

To: <mandy.talbot [GRO]>
cc: "Tom Beezer" [GRO] "Richard Morgan"
<rmorgan [GRO]>
<martyn.mitchell [GRO]>
Subject: P.O -v- Castleton

Dear Mandy,

I refer to my email of 3 January. Please could you call me when you're out of your meeting today?

I attach a copy of my letter dated 4 January to Mr Castleton and his reply of today. He has said that he will be 45 minutes with each witness and that he wants to out questions to them arising from the Tivoli logs and that they are relevant to the "integrity of the system and balances." As I've said before, I think that he would construe anything we gave to him as the crown jewels, irrespective of whether it was truly relevant.

If we oppose his application on Thursday (on the grounds that the issues he raises are irrelevant and disproportionate) but he succeeds i.e the Court says he can examine 2 of our witnesses, then we will have to go back to Court again. On the other hand, I have checked with Anne Chambers and Ruth Simpson and they could both attend Court this Thursday. The Court has sufficient time to accommodate their re-examination. Therefore, on balance, I think we should recall them and let Mr Castleton ask any questions on Thursday (so at least he thinks he's had a fair shot, thereby reducing the chances of him successfully getting permission to appeal if judgment is against him). Hopefully, this would at least get it done and we will then get judgment on the day or shortly afterwards. Do you agree? If so, I'll line up the Court and witnesses.

I look forward to hearing from you.

Kind regards.

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP

GRO
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Fax: +44 **GRO**
www.bondpearce.com

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>>>> eCopy scanned document.pdf attachment was removed from this email <<<<

3 January 2007

Bond Pearce LLP
Ballard House
West Hoe Road
Plymouth PL1 3AE

PRIVATE AND CONFIDENTIAL

Mr L. Castleton
14 South Marine Drive
Bridlington
YO15 5DE

Tel: [redacted] **GRO**
Fax: [redacted]
DX: [redacted]

stephen.dilley [redacted] **GRO**
Direct: [redacted] **GRO**

By fax [redacted] **GRO**

Our ref:
SJD3/KAK2/348035.134
Your ref:

Dear Sir

Post Office Limited -v- Yourself

We refer to our unanswered letter dated 21 December 2006 and to your telephone conversation with our Mr Dilley on 2 January 2007.

In our letter and in the telephone conversation, we asked you to confirm as a matter of urgency whether you are intending to proceed with your application, which has been listed for hearing on 11 January 2007 and if so, to state exactly what it is that you are applying for. You did not appear to know what exactly it was that you are applying for. You said that you needed to refine your arguments and that you had somebody looking at the Tivoli events log. We asked you to call our Mr Dilley back today to clarify your position and have tried to call you, but you were engaged.

When we spoke to you on 2 January, we stated that if you told us what it was that you were applying for, then, depending upon what that was, we might be able to try to agree it, thereby saving the time and costs of an attendance at a contested application on 11 January. However, until you tell us what it is you are seeking, we are not in a position to say.

In the circumstances, please confirm what exactly it is that you are applying for and whether you do wish to proceed with your application, in order that we can make appropriate travel arrangements.

We reserve the right to produce this fax to the Court at the appropriate time on the question of costs.

We look forward to hearing from you as soon as possible, preferably by return.

Yours faithfully

Bond Pearce LLP



21 December 2006

PRIVATE AND CONFIDENTIAL

Mr L Castleton
14 South Marine Drive
Bridlington
YO15 5DE

Bond Pearce LLP
Baillard House
West Hoe Road
Plymouth PL1 3AE

Tel: [REDACTED] **GRO**
Fax: [REDACTED]
DX [REDACTED] **GRO**

stephen.dilley@bondpearce.com [REDACTED] **GRO**
Direct: [REDACTED] **GRO**

Our ref:
SJD3/SAW3/348035.134
Your ref:

Dear Sir

Post Office Limited -v- Yourself

Thank you for today sending to us a copy of your fax dated 20 December 2006 to the Court.

We enclose the Tivoli events log that Fujitsu have now extracted from their archive for Marine Drive. We are advised that this contains the data that Anne Chambers checked in 2004 and it is the data she referred to in her evidence at the trial. (Although the formatting is slightly different from how Ms Chambers would have seen it because it is extracted from the computer archive, the substance is identical).

When we spoke to you on 20 December, you were unaware as to whether or not you would proceed with your application. In the circumstances, please confirm as a matter of urgency whether you are intending to proceed and if so, what exactly it is that you are applying for and when that application has been listed for hearing. In the event that you do proceed with your application, we do need sufficient notice so that travel arrangements can be made.

We await hearing from you.

Yours faithfully

Bond Pearce LLP

Enclosure

- 1 Events log



Mandy Talbot
04/01/2007 09:33

To: John D Cole [GRO]
cc:
Subject: Update: P.O -v- Castleton

Dear John

I attach the following e-mails for your information. I will report back on the 11 to let you know the decision of the Court if Castleton proceeds with his application.

Regards

Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

[GRO]
External Email: mandy.talbot [GRO]
----- Forwarded by Mandy Talbot [GRO] on 04/01/2007 09:32 -----

Mandy Talbot
03/01/2007 17:15
To: john.cole [GRO]
cc:
Subject: Update: P.O -v- Castleton

This has arisen because F did not supply us with the Tivoli logs as part of the disclosure. It now seems likely that we will be put to further trouble and expense if the Court permits Castleton's application.

Regards
Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

[GRO]
External Email: mandy.talbot [GRO]
----- Forwarded by Mandy Talbot [GRO] on 03/01/2007 17:13 -----



"Stephen Dilley"
[GRO]
03/01/2007 16:51

To: <mandy.talbot [GRO]>
cc: <martyn.mitchell [GRO]> "Tom Beezer"
[GRO]
Subject: Update: P.O -v- Castleton

<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />Dear Mandy,

I hope you've had a great Christmas and New Year.

Just to recap on where we'd got to before you went away and to update you on the current position:

1. Towards the end of the trial, during the latter part of Anne Chambers' (Fujitsu) evidence, she stated that in 2004 when she investigated, she looked at the Tivoli Events logs. She said that these were not documents which Fujitsu had previously given to us.

and so they were not in the trial bundle. She said that when she examined at the time she saw "nothing out of the ordinary, only the event that gave rise to the one thing that is irrelevant." (Presumably that is why they did not give us to them earlier).

2. On 13 December 2006, the Court made an order of its own volition that any application for Mr Castleton for a resumed hearing arising out of the late disclosure on the part of the Post Office had to be made and served on the Post Office by Tuesday 19 December so that it could be heard by 21 December 2006 (copy attached). This prompted an application by Mr Castleton allowing for a resumed hearing (application notice attached).

3. After close of business on Friday 15 December 2006, Mr Castleton telephoned me to ask Fujitsu to supply the document and I immediately e-mailed them and asked them to do so.

4. On 19 December 2006, His Hon. Judge Havery QC ordered that Mr Castleton should initially state in writing his reasons for requiring a further hearing with reference in particular to specific points and the recently disclosed documents that he wishes to rely on and why they affect his or the Post Office's case. This suggests the judge may think that Mr Castleton is making something out of nothing, or that he doesn't understand the point Mr Castleton is trying to make. I explained to Mr Castleton what the position was at that stage i.e that Fujitsu had recovered the archive records for every Post Office in the UK and then needed to extract the relevant information for Marine Drive and that this was no mean feat. (Copy attached). I asked him to confirm whether he wants his application to proceed, given that we had said that we would give him the information he had requested. Mr Castleton stated that he has put Anne Chambers' evidence to Mr Brown (the Post Master in Falkirk) and he now has further points that he wants to make from what Mr Brown has said. I said that the only points he could now make should arise from the late disclosure of this document and nothing else. It is unclear to me what he is saying, but I anticipate he's going to go off on another complete tangent.

5. I attach a letter dated 20 December 2006 that Mr Castleton sent to the Court which really restates the same irrelevant points he made during the Trial and in which he concludes that the existence of the document adds more weight to his case.

6. On 21 December 2006 I sent the Tivoli Events Log to Mr Castleton. The court has now ordered that if Mr Castleton wishes to pursue his application for a further hearing, the Judge will hear both parties at 10.30 am on Thursday 11 January 2007. I have reserved Richard for the hearing and I intend to attend.

7. I called Mr Castleton yesterday and wrote to him again today to ask him to clarify what exactly it is he is seeking and whether he intends to proceed. My impression is that he doesn't really know himself, but that however irrelevant the document is, he will try and make as much as possible out of it and that we will therefore end up in Court a week on Thursday. I do want him Mr Castleton to have every opportunity to say his piece, so that if the P.O gets judgment in its favour, this reduces the prospect of any successful application for permission to appeal. On the other hand, his stance is increasing further costs and I have made the point to him in correspondence so that at the appropriate time, we can draw this to the Court's attention.

8. It is possible that if the judge dismisses Mr Castleton's application next Thursday, that we will get judgment on the same day. Either way, I will keep you updated.

Kind regards.

Stephen Dilley

Solicitor

for and on behalf of Bond Pearce LLP

GRO

Main office phone: GRO

Fax: +44 GRO

www.bondpearce.com

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HQ 05X02706

In The High Court of Justice
Queen's Bench Division

Before HHJ Havery QC Sitting as a Judge of The High Court

Between:

Post Office Ltd

And

Lee Castleton



ORDER

UPON the Court's own motion :

IT IS ORDERED THAT:

Any application on the part of the Defendant for a resumed hearing arising out of the late disclosure on the part of the Claimant must be made and served on the Claimant by 4 pm on Tuesday 19th December in order to be heard by the end of term on 21st December .

Liberty to apply

Note to Defendant : The liberty to apply entitles you to apply even out of time to extend the time to apply for the resumed hearing but the court will require good reason to extend time.

Dated : 13th December 2007

FROM: MAPLE+DRIVE+PO

GRO

TO:

GRO

PAGE: 01

TO STEPHEN DILLEY @ BOND PEARCE LLP.
FROM LEE CASTLETON

AC 12/13/06

REF,
ORDER MADE BY MHS HAVERY QC ON
13th DECEMBER 2006. WITH REFERENCE TO ANNE CHAMBERS
WITNESS.

GRO

FROM: MARINE+DRIVE+PD

GRO

TO: GRO

PAGE: 02

Application Notice

You should provide this information for listing the application

1. How do you wish to have your application dealt with

a) at a hearing? } complete all questions below
 b) at a telephone conference? }
 c) without a hearing? complete Qs 5 and 6 below

2. Give a time estimate for the hearing/conference
 (hours) 10 (mins)

3. Is this agreed by all parties? | Yes | No

4. Give dates of any trial period or fixed trial date _____

5. Level of judge HJ QC NAVERY.

6. Parties to be served CLAIMANT

| | |
|---|------------------|
| In the HIGH COURT OF JUSTICE
QUEENS BENCH DIVISION | |
| Claim no. | H0 05X 02706 |
| Warrant no.
(if applicable) | |
| Claimant
(including ref.) | POST OFFICE LTD |
| Defendant(s)
(including ref.) | LEE CASTLETON |
| Date | 15 DECEMBER 2006 |

Note You must complete Parts A and B, and Part C if applicable. Send any relevant fee and the completed application to the court with any draft order, witness statement or other evidence; and sufficient copies for service on each respondent.

Part A

1. Enter your full name, or name of solicitor (We) LEE CASTLETON (on behalf of) (the claimant) (the defendant)

2. State clearly what order you are seeking and if possible attach a draft intend to apply for an order (a draft of which is attached) that allows for a RESUMED HEARING ARISING OUT OF THE LATE DISCLOSURE ON THE PART OF THE CLAIMANT.

3. Briefly set out why you are seeking the order. Include the material facts on which you rely, identifying any rule or statutory provision because Mrs ANNE CHAMBERS (WITNESS) REFERRED TO A DOCUMENT UNDER CROSS EXAMINATION THAT THE DEFENDANT HAD NOT HAD DISCLOSURE OF.

Part B

I (We) wish to rely on: tick one box

the attached (witness statement)(affidavit) | | my statement of case | |

4. If you are not already a party to the proceedings, you must provide an address for service of documents

evidence in Part C in support of my application

Signed

GRO

Position or office held

LITIGANT IN PERSON

(Applicant)(solicitor)(solicitor's litigation friend)

(If signing on behalf of firm or company)

Address to which documents about this claim should be sent (including reference if appropriate)*

| | | | |
|--|-----|---------------|----------|
| 14 SOUTH MARINE DRIVE
BRIDWINGTON
EAST YORKSHIRE | | if applicable | |
| | | fax no. | GRO |
| | | DX no. | N/A |
| Tel. no. | GRO | Postcode | YO15 308 |
| | | e-mail | N/A |

The court office is at

15 Upper Bank 10am to 5pm Monday to Friday. When corresponding with the court please address faxes or letters to the Court Manager and quote the claim number

N244 Application Notice (4/06)

Printed on behalf of The Courts Service

FROM: MARINE+DRIVE+PO

GRO

TO:

GRO

PAGE: 03

Part C

Claim No. HQ 05 x 02706

I (We) wish to rely on the following evidence in support of this application:

I ENCLOSE THE ORDER MADE BY HAJ HAVERY QC
ON 13th DECEMBER 2006.

Statement of Truth

*(I believe) *(The applicant believes) that the facts stated in Part C are true

**delete as appropriate*

Signed

GRO

(Applicant's solicitor's litigation friend)

Position or office held

(if signing on behalf of firm or company)

LITIGANT IN PERSON

Date

18-12-06

FROM: CS 08115 FROM:MARINE+DRIVE+PO

GRO

TO: GRO

HQ 05X02706

In The High Court of Justice
Queen's Bench Division

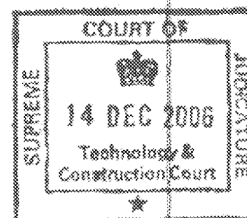
Before HHJ Havery QC Sitting as a Judge of The High Court

Between:

Post Office Ltd

And

Lee Castleton



ORDER

UPON the Court's own motion :

IT IS ORDERED THAT:

Any application on the part of the Defendant for a resumed hearing arising out of the late disclosure on the part of the Claimant must be made and served on the Claimant by 4 pm on Tuesday 19th December in order to be heard by the end of term on 21st December.

Liberty to apply

Note to Defendant : The liberty to apply entitles you to apply even out of time to extend the time to apply for the resumed hearing but the court will require good reason to extend time.

Dated : 13th December 2007

21-12-06 06:59 FROM: MARINE+DRIVE+PO

GRO

TO: GRO

PAGE: 01

19/12/06 12:38 Pg: 1/1

Fax sent by

GRO

TECH AND CON CRT



HER MAJESTY'S
COURTS SERVICE
hmcs

SUPREME COURT GROUP
Technology & Const. Court
Room SDH 508
St Dunstan's House
103-107 Fetter Lane
London
EC4A 1HD

DX GRO

GRO

E Sarah.Landau@hmcs.gro

GRO

Text Phone: GRO
(Hold for the seal and hand of hearing)

www.hmcs.gro

Bond Pearce your ref: SJD3 fax No: GRO

Mr Lee Castleton Fax No: GRO

Maitland Chambers attention Danielle Fax No: GRO

19/12/06
By Fax only

RECEIVED
COPY

Dear Sirs

Re: Post office v Castleton HQ05X02706

MHJ Havery QC considered the Defendant's application dated 15th December. The Judge gave the following directions:

Mr Castleton should initially state in writing his reasons for requiring a further hearing, with reference in particular to the specific points in the recently disclosed documents that he wishes to rely on, and why they affect his or the Claimant's case.

These reasons should be delivered to the Court and served on the Claimant's solicitors by 4 p.m on Thursday 21st December.

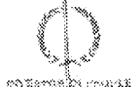
The Judge will then consider whether there should be an oral hearing and give further directions.

Yours faithfully

GRO

Sarah Landau
Clerk to MHJ Havery QC

Note to Mr Castleton: Could you please use the contact details as shown on this letter when you contact or write to the court



21-12-06 07:01 FROM: MARINE+DRIVE+PO [GRO]

TO: [GRO]

PAGE: 01

19-DEC-2006 17:39 FROM: BOND PEARCE LLP PLYMOUTH

TO: [GRO]

P. 02/02

Bond Pearce

19 December 2006
By Fax & Post

Mr L Castleton
14 South Marine Drive
Bridlington
YO15 5DE

Bond Pearce LLP
Ballard House
West Hoe Road
Plymouth PL1 3AE

Tel: [GRO]
Fax: [GRO]
DX: [GRO]

stephen.dilley [GRO]
Direct: [GRO]

Our ref:
SJC3/SAW3/348035.134
Your ref:

ACTION

Dear Sir

Post Office Limited -v- Yourself

We refer to the telephone conversation between our Mr Dilley and yourself this afternoon.

After close of business on Friday 15 December 2006, you asked us to supply you with the document referred to by Anne Chambers in her witness statement evidence. We immediately asked Fujitsu to supply that document. In order to do that, Fujitsu have informed us that they need to:

1. Extract all of this sort of data from their archived logs for all of the Post Offices in the UK, which apparently totals 9 gigabytes of data. They have informed us that they have now completed this process.
2. They have to extract the relevant information for Marine Drive from amongst the archived data retrieved for all Post Offices. We understand that they are in the process of doing that, but given the volume of data retrieved that it is not a quick task. We will be contacting them later today to seek an idea of the estimated timescale for this and will update you as soon as we are able.

Strictly speaking, we wonder whether the document falls within those categories of documents that are required to be disclosed pursuant to CPR 31.6 because it forms no part of the P.O's case and Anne Chamber's evidence to the Court was that when she examined at the time she saw "nothing out of the ordinary, only the event that gave rise to the one thing that is irrelevant." We therefore seriously doubt whether anything turns upon this. However, we have already confirmed that we will not take that point and that we are willing to provide you with the document as soon as it can be retrieved and that Fujitsu are doing their utmost to retrieve it as soon as possible. We therefore wonder whether you need to trouble the court with an application, particularly given the time and costs that both parties have already incurred at the trial and would be grateful in the circumstances if you could please confirm to us and the Court whether you do wish your application to proceed.

We look forward to hearing from you as soon as possible.

Yours faithfully,

[GRO]

Bond Pearce LLP

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Registered office: 3 Yarmouth Quay Falmouth B&W East Bristol BS1 6DZ. VAT number GB143 0283 07.
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LA_1249081_1

21-12-06 07:02 FROM: MARINE+DRIVE+PO

GRO

TO:

GRO

PAGE: 02

MR. LEE CASTLETON,
14 SOUTH MARINE DRIVE,
BRIDKINGTON,
EAST YORKSHIRE.
20th DECEMBER 2006.

HUT HAVERLY QC,

REF. POST OFFICE V. CASTLETON HQ 05X02706

THE CLAIMANT HAS YET TO DISCLOSE THE DOCUMENT IN QUESTION. I, HAVING NEVER SEEN THE DOCUMENT, AM UNABLE TO THEREFORE EVEN CONSIDER ANY IMPACT FROM THIS DOCUMENT UPON EITHER THE CLAIMANTS CASE OR INDEED MY OWN CASE.

MRS ANN CHAMBERS (WITNESS FOR CLAIMANT) CLAIMED TO HAVE LOOKED AT THE DOCUMENT. MRS CHAMBERS TOLD THE COURT THAT THIS DOCUMENT SHOWED THAT THE ERRORS ON MARINE DRIVES' HORIZON WERE DIFFERENT TO THOSE FOUND ON MR ALAN BROWN'S HORIZON. MRS CHAMBERS WENT ON TO SAY THE ERRORS ON MARINE DRIVES' SOFTWARE WERE FOUND TO BE BENIGN AND IN HER OPINION WOULD NOT HAVE EFFECTED THE MARINE DRIVE BRANCH ACCOUNTS.

YET I BELIEVE, HAVING PROVEN, THE HORIZON SYSTEM AT MARINE DRIVE BRANCH SHOWED TRANSACTIONS THAT ANDREW WISE (WITNESS FOR CLAIMANT) EXPLAINED TO THE COURT WERE IMPOSSIBLE TO HAVE TAKEN PLACE. THIS WAS BECAUSE THE PERSON THE COMPUTER SHOWED MAKING THOSE TRANSACTIONS WAS NOT EVEN LOGGED ON TO THAT COMPUTER.

21-12-06 07:02 FROM: MARINE+IRIUE+PO

GRO

TO:

GRO

PAGE: 03

I ALSO SHOWED THAT A STAMP DECLARATION AND A CASH DECLARATION HAD BEEN ZERO, YET THE CORRECT VALUE IS SHOWN ON THE CASH ACCOUNT. ALSO I SHOWED HOW THE HORIZON SYSTEM SHOWED TWO DIFFERENT VALUES OF CHECKS FROM THE SAME SYSTEM.

I THEREFORE BELIEVE THAT THE VERY EXSISTANCE OF SOFTWARE ERRORS CAN ONLY ADD MORE WEIGHT TO MY CASE.

yours faithfully,

GRO

Fax sent by :

GRO

TECH AND CON CRT

21/12/06 12:51 Pg: 1/1



HER MAJESTY'S
COURTS SERVICE
hmcs

SUPREME COURT GROUP
Technology & Const. Court
Room SDH 906
St Dunstan's House
133-137 Fetter Lane
London
EC4A 1HD

DX GRO

GRO

E sarah.landau GRO

Bond Pearce your ref: SJD3 fax No: GRO

Mr Lee Castleton Fax No: GRO

Matland Chambers attention Danielle Fax No: GRO

Text Phone 18001 020 7047 7445
(Helpline for the deaf and hard of hearing)

www.hmcourts-service.gov.uk

21/12/06

By Fax only

Dear Sirs

Re: Post office v Castleton HQ05X02706

HHJ Havery QC considered The defendant's letter dated 20th December, enclosing Bond Pearce letter dated 19th December to him.

The Judge directed as follows : If Mr Castleton wishes to pursue his application for a further hearing , the Judge will hear both parties at 10.30 on Thursday 11th January 07, when the Judge will consider Defendant's application.

Sincerely

GRO

Sarah Landau
Clerk to HHJ Havery QC



INVESTOR IN PEOPLE



www.hmcourts-service.gov.uk

Mandy Talbot
20/11/2006 14:07

| | | |
|-------------------|------------|-----------|
| To: David X Smith | GRO | John D |
| Coler | GRO | Keith K |
| Baines | GRO | Graham |
| Ward | GRO | Tony R |
| Utting | | Rod |
| Ismay | GRO | Marie |
| Cockett | | Richard W |
| Barker | GRO | |
| cc: Doug Evans | GRO | |

Subject: POL v Castleton formerly of Marine Drive Post Office

I am very sorry to have to advise that Mr Castleton has now sacked his solicitors and has totally refused to sign the Tomlin Order despite being actively involved in its negotiation last week. As no order has been signed no settlement has been achieved and now I must advise that the trial will almost certainly take place.

As a litigant in person he is unlikely to agree to evidence being submitted by witness statement only and is likely to demand their presence in Court. I am sorry to have to advise this after being convinced that a highly desirable settlement was imminent last week. Castleton is apparently taking anti depressants and this may be affecting his judgement. There is to be a case management conference next week which will be another opportunity for our team to seek to persuade Castleton of the need for a settlement. Our witness evidence is ready and the accountants report is now being finalised. Castleton has supplied almost no evidence and as such is unlikely to be able to challenge our case or support a robust defence.

I will keep you updated with any further developments.

Regards
Mandy Talbot
Dispute Resolution

UPDATE 14/12/06

case now complete, all evidence seen castleton
and Pol heard, closing speeches made (13/12)
and final judgement (early Jan 2007)

- only issue was duty An chambers evidence, mention
was made of 'high level' mesageing service, this
was not mentioned at "full disclosure" of information
stage (could have raised "duty" if an issued
order.)

FS need to understand if bc solicitors are fed
"full disclosure" this means everything, nothing must be
withheld.

John Cole
14/12/06



Graham C Ward
20/11/2006 09:37

To: John D Cole [GRO]
cc:
Subject: RE: Trial Date: Post Office Limited -v- Mr L Castleton

see below embarrassment all round !! , is there any chance someone from your team could liaise direct with Brian to offer our apologies for the confusion ?

Regards

Graham

----- Forwarded by Graham C Ward/e/POSTOFFICE on 20/11/2006 09:35 -----



"Stephen Dilley"
[GRO]
20/11/2006 08:22

To: "Pinder Brian" <Brian.Pinder [GRO]>
cc: <graham.c.ward [GRO]>
Subject: RE: Trial Date: Post Office Limited -v- Mr L Castleton

Absolutely not. On Friday, the spmr refused to sign off a settlement he had proposed and consequently this case is going to trial.

Stephen

From: Pinder Brian [mailto:Brian.Pinder [GRO]]
Sent: 20 November 2006 07:56
To: Stephen Dilley
Cc: graham.c.ward [GRO]
Subject: RE: Trial Date: Post Office Limited -v- Mr L Castleton

Stephen

I am a little confused I thought from the Horizon aspect, this case was now closed?

Regds Brian

From: Stephen Dilley [GRO]
Sent: 17 November 2006 17:57
To: Chambers Anne O; cath.oglesby [GRO]; john.h.jones [GRO]; helen.rose [GRO]; andrew.wise [GRO]; Dunks Andy; ken.crawley [GRO]; gillian.hoyland [GRO]; michael.d.johnson [GRO]; liz.morgan [GRO]; davlyn.cumberland [GRO]; ruth.simpson [GRO]; wendy.n.smith [GRO]; Paul.Williamson [GRO]
Cc: Pinder Brian; Tom Beezer; mandy.talbot [GRO]; tony.h.kane [GRO]; martyn.mitchel [GRO]; Thomas Bourne
Subject: Trial Date: Post Office Limited -v- Mr L Castleton

Ladies and Gentlemen,

Just to confirm the case is still going to trial starting on 4 December 2006. We are endeavouring to agree a sensible trial timetable with Mr Castleton's solicitors and I will update you again as soon as I am able.

In the meantime, if there are any dates when you cannot make it which you have not already given me, please let me know and copy in my colleague Tom Bourne
thomas.bourne [GRO]

Kind regards,

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP
[GRO]

Main office phone: +44 [GRO]
Fax: +44 [GRO]
www.bondpearce.com

From: Stephen Dilley
Sent: 24 October 2006 11:09
To: 'Chambers Anne O'; 'cath.oglesby' [GRO]; 'john.h.jones' [GRO]; 'helen.rose' [GRO]; 'andrew.wise' [GRO]; 'Dunks Andy'; 'ken.crawley' [GRO]; 'quillan.hoyland' [GRO]; 'michael.d.johnson' [GRO]; 'liz.morgan' [GRO]; 'davlyn.cumberland' [GRO]; 'ruth.simpson' [GRO]; 'wendy.n.smith' [GRO]
Cc: 'Pinder Brian'; Tom Beezer; 'mandy.talbot' [GRO]; 'tony.h.kane' [GRO]
Subject: Trial Date: Post Office Limited -v- Mr L. Castleton
Ladies and Gentlemen,

There was been a procedural hearing at Court yesterday to review the timetable on this case and set new directions.

The Master decided that, amongst other things, the trial must proceed in December 2006. Accordingly, it will commence on 4 December 2006 and will probably last 7 to 10 days. It will take place at the Royal Courts of Justice, London. As previously indicated, please could everyone who has given a witness statement blank out two weeks in your diaries starting on 4 December 2006 and keep these dates free for the time being. You will not be required to attend for the whole of that time and we liaise with Mr Castleton's solicitors:

1. to agree that as many of you as possible should not have to attend Court to give oral evidence. (For example, I'm hoping to persuade them that most if not all of our witnesses from P.O Chesterfield and P.O Leeds should not attend. If they agree, this will help shorten the trial and save costs); and
2. for those of you that are needed to attend, we have a timetable, so we can give you a specific time for when you will be required to be there to keep the inconvenience to a minimum.

I will keep you fully updated as and when I hear further, which is likely to be some time after 10 November at the earliest.

In the meantime, if there are any particular dates from the 2 weeks commencing 4 December 2006 onwards when you definitely cannot attend Court, please let me know as soon as possible.

I look forward to hearing from you.

Kind regards.

Yours sincerely

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP

GRO
Main office phone: **GRO**
Fax: +44 **GRO**
www.bondpearce.com

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Mandy Taibot
10/11/2006 12:40

To: Richard W. Barker [GRO] Keith K
Baines [GRO] Rod
Isma [GRO] Marie
Cockell [GRO] John D
Cole [GRO]
cc: Clare Wardle [GRO] Biddy
Wyles [GRO]
stephen.dilley [GRO]
Subject: Castleton's counter offer P.O -v- Castleton URGENT URGENT

You will all be pleased to know that the solicitors acting for Castleton have substantially accepted our counter proposal. I attach a copy of their letter.

Castleton is not prepared to have judgement entered against him because he claims it would prejudice his future career prospects and so the claim will be settled by way of a Tomlin Order. This means that if anybody searched the Court records all they would see is a record that the claim was resolved but the detail of the same is kept private.

Castleton is prepared to make an open statement that POL can use as it chooses exonerating the HORIZON system. I now need your assistance over the form of wording that POL would like to see in that statement.

I have prepared a short statement but would be very grateful for any improvements which you can suggest. We need to have a settled form of words to go back to Castleton's solicitors as soon as possible. This settlement is still without prejudice and does not formally conclude the action until it is signed so we must endeavour to get it signed as soon as possible.

"I Mr L Castleton the former postmaster at Marine Drive Post Office admit that a sum of money was owed by me to Post Office Ltd as a result of errors which arose whilst I was the postmaster at the above office. I had though that this debt arose due to a malfunction of the HORIZON system but I know accept that I was mistaken and that the debt arose out of human error. I declare that the HORIZON system did not contribute to the errors in any way and formally withdraw all statements I made to the contrary."



eCopy scanned document.p
Mandy Taibot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

[GRO]
External Email: mandy.taibot [GRO]

10-NOV-2006 11:09 FROM ROWE COHEN SOLICITORS

TO **GRO**

P. 02/03

Date: 10 November 2006
Your ref: SJD3/FAC1/348035.134
Our ref: MDT.113969
Please ask for: Mark Turner
Direct dial: **GRO**
Direct fax: **GRO**
E-mail: m.turner@**GRO**



Bond Pearce
Solicitors
DX 8251
PLYMOUTH

Without prejudice except as to costs

Dear Sirs

Post Office Limited -v- Mr L. Castleton

We refer to our conversation yesterday. We have now received via our counsel your client's response to the offer made by counsel to your counsel on 8 November.

Our client would be prepared to settle this claim on the following terms:

1. The terms of settlement are embodied in a Tomlin Order rather than a judgment, given that a judgment may well impact on our client's ability to re-enter the financial services sector in due course. An obligation to pay set out in the Schedule to the Order would be readily convertible into a judgment by your client pursuant to the liberty to apply as to implementation provision, if required.
2. The Defendant will pay the amount of the claim, £25,858.95, in full.
3. Interest will be payable from 23 March 2004 to date and continuing to pay at 1% above base rate applicable during the period (or such other rate over base rate at which your client is able to borrow).
4. The Defendant will pay the Claimant's costs to be assessed if not agreed (except as otherwise ordered):
 - 4.1 on the standard basis to 26 January 2006 (i.e. to 21 days after the date of your client's purported Part 36 offer letter); and
 - 4.2 on the indemnity basis from 26 January 2006 onwards
5. The Defendant will make a payment on account of costs of £30,000.
6. There be an exchange of letters as previously discussed, viz:
 - 6.1 The Post Office sets out that there no allegation of dishonesty is or has been made against Mr Castleton and that these proceedings were simply a claim for him to make good a shortfall in the accounts of the Post Office's branch at Marine Drive pursuant to his contractual obligations;
 - 6.2 Mr Castleton sets out that he withdraws his allegations in relation to the Horizon system.
7. Payment to be made within 21 days. The reason for this rather than the 14 days which we understand that your counsel indicated to our counsel is that our client is in the process of arranging a re-mortgage and it may be that funds will not be available within the 14 day period.

Quay House • Quay Street • Manchester M3 3JE • **GRO**
DX 14352 MCR-1 • Email law@**GRO** • Website www.rowecohen.com

Partners: S. E. Cohen • D. Horwich • I. N. Lewis • P. V. Hymanson • G. E. Small • A. Deenon • R. T. Coghlan • J. V. Dwyer • A. Farley • A. Gook • A. Taylor • M. C. Woodall
R. J. Spence • S. Boon • A. Curwen • R. J. Myer • H. Burns • J. P. Sutton Associates: L. F. Swerling • A. G. Owens • M. Molloy • R. Simpson Consultants: I. Rowe • M. T. Horwich

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Also at London

10-NOV-2006 11:05

LITIGATION "

6 MARKET LANE CASTLETON 101 06 LETTERS TO BOND PEARCE
INVESTOR IN PEOPLE

38X

P. 02

18-NOV-2006 11:09 FROM ROWE COHEN SOLICITORS

TO

GRO

P.03/03

In relation to the offer set out in your letter of 5 January 2006, we note that it does not strictly speaking comply with the requirements of Part 36 since it was expressed as a lump sum settlement figure which was inclusive of costs. Your client cannot therefore be certain that it will attract the costs consequences of a true Part 36 offer (although we do recognise that the court has a discretion in this regard and that it can take it into account).

The above proposal gives your client almost everything that it seeks. We hope that your client will view it as a constructive attempt to bring these proceedings to a resolution at least further cost, bearing in mind the proximity of trial and the costs which would necessarily be incurred over the coming weeks if it should proceed.

We would invite you in light of this proposal to seek to agree with your client's counsel that the first tranche of his brief fee be delayed from next Monday to allow settlement discussions to proceed without further substantial costs accruing.

Yours faithfully

GRO

ROWE COHEN

Mandy Talbot

09/11/2006 10:40

To: Marie Cockett [GRO] John D
 Cole [GRO] Keith K
 Baines [GRO] David X
 Smith [GRO] Richard W
 Barke [GRO] Rod
 Ismay [GRO]
 cc: Clare Wardle [GRO] Biddy
 Wyles [GRO]
 Subject: Castleton - Marine Drive URGENT URGENT URGENT

I have received some very good news about this case but now need the business to make an urgent decision upon its future conduct.

Our original claim against Castleton was in the region of 25K and he then entered a defence and counter claim for 250K but of more concern brought the whole validity of the HORIZON system into question. As a result we have expended a lot of legal costs to ensure that the defence to those allegations is as perfect as possible.

On Friday Castleton's solicitors amended their defence/ counterclaim to reduce their counter claim to 11K.

Last night our barrister received a compromise offer from Castleton's solicitors probably brought on by the fact that they are obliged to serve their statements on Friday together with their accountants report. We suspect that their accountants report has not supported their claim.

The bare offer is as follows

1. they offer the sum of £22,350 in settlement of our claim
2. our costs on the standard basis
3. they want us to agree to pay rent or get the temp to pay rent for the continued occupancy of Marine Drive
4. they want us to pay the wages of the assistant employed there
5. they want a letter from us stating that proceedings were issued purely to recover a debt and that there was no allegation of dishonesty

We can respond in a number of ways.

Firstly I think that we can all agree that their demand at 3 and 4 cannot be accepted because rent and wages are a matter for Castleton to resolve with the current interim postmaster or possibly the previous interim postmaster as I understand that there have been more than one of them.

Secondly as we have never pleaded that Castleton was dishonest there is no problem with us agreeing to this demand. We believe that he is seeking to go back to work in the city and as such a statement from us could be very valuable to him.

Thirdly the offer is defective in that it does not mention interest at all which we are entitled to on the debt

Fourthly no offer has been made to give a declaration to the effect that he withdraws all his allegations about the HORIZON system

Fifthly as we made a Part 36 offer to him in January of 2006 stating that if he would pay our full claim we would not seek our costs which he rejected, he is now obliged to pay our costs on the indemnity not the standard basis since that date. If costs are awarded on the standard basis then traditionally the successful party would recover between 60 -65% of the costs expended. Any dispute is resolved in favour of the paying party. Costs on the indemnity basis means one recovers almost all of ones costs and any dispute is resolved in favour of the receiving party. So there is quite a difference between the two.

Sixthly the reason given for not paying the full amount of the claim is spurious as we have demonstrated to them on a number of occasions that there is no basis for their allegation that the accounts were £3,509.18 short on week 49.

Seventhly the position in respect of costs is not as clear cut as it appears at first because the Courts have an ability to cap the amount of costs awarded so as to make them proportionate to the size of the claim. However they have to take a number of factors into consideration not merely the size of the claim but the conduct of the parties, ours has been impeccable, the importance of the issues to the parties, proportionality of the costs incurred to the size of the claim has however been emphasised in a recent Court of Appeal decision. Therefore there is a risk that by rejecting an offer of standard costs that the Court could decide to cap the costs at say 60K and then award only 60% of that. Costs to date including the work in progress and the work which the accountants have done together with Counsel's fees come to approximately 140K.

However the trial is still a little while off and I think that we should aim for Castleton agreeing for judgement to be entered against him in the full amount plus an agreement that he will consent to the payment of a fixed sum in respect of costs. As a trade off we can offer the letter confirming that there was no dishonesty and agree that we will not seek interest at an indemnity level. The benefit of having a judgement against him in the full amount is that we will be able to use this to demonstrate to the network that despite his allegations about HORIZON we were able to recover the full amount from him. It will be of tremendous use in convincing other postmasters to think twice about their allegations.

Even if such a counter offer is rejected we still have time to negotiate but as we move nearer to the trial date more costs are incurred daily so it is very important that we reach a decision and communicate it to our external solicitor this morning if possible.

Please may I hear from you by e-mail or telephone as soon as possible

Regards

Mandy Talbot
Dispute Resolution
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

| | |
|-------------------------------|------------|
| GRO | |
| External Email: mandy.talbot@ | GRO |

Mandy Talbot
04/09/2006 12:48

To: Keith K Baines [GRO] Graham C
Ward [GRO] John D
Cole [GRO] Keith
Woolard [GRO] Carol
King [GRO] Tony R
Ulling [GRO]
cc: Clare Wardle [GRO]
Subject: Castleton - Marine Drive - Briefing

NON HEAR COMMENCING 7/12/06

The case has been set down for hearing in November of 2006 and despite the Defendant urging POL to consider mediation on a number of occasions previously he is now proving to be extremely difficult to pin down about agreeing a date for mediation and this matter is likely to go straight to trial.

Our agents need assistance on a number of points as detailed in the e-mail below. Legal Services have already authorised them to make the minor amendments to the Particulars of Claim and to canvass the idea of having the matter transferred to the jurisdiction of the Central London County Court to keep the costs down. The Defendant has entered a Defence and Counter Claim for a substantial sum and so it not likely that the proposal will be agreed.

As the Defence put the integrity of the HORIZON system into dispute we are all aware that the claim has to be prosecuted vigorously because the consequences of settling on any terms would send out an adverse message through the POL network which will in turn lead to many more challenges. The integrity of the system has been raised in the postmasters magazines and there at least two other cases of which we are aware where proceedings will be issued depending upon the outcome of this case.

The sums mentioned by our agents by way of costs are large and were originally raised as a means of demonstrating to the Defendants solicitors the potential financial cost to himself should he not win the case. Castleton owns a house but no other assets of which we are aware against which we could proceed, should he loose the claim and be ordered to meet out claim for costs.

There is the possibility in light of the above that the Court could impose an artificial limit on the level of costs which POL could recover to reflect the inequality of financial resource between the parties.

Keith, Graham and Tony

I should be obliged if you could give me assistance with the enquiries made by Tom under the heading Fujitsu.

Regards
Mandy Talbot
Litigation Team Leader
Company Secretary's Office
Royal Mail Legal Services
148 Old Street
London EC1V 9HQ

[GRO]
External Email: mandy.talbot [GRO]
----- Forwarded by Mandy Talbot [GRO] on 04/09/2006 12:23 -----



"Tom Beezer"
[GRO]
21/08/2006 16:38

To: <mandy.talbot [GRO]>
cc: "Stephen Dilley" [GRO]
Subject: Castleton

Mandy

As we discussed last week I am writing to update you on certain points that came out of my discussions on the Castleton case with Richard Morgan of Maitland Chambers.

Overview

Richard Morgan believed the case to be one with a good chance of success but he did warn that was dependent upon the accountancy evidence stacking up in our favour (I return to this below) and also upon an acceptance of the costs in taking this matter to trial. We have discussed costs before. I also return to this point below.

A further point made by Richard Morgan was that we should endeavour to move the main area of focus in the case away from the Horizon system if possible. Richard suggested a method to do that would be to prove (if possible) the physical cash losses at the Marine Drive branch by reference to all the other documentation created around the transactions, not simply by reference to what was in fact recorded on the Horizon system. So for example when a cheque is deposited there is (as I understand it) a counterfoil filled out which is sent off daily by the sub-postmaster, with all cheques eventually ending up at EDS. If the Horizon system was later found not to match the physical remittances an error notice is generated. One of the issues in this case is that there were few error notices generated suggesting that the physical remittances did match the Horizon inputs. Clearly, to attempt to look into such matters in the level of detail likely to be required will be costly and time consuming.

Amendment of the Particulars of Claim

Richard Morgan would like to make some few minor amendments to our particulars of claim. Currently they are drafted to plead your claim on a breach of contract basis (i.e. the sub-postmaster's obligation to make good the losses as contained his contract). Richard would like to go on to also include a plea that the sub-postmaster is your agent and therefore has a duty to account to you for all losses in any event. This is not a major amendment and Castleton's lawyers already acknowledge he is an agent. Any consequential amendments will, therefore, be limited. The reason for the amendment is to put the case at its strongest and I suggest that such an amendment be made. I would be grateful for your view on this.

Fujitsu

In this matter Fujitsu are clearly going to play a role. I understand that Fujitsu are currently looking at the matters raised in a letter of 25 July 2006 from Castleton's lawyers (copy enclosed for ease of reference). One of the pivotal issues in this matter will be the arithmetic used throughout and I would like to know the answer from Fujitsu as soon as possible to the points raised by Castleton's lawyers. Is there any pressure you can bring to bear upon Fujitsu to cause them to answer this letter in the near future? I would be most grateful if you would consider this.

One other point raised by Richard was the integrity of the Fujitsu product generally. Just to confirm, I understand that Royal Mail/Post Office know of no issues with the Fujitsu system and are confident that it operates correctly. Please discuss this with me if you have a different view.

Which Court?

You may recall that Castleton's lawyers had this matter transferred from a local court to the High Court in London. Richard is strongly of the view that it is possible a High Court judge may take an adverse view that this matter is before him given that, initially at least, it is a claim for between £25,000 - £27,000. Richard feels that we should write to Castleton's lawyers and suggest that given the nature of the claims the matter should be transferred to the Central London County Court - Chancery Division. Richard has a high

level of faith in the judges there. Even by making the suggestion we buy ourselves a level of protection if the matter is ever raised by a High Court judge. At that point we could then at least assert we had asked for the matter to be transferred to a more appropriate forum but Castleton's lawyers refused. I would be grateful for your view on this.

Length of Trial /Costs

With the likely number of witnesses that may be needed to cover all the various aspects of the business conducted at the Marine Drive Post Office together with the need for expert witnesses, Richard considers that this matter will take between 7 to 10 days of court time. The previous estimate was 5 days. This will clearly have an impact on costs going forward. I know that historically Stephen has produced for you a schedule of costs that was shown to Castleton's lawyers. That schedule totalled approximately £223,000 including VAT and disbursements. At the time that schedule was prepared it was felt to be realistic but at the higher end of what the matter may cost (for the purposes of demonstrating to Castleton's lawyers what they may be facing). Having reconsidered the matter, and in the light of the complex nature of the evidence that will need to be gathered (both of fact and expert) and the extended current estimate for the trial I believe the costs estimate to be certainly possible and perhaps even light. A better view on this will be achievable in the course of the next few weeks as the nature of the evidence Stephen is able to gather becomes clearer. I will have Stephen update you on this aspect of this matter in the near future.

Counsel also raised the issue of the possibility of costs capping – i.e. the court asserting that costs only up to a certain level should be awarded. This could come up as an issue if the judge takes a view on proportionality (i.e. costs verses level of claim). There are, of course, argument that can be deployed to try to counter this issue – should it in fact come up – but I thought it worth raising here.

As we discussed (and apologies for raising this matter again - I know you are aware of this advice - but I raise it here for the sake of completeness), the costs of pursuing this claim will significantly exceed what is at stake. Accordingly, even if you win, the P.O will almost certainly not make a net gain as your costs will be assessed and possibly capped and the irrecoverable costs may well exceed the value of the monetary claim. In any event, you may well find it difficult to enforce any judgment because of Mr Castleton's asset position which is unclear. Accordingly the purpose of pursuing this claim now is not to make a net financial recovery, but to defend the Horizon system and hopefully send a clear message to other subpostmasters that the P.O will take a firm line and to deter others from raising similar allegations.

Summary

The above, I believe, covers the main issues of substance that were discussed. I have not sought to record all the detail of all the matters covered. Once you have had the chance to consider the above I would grateful if you could give me a call or drop me an email so we can move this matter forward as swiftly as possible.

Kind regards

Tom Beezer
For and on behalf of Bond Pearce LLP
39-49 Commercial Road
Southampton
SO15 1GA
Firmwide number: GRO

My direct line: **GRO**
Southampton office fax: **GRO**
DX: 38517 Southampton

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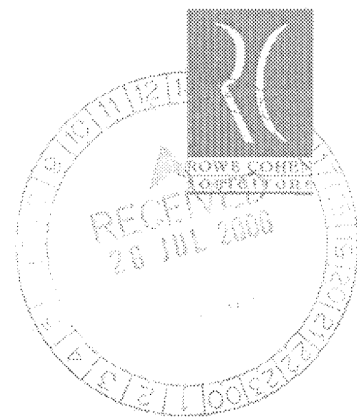
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Date: 25 July 2006
 Your ref: SJD3/FAC1/348035.134
 Our ref: MDT.113969
 Please ask for: Mark Turner
 Direct dial: **GRO**
 Direct fax : **GRO**
 E-mail: m.turner@**GRO**



Bond Pearce
 Solicitors
 DX 8251
 PLYMOUTH

Dear Sirs

Post Office Limited -v- Mr L Castleton

Following disclosure, our client has been reviewing the transaction logs disclosed by your client. We understand from paragraph 2(c) that these documents constitute a full audit trail. By that, we understand that these logs are intended to show an item-by-item statement of all transactions carried out at Marine Drive Post Office for the particular days shown in the logs.

Mr Castleton has carried out a manual reconciliation of all transactions recorded in the log for Week 42. Since this is a time-consuming exercise, we have for the time being limited the analysis to that week, although in light of what we say below we envisage that it will be necessary for each of the following weeks in which it is alleged shortfalls arose. Week 42 was chosen for this initial analysis as it was the first week in which an apparent discrepancy arose and therefore the starting figures going into Week 42 are undisputed and provide an uncontested benchmark against which to judge the movements during Week 42.

Mr Castleton's analysis of the transaction logs for Week 42, and a comparison with the cash accounts for that week appears to show a number of inconsistencies. According to the final cash account generated at Marine Drive Post Office for Week 42, total receipts of £176,291.15 were paid in during the course of Week 42. The end figure carried over from Week 41 was £54,170.49. As a consequence, it can be seen that, apparently, £122,120.66 was received during Week 42. However, a manual reconciliation of the figures contained in the transaction log for this week gives a figure for monies received of £125,013.90, an apparent difference of £2,893.24.

Similarly, an analysis of the figures relating to payments (i.e. monies leaving Marine Drive Post Office during Week 42) also shows a discrepancy. The figure for stock carried over from Week 41 was £92,374.74. If this is deducted from £176,291.15, this leaves a figure of £83,916.41 in respect of payments made. Again, however, a manual reconciliation of all of the transactions showing in the transaction log gives a figure of £83,707.07. This difference is not allocated in the Week 42 cash accounts.

It would further appear that there is £1,706.64 in unallocated cash shown as being paid out of Marine Drive Post Office. The computer system then seems during the end-of-week balancing to have offset this unallocated cash against the £2,893.24 figure, along with some further giro bank transactions, and produced an apparent cash shortfall figure of £1,103.13. This is of course the figure that our client was required to make good.

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G:\MARKET\ABBYCASTLETON\150706 LETTER TO BOND PEARCE
 INVESTOR IN TRADE

Our client has not been able to reconstruct precisely how Horizon arrived at the figure of £1,103.13. He surmises that the system has sought to offset the £1,706.64 and other unallocated giro bank transactions against the £2,893.24 figure set out above. We would invite your client to undertake its own analysis of the transaction logs and provide an explanation for how that figure has been derived, in order that this discrepancy can be explained and any possible flaw in our client's methodology in carrying out the manual reconciliation brought to light as quickly as possible.

This represents an analysis of the figures at their most basic level. Mr Castleton's findings seem on the face of it to be entirely consistent with his assertion since this dispute first arose, namely that the figures provided by the Horizon computer system are incorrect. At the very least, it raises question marks about how a system that relies in essence on double-entry book-keeping can give rise to such discrepancies.

Our client then proceeded to review the Week 42 transaction log in more detail. It would appear that a number of the transactions recorded are incomplete – that is to say, only one half of a given transaction has been recorded by Horizon, with no corresponding entry. Ordinarily, one would expect to see two "halves" of a transaction. For example, a sale of £10 worth of stamps would show a £10 reduction in stock and a corresponding £10 increase in cash. In a number of cases, the log shows apparent transactions with only one "half" having been recorded by Horizon, and no corresponding other "half" to balance it.

In practice, this cannot happen. We understand from Mr Castleton that the Horizon system is configured in such a way that in order to complete a transaction on screen a valid method of payment must be selected. As such, the system would not process a transaction unless there had been a corresponding second "half" (or, in the case of payments, a corresponding first "half") to it.

The obvious inference to be drawn is that, if the system cannot be operated to only create half of a transaction, Horizon is not recording the apparently missing "half". Again, this is consistent with our client's supposition that transactions have not been fully recorded (or recorded at all) as a result of problems in communication between the two computer nodes used at Marine Drive Post Office.

Our client's firm belief is that if half of a transaction were to be lost, the effect would only show in relation to cash because Horizon looks for everything and the remainder is cash. If the first "half" of a transaction were lost, it would show as having no effect on stock but would only be noticeable in terms of movement in the cash figure. This also rather begs the question of whether whole transactions can be "lost" (i.e. not recorded by Horizon) if it is possible to "lose" halves of transactions.

We appreciate that this is, of course, something that is going to have to be addressed in expert evidence. It will also be necessary to undertake the same reconciliation in relation to the other weeks in which losses apparently arose. However, at this stage, we would invite you to conduct your own analysis of the figures for Week 42 and consider these anomalies with your client, and then provide an explanation for them.

Yours faithfully

GRO
ROWE COHEN

John D Cole
03/08/2006 14:55

To: Mandy Talbot [GRO]
cc: Keith K Baines [GRO]
cc: Keith K Baines [GRO]
Subject: RE: P.O -v- Castleton: Transaction logs - Marine Drive [GRO]

Mandy, Further to our discussion on the points you made below, I confirm that:=-

(a) Fujitsu Services are entitled to charge for 'ad-hoc' requests for work as they arise. Regarding the rate chargeable, this will depend on who undertakes the work, it is believed a figure in the region of £2k - £7k is likely, this seems to be a reasonable amount.

(b) The payment for this activity will need to come from the 'originating source' that first instructed yourselves to challenge this action (this is likely to be a Retail line manager or the Area Intervention office, but it not come from Keith Baines budget.

(c) The HNG-X contract arrangements continue with requests for information being paid on an ad-hoc basis, this again is the best way to pay for these issues otherwise if the is a 'fixed charge' nature we would have to pay for work whether or not it is undertaken.

Regards,
John Cole
Contract Author
Post Office Limited
Callthorpe House
15-20 Phoenix Place
LONDON
WC1X 0DA

Telephone: [GRO]
Fax: [GRO]
E Mail: john.d.cole [GRO]

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Registered Office : 80-86 Old Street, LONDON EC1V 9NN

Keith K Baines

Keith K Baines
02/08/2006 14:02

To: John D Cole [GRO]
cc:
Subject: RE: P.O -v- Castleton: Transaction logs - Marine Drive

----- Forwarded by Keith K Baines/e/POSTOFFICE on 02/08/2006 14:02 -----

Mandy Talbot
02/08/2006 11:50

To: Keith K Baines [GRO] Clare
Wardle [GRO]
cc:
Subject: RE: P.O -v- Castleton: Transaction logs - Marine Drive

You both know more about the entitlement for Fujitsu to charge for this type of information than I do so can you confirm that

a they are entitled to make a charge for its provision and if so at what rate

b Keith given that this information is essential to the case that you are prepared to authorise the expenditure

c Does the new Horizon contract have any provision for the charges they can make for the provision of information - if not do you think that it should?

Regards

Mandy Talbot

----- Forwarded by Mandy Talbot/e/POSTOFFICE on 02/08/2006 11:45 -----



Graham C Ward
02/08/2006 07:44

To: Mandy Talbot [GRO] Keith K
Baines [GRO]
cc:
Subject: RE: P.O -v- Castleton: Transaction logs - Marine Drive

Mandy / Keith

Please see the response below from Fujitsu in relation to the request from Stephen Dillely to examine transaction logs for CAP 42. In summary they can undertake the task which will take them approx 3 weeks with a cost between £2K & £7K.

As I already have the data on CD and there are only 3707 transactions and 1450 events (sounds a lot but could have been considerably worse), I suspect 3 weeks will be a worse case completion time frame, assuming we give them the 'nod' quickly.

Please advise whether you'd like Fujitsu to undertake this task and confirm PO Ltd is happy for Brian Pinder to raise a CP.

Regards

Graham

Casework Manager
Post Office Ltd Investigation Team

PO BOX 1, CROYDON, CR9 1WN

[GRO]

External Email: graham.c.ward [GRO]

----- Forwarded by Graham C Ward/e/POSTOFFICE on 02/08/2006 07:32 -----



Pinder Brian
<Brian.Pinder [GRO] [GRO]
01/08/2006 15:55

To: graham.c.ward [GRO]
cc: "Sewell Peter (FEL01)" <Peter.Sewell@ [GRO]
Subject: RE: P.O -v- Castleton: Transaction logs

Graham

1. Quick answer is 'Yes' it is something we can undertake. However the work is pretty time consuming and there are factors we do not know, such as how many transactions are involved, and we may also need to acquire the Ref data that was current at that time.
2. However given the volume of data, we would expect that it could take anything between 3 to 7 days but we would obviously have a better idea once we get into it.
3. The next problem is a suitable timeframe, and with existing 'planned' work and leave, we estimate we would like around 2/3 weeks notice,

(preferably 3 weeks if pos).

4. Finally costs; we would raise a CP for this (Change Process) to identify all costings, however I can estimate an indicative cost of between 2 & 7k, but this is really dependant on number of days and staff involved. We would have a more exact figure on receipt of the CP after impact.

If you wish I can instigate the CP anyway, (at no cost), to get the ball rolling etc and if it is not required we can easily cancel it. At least that way we will have a better idea of the costs and will have made a start in finding a window to do the work, also the CP process could take a week to complete.

Hope this is helpful

Kind Regards Brian

-----Original Message-----

From: graham.c.ward

GRO

GRO

Sent: 28 July 2006 08:43

To: Pinder Brian

Cc: Peter.Sewell

GRO

Subject: P.O -v- Castleton: Transaction logs

Importance: High

Brian

Stephen Dilley (representing the Post Office) is asking if it is possible that someone undertakes an analysis of the figures recorded on the transaction logs supplied by Fujitsu against the figures on the completed cash account for CAP 42 (08/01/04 - 14/01/04). It appears that the solicitor's for Castleton are saying that they've compared the transaction logs with the cash accounts for week 42 themselves (just for an initial analysis) and that they don't match. They conclude that Horizon is therefore only recording half the transaction. I've attached below the letter dated 25th July from Castleton's solicitors which outlines details of the anomalies.

(See attached file: eCopy scanned document.pdf)

Given this is a 'test' case and that the integrity of the Horizon system is being challenged, my own opinion is that this exercise should be completed by an 'expert' from Fujitsu. However it will obviously be extremely time consuming as all the figures recorded will need to be methodically and carefully analysed. It is also important that we complete the analysis and respond formally to the points raised as soon as possible, therefore my first question is :

- 1/ Is this an exercise that Fujitsu could undertake, possibly by Gareth perhaps, who would presumably have a thorough understanding of the figures recorded on both the transaction logs and the figures on an office cash account ?
- 2/ If the answer is yes, how soon could this exercise be performed and a formal response prepared ?
- 3/ Will there be a cost involved and if so how much ?

I would appreciate an early response

Regards

Graham

Casework Manager

Post Office Ltd Investigation Team

PO BOX 1, CROYDON, CR9 1WN

| | |
|---------------|-----------------|
| GRO | |
| GRO | External Email: |
| graham.c.ward | GRO |

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Dave Hulbert
15/05/2006 13:37

To: "Stephen Dilley" [GRO]
cc: andrew.wise [GRO] "Pinder Brian"
<Brian.Pinder [GRO] graham.c.ward [GRO]
Mandy Talbot [GRO] John D
Cole [GRO]
Subject: Re: URGENT: Post Office -v- Castleton - Marine Drive branch []

Stephen,

One of my team is collating the incident logs now. I'll forward on as soon as these are available.

Regards
Dave

Head of System Operations
Operations Control
Post Office Ltd

[GRO]
[GRO]
External Email: dave.hulbert [GRO]
"Stephen Dilley" [GRO]



"Stephen Dilley"
[GRO]
15/05/2006 12:14

To: <graham.c.ward [GRO]
<dave.hulbert [GRO]
cc: <mandy.taibo [GRO] <andrew.wise [GRO]
"Pinder Brian" <Brian.Pinder [GRO]
Subject: URGENT: Post Office -v- Castleton - Marine Drive branch

Dear Graham and Dave,

On Thursday of this week (18 May) we have to exchange with Mr Castleton's solicitors all info relevant to the claim and counterclaim which either helps or hinders us.

I understand that you may have obtained all relevant NBSC and HSH call logs. I already have:

HSH call logs from 28 January 2004 to 24 April 2004
NBSC call logs from 19 January 2004 to 23 April 2004.

Please can you forward to me today those call logs from 1 December 2003 to 19/28 January 2004. January 2004 is more important than December 2003, because it is when the losses really started accruing, but both would be ideal.

In case you do not have these call logs, I am copying this email to Andrew Wise and Brian Pinder who may be able to assist.

I look forward to hearing from you as soon as possible.

Kind regards,

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP
[GRO]
Main office phone: +44 [GRO]

Fax: +44 GRO
www.bondpearce.com

Please note our new contact details from 8 May 2006 as set out above.

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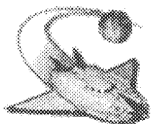
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Keith K Baines
10/03/2006 14:10

To: John D Cole [GRO]
cc:
Subject: Re: Horizon URGENT Private and Confidential

----- Forwarded by Keith K Baines/e/POSTOFFICE on 10/03/2006 14:10 -----



Graham C Ward
10/03/2006 10:07

To: Mandy Talbot [GRO]
cc: Tony R Uttling [GRO], Dave
Huiber [GRO], Keith K
Baines [GRO]
Subject: Re: Horizon URGENT Private and Confidential

Mandy

Mulbell

Firstly, apologies for the delay in replying, I've just returned from annual leave. I did have a brief chat with Dave on receipt of this e mail re: the call logs and he agreed that he would obtain them (in Excel format) from the NBSC at Dearne.

To clarify, the call logs that I can obtain from Fujitsu are those that relate to technical faults with the system (printer problems / monitor faults etc) and which are dealt with by the HSH (Horizon System Helpdesk) only any calls that relate to procedural problems on Horizon are dealt with by our own NBSC Helpline, details of which can be obtained by Dave. (The NBSC can also provide brief details of the HSH calls as well, but I don't think they go into the same depth as the details we receive from Fujitsu)

strategic point of contact

With regards to my knowledge of Horizon, I can obtain data as and when required being the SPOC between PO Ltd and Fujitsu, but I do not have the working knowledge of the system to analyse data and comment on whether Horizon was working correctly or not, or whether transactions have been processed correctly and may have affected the office balance. I know Tony U has agreed to have a look at the Marine Drive data, but he is still waiting to hear exactly what information needs analysing.

Fujitsu should be able to offer a technical perspective of the system working properly. I have searched my records of previous statements received and have found one where Brian Pinder's predecessor Bill Mitchell provided a statement (see below) commenting on individual calls to the HSH and then including a general paragraph stating that "None of these calls would have had an effect on the integrity of the data on the system...". Perhaps I should formally ask Fujitsu to provide a similar type statement in respect of Marine Drive & Torquay Road, what do you think ?



BM Shobnall Road SPSO 150405.c

If someone within PO Ltd can then provide a similar type statement in respect of NBSC procedural calls, I think we will then have all areas covered but this, as we discussed at the meeting needs to be coordinated by one 'expert', has someone been appointed? - *we need to say exactly what they will be required to do?*

Just to clarify my understanding of where we are at this moment in respect of all 3 cases

Marine Drive

With regards to Castleton, we have the transaction data and HSH call logs covering the 01/01/04 - 31/03/04, this does not include calls made to the NBSC.

Presumably Dave will have now obtained the NBSC call logs for this period, or is there a further period of HSH calls required ?

In your e mail below, you mention the period 01/12/04 - 31/03/05, is this a new period of data / analysis required ?

Torquay Road

We have the transactional data covering the 01/03/05 - 31/08/05 and HSH calls covering 10 days 11/11/05 - 20/11/05. I will request data to cover the new dates namely 01/08/04 - 28/02/05 and

01/09/05 - 21/12/05. I will also ask for details of all HSH calls to cover the entire period.

In respect of the new case at **Bowden**, I will arrange to obtain all data covering the period 04/02/04 - 22/02/06. I will also ask that Fujitsu provide us with details of all calls made to the HSH. Presumably Dave will obtain the NBSC version of calls over the period. When received I'll let you know and you can advise me who to pass the information onto. If we need to ask for a statement from Fujitsu outlining calls details we can do, but I won't ask for one at this point.

Fujitsu's responses thus far haven't really helped answer the questions posed in each case, their written responses have been brief to say the least.

My own opinion therefore is that PO Ltd needs to cover off all questions relating to office mis-balancing & transaction details, (we should have NBSC call records detailing any issues brought to our attention) and that Fujitsu should provide us with a general statement for each case (as per the statement above from Bill Mitchell) detailing calls made to the HSH. If you agree then I will ask Brian Pinder to provide such a statement in respect of Marine Drive & Torquay Road covering the periods detailed above.

No doubt we'll speak soon.

Regards

Graham

Casework Manager
Post Office Ltd Investigation Team

PO BOX 1, CROYDON, CR9 1WN

GRO

External Email: graham.c.ward **GRO**

Mandy Talbot

Mandy Talbot
01/03/2006 14:41

To: Tony R Utting **GRO** John
Legg **GRO** Lesley
Joyce **GRO** Alvin
West **GRO** Dave
Hulbert **GRO** Marie
Cock **GRO** John D
Cole **GRO** Graham C
Wark **GRO** David X
Smith **GRO** Keith K
Baines **GRO** Mike C
Gallagher **GRO**
cc: Clare Wardle **GRO**
Tom beezel **GRO** stephen.dille **GRO**
Ian herbert **GRO**

Subject: Horizon URGENT Private and Confidential

I write further to the meeting in December 2005 which most of us attended to bring you up to date with the current state of play.

I should be obliged if you could let me know in return what progress has been made with making a business case for the appointment of an individual to analyse data from Fujitsu for the benefit of POL and in particular to assist on civil claims?

If the case has been accepted have any steps been taken towards making an appointment? If not when is this likely to occur?

Keith K Baines
30/03/2006 10:57

To: John D Cold [GRO]
cc:
Subject: Re: Horizon URGENT Private and Confidential

----- Forwarded by Keith K Baines/e/POSTOFFICE on 30/03/2006 10:57 -----

Mandy Talbot
29/03/2006 19:00

To: Graham C Ward [GRO] Keith K
Baines [GRO] David X
Smith [GRO]
cc: Clare Wardle [GRO]
Stephen Dille [GRO]
Subject: Re: Horizon URGENT Private and Confidential []

Graham

Yes we do need a formal statement from F in a format suitable for use in a civil Court in the case of Castleton because proceedings have been issued. Stephen Dilley from Bond Pearce will be in touch about the precise format.

On the case of Bajaj and Bilkhu what is needed is for them to interrogate their system across all the dates on which the respective postmasters claim that there was something wrong and provide us with a suitable written narrative which can be turned into statement at a later date. A copy of the detailed letters of claim giving details of all the dates on which it is alleged there was a problem with the system was attached to my e-mail of 1.3.06.

Do we know what they are likely to charge us for these reports?

Keith, Dave

In the recent negotiations with Fujitsu was any price agreed with them for the provision of reports in civil cases? Have we made any progress with getting POL to authorise expenditure to train a person who is capable of analysing the data produced by the branches and what is received from Fujitsu so as to assist the business in dealing with this type of allegation in future? Have any persons been nominated by the business and if so what is their background/ when are they likely to be available to begin these duties.

Although we have successfully persuaded Castleton to agree to having the judgment against the business set aside this is by no means the end of the matter. The case will go to mediation and if that is not successful a trial by the end of the year.

Bajaj and Bilkhu are threatening to issue proceedings urgently. Alleged problems with HORIZON has been highlighted by Bajaj's article in the postmaster. This matter is not going to go away but its impact can be reduced by dealing with it pro actively and quickly.

I look forward to hearing from you.

Regards

Mandy Talbot
Litigation Team Leader
Company Secretary's Office
Legal Services

Royal Mail, Impact House, 2 Edridge Road, CROYDON, CR9 1PJ

[GRO]

External Email: mandy.talbot [GRO]
Graham C Ward



Graham C Ward
20/03/2006 14:23

To: Mandy Talbot/e/POSTOFFICE@POSTOFFICE
cc:



Subject: Re: Horizon URGENT Private and Confidential

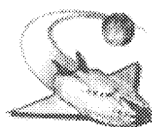
Mandy

Would you like me to request a formal witness statement (as mentioned below final paragraph) from Fujitsu in relation to the Marine Drive and Torquay Road cases.

Cheers

Graham

Graham C Ward



Graham C Ward
10/03/2006 10:07

To: Mandy Talbot [REDACTED] Dave
cc: Tony R Utting [REDACTED] Keith K
Hulbert [REDACTED]
Baines [REDACTED]

Subject: Re: Horizon URGENT Private and Confidential

Mandy

Firstly, apologies for the delay in replying, I've just returned from annual leave. I did have a brief chat with Dave on receipt of this e mail re: the call logs and he agreed that he would obtain them (in Excel format) from the NBSC at Dearne.

To clarify, the call logs that I can obtain from Fujitsu are those that relate to technical faults with the system (printer problems / monitor faults etc) and which are dealt with by the HSH (Horizon System Helpdesk) only any calls that relate to procedural problems on Horizon are dealt with by our own NBSC Helpline, details of which can be obtained by Dave. (The NBSC can also provide brief details of the HSH calls as well, but I don't think they go into the same depth as the details we receive from Fujitsu)

With regards to my knowledge of Horizon, I can obtain data as and when required being the SPOC between PO Ltd and Fujitsu, but I do not have the working knowledge of the system to analyse data and comment on whether Horizon was working correctly or not, or whether transactions have been processed correctly and may have affected the office balance. I know Tony U has agreed to have a look at the Marine Drive data, but he is still waiting to hear exactly what information needs analysing.

Fujitsu should be able to offer a technical perspective of the system working properly. I have searched my records of previous statements received and have found one where Brian Pinder's predecessor Bill Mitchell provided a statement (see below) commenting on individual calls to the HSH and then including a general paragraph stating that "None of these calls would have had an effect on the integrity of the data on the system...". Perhaps I should formally ask Fujitsu to provide a similar type statement in respect of Marine Drive & Torquay Road, what do you think ?

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If the case has been accepted have any steps been taken towards making an appointment? If not when is this likely to occur?

Castleton- formerly of Marine Drive Branch office

For the benefit of you who are new to this matter, Castleton was a sub postmaster whose contract was terminated and who was sued by POL for approximately 25K. His response was to assert that it was a fantasy debt created by the HORIZON system and as such he should not be asked to repay the sums. Due to an error judgement was entered against POL on his counterclaim for an unspecified sum of money. I am pleased to report that he has now been persuaded to consent to that judgment being set aside.

Evidence has been obtained from his retail line manager, auditor, area intervention manager and appeals manager which is robust in detailing with why his contract was terminated and the basis for it. The area which does remain to be clarified is his allegation that there was something wrong with HORIZON and on which precise dates it went wrong, as the totality of his evidence so far is that it went wrong between December 04 and 23/03/05. Castleton has obtained an accountants report in support of his claim but its findings are incorrect because it has assumed that the daily trial balances or snap shots actually represent the amount of cash which was in the office at any one time.

Graham has obtained access to the Fujitsu data for marine drive for December to March and also the helpline logs. Graham can you confirm whether these are all the calls logged from Marine Drive or merely the ones logged onto the HORIZON call desk? If so can you now arrange to obtain all of them.

Dave Hulbert - if you were provided with these would it be possible to drill down into the data to discover what was done to try to assist the postmaster and whether or not this cured the alleged problems? Would a member of your team be able to give a statement dealing with the number of calls, the resolutions and if any approaches to Fujitsu were considered warranted and if not why not?

Graham has also asked Fujitsu for their assistance with less than impressive results. I attach as a PDF document a copy of the exchanges.

Tony Utting has provided me with a useful draft statement which he created which attempts to explain to the Court how the HORIZON system works. I appreciate that this will now need some work to bring it up to date. Please could somebody from the technology side of the business volunteer to up date this document. This document could usefully form the basis a report from Fujitsu or the business with the specific detail about the system and the particular office added onto the end.

I should be obliged for your comments upon what we believe that Fujitsu should be able to provide by way of evidence and what they are obliged to provide under the contract.

I would have thought that as a very minimum they should be able to say that they have run a check on the whole network between 1/12/04 and 31/3/05 and can confirm that either there were no problems affecting the whole system, detail the ones which did occur, comment upon which areas they affected and whether they would be likely to cause the problems complained of by Castleton.

I would have thought that Fujitsu should be able to check the system with particular reference to Marine Drive between the dates above and possibly afterwards to confirm whether or not they have found any evidence of the problems complained of by Castleton. Castleton's lawyers claim that the current postmistress is experiencing identical problems!

Do we think that a site inspection by Fujitsu would have any merit as I recall being told of cases where problems were caused by family members hacking in and abusing the system or where rare geographical conditions caused problems?

Lastly do Fujitsu know enough about POL products and systems to comment on the data produced or

would this be a job that can only be handled by someone within the business? If so who other than Tony and Graham now have the knowledge to go through the data to determine whether there is evidence of the system malfunctioning?

Are there any other matters we believe that Fujitsu could comment on that would assist us in demonstrating the robustness of the system in the round and in the circumstances of this case?

The agents dealing with case need instructions from the business on how to proceed now that the judgement has been set aside on the following matters

- should we try to settle the claim
- should we apply for further and better particulars of his evidence
- should we employ agents to investigate Castletons finances
- should we offer mediation again
- expert evidence

on which I have given some preliminary comments.

Please may I have your comments?

Given the existence of the cases of Bajaj and Bilkhu together with the publicity given to HORIZON problem in The Subpostmaster I think that to settle the claim now, even on confidential terms, may cause almost as much harm to the business as fighting and loosing the claim. The statement evidence is good but this case will be won or lost on the quality of the internal and external reports on the data produced by and on the robustness of the HORIZON system.

I think that there is very little to loose in making a formal application for further information about precisely what Castleton thinks is wrong with the system and for details of the precise dates on which he claims the problems arose. The difficulty with addressing his vague allegations is the fact that they cover such a long period of time given the enormous number of transactions which will have occurred during that time and if we can narrow them down it will make any investigation much more cost effective. He will also be asked for precise details of the elements which make up his counterclaim as they are extremely vague at present. The response to this should at the very least advise us as to the potential maximum value of the counterclaim.

In all cases it is advisable to try to ascertain if the person has the capital to meet a claim but in this case it may give us an indication of how much additional resource he can afford to expend on it. He appears to be financing the litigation privately and we have already managed to cast doubt on the assertions made by his accountants report thereby making it more or less worthless. He was not awarded the costs of the application to set judgement aside as the costs have been reserved to be dealt with at a latter date. He will probably also have to amend his defence and counterclaim which will all cost money and which may in total recommend a settlement to him.

I see no downside in offering mediation once more as if accepted it may force Castleton to take a more realistic view of his chances, whilst always looking good in the eyes of the Court and giving us additional time to select and brief an expert witness.

Selection of an expert witness will be crucial in this case. Preliminary enquiries should begin as soon as possible. The selection should demonstrate the importance that POL places on this matter so a well known firm with a national reputation should be selected. The firm and expert must have a firm grasp of technology. As this case may set the trend for future litigation firms should be invited to tender on the basis that expertise picked up in this case will lead to future work coming their way. For that reason it may be that a strong second tier firm may be preferable to one of the top four where such repeat work would not be so financially attractive.

I have seen and approved an agreement prepared by Fujitsu over the status of any information divulged to such an expert.

Can any of you make specific recommendations as to suitable firms or fee earners?

Bajaj - current postmaster at Torquay Road

Mr Bajaj has been complaining about the HORIZON system since Xmas 2004 and has alleged that it

has manufactured errors which have resulted in him to date paying 14K to POL which he claims was not justified. He has resigned and withdrawn his resignation, written articles in the Subpostmaster inviting fellow postmasters who have suffered to contact him, complained to the Board, his MP etc. His allegations were not particularised to any degree until a letter before action with an accompanying schedule was received, a copy of which I attach.

Graham I know that you have made Fujitsu aware of this problem and have received some limited comments from them copies of which I attach. Looking at the schedule attached to the letter before action can you confirm whether you have (a) all the fault logs between Torquay Road and the HORIZON helpline and the postmasters helplines between the earliest and latest of the dates referred to (b) can you request copies of the transactional data between the two revised dates as I believe the information which you have is more limited.

Dave Hulbert would your team be able to produce a statement based on the logs similar to one referred to in Castleton above.

Tony/Graham unless the team is able to identify any other suitable person will you be able to analyse the transactional data to explain the so called discrepancies and losses. Many of the items in the schedule may not result in an actual loss at all and are probably part of the settling process which the accountants and solicitors do not appreciate.

Do we think that it would be sensible or useful for Fujitsu to arrange for an engineer to look at the HORIZON equipment just to eliminate local anomalies?

New Case- Bilkhu postmaster at Bowburn Post Office.

I attach the claim form together with supporting schedule for Graham to order the help desk logs and transactional data.

I will put our agents in touch with the relevant members of staff within POL who may have partially investigated this claim already.

Correspondence from Tolhurst Fisher indicate that they have been contacted by another disgruntled postmaster but they are not as yet instructed on his behalf.

Keith and Dave Hulbert have brought the case of Hughie Noel Thomas to our attention as being yet another discipline case where HORIZON is being blamed. Also that of Hogsworth Post Office Skegness.

All the above emphasise the importance of identifying and appointing a suitably qualified member of staff who can deal with the investigation of these claims swiftly and robustly so as make other postmasters less inclined to expend money on making claims in the future.

I look forward to hearing from you as soon as possible.

Regards
Mandy Talbot
Litigation Team Leader
Company Secretary's Office
Legal Services

Royal Mail, Impact House, 2 Edridge Road, CROYDON, CR9 1PJ

GRO

External Email: mandy.talbo

GRO

>>>> bajaj fujitsu.pdf attachment was removed from this email <<<<

>>>> bajaj letter before action.pdf attachment was removed from this email <<<<

>>>> Castleton fujitsu.pdf attachment was removed from this email <<<<

>>>> Bilkju 1.pdf attachment was removed from this email <<<<

>>>> Bilkhu2.pdf attachment was removed from this email <<<<

>>>> BM Shobnail Road SPSO 150405.doc attachment was removed from this email <<<<

of HSH calls required ?

In your e mail below, you mention the period 01/12/04 - 31/03/05, is this a new period of data / analysis required ?

ISSUES WITH UNINVESTIGATION CASES

- 1) Read a business case to determine if it is get additional resource could come from Chesterfield, and provide 'instructions' ^{Dave Hulbert, ~~James~~}
- 2) Needs to specify, what the requirements of the Analyst are?, and also, what outputs are expected?
- 3) The result of (2) will provide a basis on which develop the requirements for an expert, and be intended to go to 'leader' to obtain some one.
- 4) Tony O'Hara, has agreed to analyse the current work (3) of cases on hand.

for not add to Mandy Talbot for into 30/3/06
2nd: speak to Mandy T., who think first priority is to get an
internal appointment(s) made ASAP. then organise an external
this may need to be with the mgloss meeting

Tony R Utting

02/03/2006 11:39

To: John D Cole

GRO

cc: Keith K Baines

GRO

Subject: Re: Analyst Resource for Civil Litigation cases

John, as discussed the other day, I do believe that this is a job that could be usefully conducted within our team for a number of reasons.

Positive stuff

Our Investigators routinely have to acquire and examine Horizon transaction data as part of their criminal investigation and prosecution work and are therefore familiar with not only looking at and analysing the data, but can also prepare their own witness statements in support of the evidence they uncover.

Because we also have strong ties with the Security and audit function within Fujitsu, we are also able to take witness statements from them in support of prosecution cases and could use the same links in support of Civil matters (indeed, the standard statements that they currently provide to us in prosecution cases were originally drafted with support from our team). I believe our contract states that they will provide support in this area.

Given that quite often the civil case follows on from the investigation case and we also conduct financial investigations, we would be in a position to reduce other costs to the business by also doing financial investigations on these cases as well and revisiting prosecution analysis in support, rather than starting again from scratch (I would need to talk this aspect through with Mandy Talbot).

I believe that in order to have somebody available to do this at all times, we would need two bodies undertaking this work. From my Job evaluation experience, I would suggest they would come out at CM2 (or equivalent). These would cost in the region of £35k each (salary on max about £27k). Given the cost of such things as Forensic accountants etc. this would be money well spent. There will always be occasions when outside expertise has to be called in, but I think the "in house" approach will work in most cases.

We are in a position whereby, if the business were to employ two stand alone analysts, there would be periods of being too busy and periods of not having enough to do, which would affect the efficiency of the litigation process. A better solution in my view would be to utilise the existing investigator resource and spread the work around the whole operational team (currently thirty) in order to level off the peaks somewhat it would also increase the flexibility when people are on leave, sick etc and maintain the numbers in what is a small but very specialised team which is not easy to replace. WE would adapt our Working time MI to enable us to measure the resource used for this work to ensure we utilise two FTEs.

The sting in the tail

It needs to be understood that as the people running the system and its diagnostics, only Fujitsu can provide evidence that the system is working correctly. All we can do is look at transactions, identify the dodgy ones and provide some idea of what has gone on and who did it, so you might find that there has to be a lot of input from Fujitsu on this from a witness statement and court attendance aspect.

I have spoken to Rod about this issue and as we are in the throes of a 20% reduction, unless I am able to keep two of the CM2 heads that I am being asked to lose, I will not be in a position to undertake this work. I have asked Rod to speak to Peter C. about this and see where we stand.

Hope this helps

Tony U

John D Cole

John D Cole
02/03/2006 09:36

To: Tony R Utting [GRO]
cc: Keith K Baines [GRO]
Subject: Analyst Resource for Civil Litigation cases

Tony,

With regard to the provision of an analyst to deal with Civil Litigation cases, could you confirm this is appropriate to your department (if not, who else you think might undertake the work). The steer from the EC is that they are sympathetic to additional resource being provided (this is independent of headcount restraints).

Finally, please could you specify the costs (pay and rations) for the Analyst (assuming it is in your department), as this issue is now becoming an early reply would be appreciated. Thanks John Cole

Mandy Talbot

01/03/2006 14:41

To: Tony R Utting [GRO] John
 Legg [GRO] Lesley
 Joyce [GRO] Alvin
 West [GRO] Dave
 Hulbert [GRO] Marie
 Cockett [GRO] John D
 Cole [GRO] Graham C
 Ward [GRO] David X
 Smith [GRO] Keith K
 Baines [GRO] Mike C
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 cc: Clare Wardle [GRO]
 Tom.beeze [GRO] stephen.dille [GRO]
 ian.herbert [GRO]
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I have seen and approved an agreement prepared by Fujitsu over the status of any information divulged to such an expert.

Can any of you make specific recommendations as to suitable firms or fee earners?

Comments from Gareth Jenkins:

If there have been human errors in recording the transactions, could an explanation be that:

(a) There was nothing wrong with Horizon, because it simply reflected the information entered on to it; but

This is certainly True (ie Horizon simply reflects the information entered into it).

(b) If staff entered the wrong numbers into Horizon there may have been no real loss (even though Horizon would show a loss), because there could be a human error in accurately recording transactions.

Again, this could be True. However if there is some sort of miss-entering of data into Horizon, then there would be another corresponding error which should be picked up eg as a Stock Error or some AP Client being credited with an incorrect amount. Also, any such error should show up as part of the Balancing Process.

It so, would that be a likely explanation?

Not able to comment on this.

Gareth Jenkins
Distinguished Engineer
Applications TDA
Post Office Account

Filename: Response for Graham Ward .doc
Directory: D:\profiles\Pinderb\My Documents
Template: D:\profiles\Pinderb\Application
Data\Microsoft\Templates\Normal.dot
Title: Graham
Subject:
Author: Brian Pinder
Keywords:
Comments:
Creation Date: 08/12/2005 13:09:00
Change Number: 2
Last Saved On: 08/12/2005 13:09:00
Last Saved By: Brian Pinder
Total Editing Time: 0 Minutes
Last Printed On: 08/12/2005 13:09:00
As of Last Complete Printing
Number of Pages: 3
Number of Words: 694 (approx.)
Number of Characters: 3,959 (approx.)

Graham

7 Dec 05

Re: Letter from Bond Pearce Solicitors Dated 18 Nov 05 PO Vs Mr Castleton

In response to your email request dated 28 Nov 05 concerning the questions raised at para (3) of the above document:

Q1. We need to explain to a Judge who will know nothing about Horizon exactly how it works, what precisely happens when a customer goes into a Post Office to buy an item? How is this recorded? Is it manually recorded into the Horizon system at the same time or later in the day? Is the cash register linked to Horizon?

This should be directed to the POL. IT probably Bob Booth

Q2. Precisely what steps Fujitsu took to examine the Horizon system at the Marine Drive Post Office in 2004 and what their conclusions were.

Ann Chambers response: attached.

Q3. Whether there have been any similar or serious problems with the Horizon system at the Marine Drive Post Office since Mr Castleton's suspension and dismissal.

*No comment however Steve Holbert should be able to assist here
(see attached)*

Q4. Whether you believe that the suggestion put forward by Mr Castleton's experts is likely to be correct and your reasons, either way (if you are able to comment on this).

No comment.

Q5. If there have been human errors in recording the transactions, could an explanation be that:

- (a) There was nothing wrong with Horizon, because it simply reflected the information entered on to it, but
- (b) If staff entered the wrong numbers into Horizon there may have been no real loss (even though Horizon would show a loss), because there could be a human error in accurately recording transactions.
If so, would that be a likely explanation?

Gareth Jenkins response :attached.

Q6. Any other information that you believe may be relevant.

No comment

Kind Regds

GRO

GRO

Brian Pinder
Security Manager PO Account
FUJITSU Services

GRO

Details of investigation by Ann Chambers

I looked at the reconciliation reports for any entries for this outlet for two weeks preceding the date of the query (25/2/2005). There were none. This indicates that:

- * the transactions completed on the Horizon system were correctly formed and written
- * the value and quantity of transactions completed on the Horizon system at the outlet matched the value and quantity of transactions copied to the Horizon central systems
- * the Cash Account produced at the outlet at the end of each week included all transactions completed on the Horizon system at the outlet
- * the payments and receipts balanced on the Cash Account

I examined the messagestore - this holds, amongst other things, all transactions completed on the Horizon system, also the stock, stamp and cash declarations entered by the clerk.

Firstly I checked the cheques recorded on the system during the week, to make sure that they had been removed correctly from the system via the Remit Out process. There had been one error in process on 10th Feb when the clerk forgot to cut off the report, but this didn't cause a discrepancy.

Then I added up all cash components of transactions for an accounting week plus the cash brought forward, and found that the difference between this system total, and the end of week Cash Declaration, matched the discrepancy generated when the stock unit was balanced.

I then repeated the process on a daily basis, comparing the system totals with the overnight cash holding declarations, to see if I could identify a particular day when the discrepancy had occurred. I found that there were varying and large differences between the system totals and the declared amounts each day, and it was not possible to pin down the discrepancy to a particular day.

Anne Chambers



Pinder Brian
<Brian.Pinder@...>
GRO

To: graham.c.ward@...
cc.
Subject: Marine Drive

09/12/2005 15:05

Graham

I am advised I may have made a mistake in the name at answer to Q No 3, I think it should read Dave Hulbert?

Q 3. No comment however Steve Holbert should be able to assist here

*<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />
If so apologies*

Regds Brian

Mandy Talbot
25/11/2005 15:15

To: Graham C Ward [GRO]
cc: Nicholas Samuel [GRO]
Subject: Re: Horizon faults - MARINE DRIVE/TORQUAY RD [GRO]

Thanks Graham.

I received a copy of the same letter from them.

As you know I attended a meeting with Tony this morning and know that you hold the disc from Fujitsu for Bajaj and Castleton together with the transaction logs.

The solicitors acting for POL in both cases and myself will have a conference call on Tuesday to discuss how best to draft the response to the letter.

I will leave Tony brief you about the other matters discussed in the meeting.

Regards

Mandy

Litigation Team Leader
Company Secretary's Office
Legal Services

Royal Mail, Impact House, 2 Edridge Road, CROYDON, CR9 1PJ

Postline: [GRO] STD Phone: [GRO] Fax: ([GRO] Mobile: [GRO]
External Email: mandy.talbot@[GRO]
Graham C Ward



Graham C Ward
25/11/2005 09:15

To: Mandy Talbot [GRO]
cc: Nicholas Samuel [GRO]
Subject: Re: Horizon faults - MARINE DRIVE/TORQUAY RD [GRO]

Mandy

I've received another letter from Ian Herbert (Hugh James Sols) advising that the Sols acting for Bajaj (Torquay Rd) are giving us 14 days to respond to their letter dated 21/11/05 or they will issue proceedingsI have advised Tony U

Regards

Graham

Mandy Talbot

Mandy Talbot
18/11/2005 10:16

To: Graham C Ward [GRO]
cc:
Subject: Re: Horizon faults [GRO]

Thanks for the update Graham.

Litigation Team Leader
Company Secretary's Office
Legal Services

Royal Mail, Impact House, 2 Edridge Road, CROYDON, CR9 1PJ

Postline: [GRO] STD Phone: [GRO] Fax: [GRO] Mobile: [GRO]
External Email: mandy.talbot [GRO]
Graham C Ward



Graham C Ward
18/11/2005 09:51

To: Jennifer Robson [GRO]
cc: Tony R Utting [GRO] Mandy
Talbot [GRO]
Subject: Horizon faults

Just to inform you that the Event & Transaction data for the specified period for the above office has now been received.

As with the case at Torquay Road, Tony Utting is looking into how these matters will now be taken forward, I will retain the CD ROM containing the data in the meantime.

Regards

Graham

21/11 '05 11:36 FAX GRO

COMMERCIAL TEAM

P01

**** TX REPORT ****

TRANSMISSION OK

| | |
|----------------|--|
| TX/RX NO. | 5227 |
| CONNECTION TEL | GRO |
| CONNECTION ID | FUJITSU SERVICES |
| START TIME | 21/11 11:25 |
| USAGE TIME | 10'38 |
| PAGES | 25 |
| RESULT | OK |



18 November 2005

Bond Pearce LLP
Ballard House
West Hoe Road
Plymouth PL1 3AE

Mr N Samuel
Post Office Limited
Second Floor
Calthorpe House
15-20 Phoenix Place
London
WC1X 0DG

Tel: + [GRO]
Fax: + [GRO]
DX: [GRO]
stephen.dilley [GRO]
Direct: [GRO]

Our ref:
SJD3/ABG1/348035.134
Your ref:

URGENT

Dear Mr Samuel

Post Office Limited -v- Mr L Castleton

I refer to our telephone conversation today.

As discussed, I enclose a letter for you to send to Fujitsu, together with its enclosures. The letter is currently just addressed to "Fujitsu Services". Please could you address the letter to the right person who needs to deal with it at Fujitsu and explain that their report is required urgently. I have stated that the Post Office will be responsible for their fees, so in any covering letter you send to them, I suggest that you set out any agreed rate.

When you have sent the letter, please could you let me know who at Fujitsu will deal with it and when we can expect their response.

I look forward to hearing from you as soon as possible.

Kind regards.

Yours sincerely

GRO

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP

Bond Pearce

18 November 2005

Fujitsu Services

Bond Pearce LLP
Baillard House
West Hoe Road
Plymouth PL1 3AE

Tel: **GRO**
Fax: **GRO**
DX: **GRO**

Stephen Dilley: **GRO**
Direct: **GRO**

Our ref:
SJD3/ABG1/348035.134
Your ref:

URGENT

Dear Sirs,

Post Office Limited -v- Mr L Castleton
14 South Marine Drive, Bridlington, WY15 3DB ("the Marine Drive Post Office")

(1) Background

We act on behalf of the Post Office Limited ("PO"). From approximately 18 July 2003 to 23 March 2004, Mr Castleton was a Sub Postmaster at the Marine Drive Post Office. He was strictly responsible for the safe custody of cash and stock and was obliged to make good all losses caused through his own negligence, carelessness or error and losses of any kind caused by his assistants.

Between 18 July 2003 and 25 March 2004, net losses of £27,115.83 occurred at the Sub Post Office. Mr Castleton was suspended on 23 March 2004 and dismissed on 17 May 2004. The Post Office has now issued a claim against him to try and recover these net losses. Mr Castleton has issued a Counterclaim claiming wrongful termination of his contract.

(2) Mr Castleton's Defence

Mr Castleton's case is that any shortfall is entirely the fault of problems with the Horizon computer and accounting system at the Marine Drive Post Office and that the PO wrongfully terminated his Sub Postmaster contract in respect of which has suffered loss not exceeding £250,000.

We attach copies of the following:

- A. Without prejudice letter dated 30 September from Mr Castleton's solicitors to Bond Pearce LLP.
- B. Bentley Jennison's Report dated 23 September and attachments;
- C. White & Hoggard's Report dated 18 August.

Bentley Jennison state that deficiencies have probably been brought forward despite the fact that they have been entered onto the suspense account entry. They suspect this is because the Horizon system, despite the suspense account entry, has failed to recognise the entry on the daily snapshots. They have drawn this conclusion through looking at the discrepancy of £3,509.18 on Thursday 26 February 2004. They then suggest that this double accounting could have continued over a number of weeks and that as such, Mr Castleton's Defence, "appears to hold potential merit based on the limited documentation" they have so far reviewed. White & Hoggard reach a similar conclusion in their Report.

Mr Castleton believes that if he can obtain further documents, such as the daily snapshots, he will be able to undertake a manual reconciliation of the cash account in order to substantiate his belief that the losses are not real but attributable to computer error. We attach an email from Fujitsu to Richard Benton at the Post Office dated 5 May 2004 in which Fujitsu state "It is possible that they are not accurately recording all transactions on the system" and that there was no evidence whatsoever of any system problem.

(3) Report

Please could you review Mr Castleton's experts' Reports and prepare a formal Report dealing with the following points (to the extent you are able):

1. We need to explain to a Judge who will know nothing about Horizon exactly how it works. What precisely happens when a customer goes into a Post Office to buy an item? How is this recorded? Is it manually recorded into the Horizon system at the same time or later in the day? Is the cash register linked to Horizon?
2. Precisely what steps Fujitsu took to examine the Horizon system at the Marine Drive Post Office in 2004 and what their conclusions were.
3. Whether there have been any similar or serious problems with the Horizon system at the Marine Drive Post Office since Mr Castleton's suspension and dismissal.
4. Whether you believe that the suggestion put forward by Mr Castleton's experts is likely to be correct and your reasons, either way (if you are able to comment on this).
5. If there have been human errors in recording the transactions, could an explanation be that:
 - (a) There was nothing wrong with Horizon, because it simply reflected the information entered on to it; but
 - (b) If staff entered the wrong numbers into Horizon there may have been no real loss (even though Horizon would show a loss), because there could be a human error in accurately recording transactions.If so, would that be a likely explanation?
6. Any other information that you believe may be relevant.

(4) Duty to the Court

As a result of the instruction you may be asked to give evidence before the Court. Whilst the PO will be liable to pay your fees, in preparing your Report and giving evidence, your overriding duty will be to help the Court on the matters within your expertise.

You agree to meet the requirements of the Civil Procedure Rules Part 35 Practice Direction (copy enclosed) and that your Report will:-

1. Be addressed to the Court and not to the Post Office (but it should be sent to Mr Dilley of this firm).
2. Confirm that you understand your duty to the Court and that you have complied and will continue to comply with that duty;
3. Contain a statement setting out the substance of all material facts and instructions (whether written or oral) on the basis on which your Report is written. This statement should summarize the facts and instructions given to you which are material to the opinions expressed in the Report or upon which those opinions are based and if any of the facts are within your own knowledge which they are;
4. Contain a chronology of the relevant events;
5. Contain a Statement of Truth in the following form:

"I confirm that insofar as the facts stated in my Report are within my own knowledge I have made clear which they are and I believe them to be true and that the opinions I have expressed represent my true and complete professional opinion".
6. You should not that proceedings for contempt of Court may be brought against you if you make a false statement and Report verified by a Statement of Truth without an honest belief it was true;
7. Contain a declaration that the Report has been prepared in accordance with the Code of Guidance on Expert Evidence (enclosed).
8. Give details of your qualifications;

9. Give details of any literature or other material which you rely on in making the Report;
10. So who carried out any test or experiment which you use for the Report and whether or not the test or experiment has been carried out under your supervision;
11. Give the qualifications of the person who carried out any such test or experiment;
12. Where there is a range of opinion on the matters dealt with in the Report – sub-paragraph 11.1 summarises the range of opinion.
13. Give reasons for your own opinion.
14. Contain a summary of the conclusions reached including any qualifications to the same;

Given the fundamental importance of meeting these requirements, you should endeavour in your Report to be not only accurate but complete. You should mention all matters which you regard as being material to the opinions you express and draw the Court's attention to any matter to which you are aware which might adversely affect the validity of those opinions. This applies in relation to the factual matters to which you refer and also to the opinions which you express.

You should not include in your Report anything that is suggested to you by anyone without forming your own independent view.

If, on reading the Report of any other expert in this matter, or for any reason, you consider, at any stage, that any existing report of yours requires correction or qualification you will immediately notify us in writing of that fact.

(5) Duty to the Post Office

In performing all your duties for which the client will pay, you will owe a duty to the client to act with the professional standards of skill, care and diligence adhered to by experienced and competent consultants acting as expert witnesses.

You will take reasonable care of any documents, materials or samples sent to you by the clients and shall return them immediately (together with any copies taken) to the clients upon request.

In complying with your duties to the Court, you will not, without having first obtained prior written approval of the client, divulge to any third party any information relating to the dispute.

You confirmed that you:

1. Are an independent party and not the client's employee or agent, other than at the material time Fujitsu was responsible for looking after the Horizon system;
2. Know of no reason why you should not act as a witness for the Post Office in relation to the dispute;
3. Will advise us in writing immediately if any conflict between your interests and the Post Office's interests should arise in relation to the dispute.

We would be grateful if you could treat this matter as urgent, because Mr Castleton's solicitors have applied for Judgment against the Post Office, so we will need to obtain your report quickly.

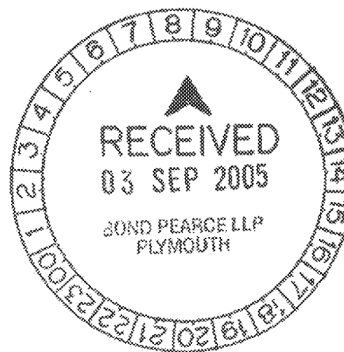
We look forward to hearing from you.

Yours faithfully

GRO

Bond Pearce LLP

Date: 30 September 2005
Your ref: DEG1/NJM1/348035.134
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

Without Prejudice

Dear Sirs

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

We refer to our recent without prejudice telephone discussions (Mark Turner/Denise Gammack).

As we mentioned when we spoke, we have instructed an expert accounting witness, Chris Hine of Bentley Jennison, to review the documentation that your client has made available to date. His brief was to consider certain of those documents in light of our client's pleaded defence to the effect that the alleged shortfall is (at least in part – and we cannot be any more specific than that given the incomplete disclosure which has been given) attributable to problems with the Horizon system.

In order to assist you and your client in understanding our client's position, we are prepared to disclose to you on a without prejudice basis the report which Mr Hine has prepared. Since the report refers to a report prepared by Andrew Richardson of White & Hoggard, a copy of his report together with supporting documentation is also enclosed.

By way of explanation, Mr Richardson acts as auditor to the business owned by our client's father in law. His report was obtained directly by our client as a "second opinion" on the methodology that our client had used in reviewing the available documentation. To avoid any question of partiality, we commissioned Bentley Jennison to consider the same documentation as had been available to Mr Richardson, as well as his report, and to comment on whether they agreed with its findings.

For the complete avoidance of doubt, both documents are made available to you and your client on an entirely without prejudice basis. Whilst the substance of the Bentley Jennison report is likely to form the core of any formal report prepared for use in court, we reserve the right to rely on a report which may differ in form to that which we have presently disclosed.

As you will see, both Mr Richardson and Mr Hine concur with our client's position that there, at the very least, discrepancies in the way in which the Horizon system appears to treat weekly balances. This simply serves to reinforce what both we and our client have said from the outset, namely that the daily balance snapshots which have not yet been disclosed will be of fundamental importance in analysing whether there is a problem caused by the way in which the Horizon system operated during our client's tenure as sub-postmaster at Marine Drive Post Office.

Quay House • Quay Street • Manchester M3 3JE • Tel: **GRO**
DX 14332 MCR-1 • Email law@ **GRO** • Website www.rowecohen.com

Partners: B.E. Cohen • I. Rowe • S.J. Horwich • L.M. Lewis • M.V. Hymanson • G.P. Smeil • A. Draxton • S.T. Coghill • J.V. Dweek • A. Farley • A. Sacks • A. Taylor
M.C. Woodall • R.J. Spindler • S. Roun • A. Curwen • R.J. Myer • D. Vayro • H. Burns Associates: L.R. Swelling • A.D. Owens • S.P. Sutton • M. Molloy Consultants: M.T. Horwich

We look forward to hearing from you once you and your client have had an opportunity to review the enclosures to this letter.

Yours faithfully

GRO
ROWE COHEN

Enc

Bentley Jennison

Our ref: CH/PIB/C1024
Your ref: MDT.113969

Rowe Cohen
Quay House
Quay Street
Manchester
M3 3JE

Litigation Support

26 Pall Mall
Manchester
M2 1JR

DX GRO

Telephone GRO

Facsimile

E-mail manchester GRO

www.bentley-jennison.co.uk

23 September 2005

Dear Sirs

The Post Office -v- Lee Castleton

Further to your letter of instruction dated 6 September 2005 in the above matter, I set out below my thoughts on the papers provided for my review.


I have reviewed the following documentation:

- Various correspondence between Rowe Cohen and Bond Pearce, between 8 February and 3 August 2005
- Daily 'snapshots' for the Marine Drive Post Office, from Thursday 26 February 2004 to Wednesday 3 March 2004, representing week 49 of the accounting year
- Letter dated 18 August 2005 from Andrew Richardson, principal at accountants White & Hoggard, to Mr Lee Castleton
- Copy of final audit, dated 25 March 2004, as carried out by Miss Helen Hollingworth (and as attached to the letter dated 25 May 2005, from Bond Pearce to Rowe Cohen)
- Horizon Cash Account (Final) for Week 49
- Statement of Claim, dated 9 June 2005
- Defence and Counterclaim, dated 15 August 2005

Offices at: Birmingham Bristol Cardiff Harrogate Leeds London Milton Keynes Nottingham Stoke-on-Trent Swindon Telford

A list of Partners' names is available for inspection at: 26 Pall Mall, Manchester M2 1JR.

Bentley Jennison is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales and authorised and regulated by the Financial Services Authority for Investment Business

A member of  IAGI INTERNATIONAL An Association of Independent Professional firms in Europe

Rowe Cohen

23 September 2005
Page 2 of 5**Daily snapshots for week 49**

At **Document 1** is a copy of the daily snapshot printed at the end of Thursday 26 February 2004, being Day One of the week. This shows a discrepancy of £3,509.18.

I note that this an identical amount to that recorded by the Horizon system as having been deficient in week 48, as identified in the audit undertaken by Helen Hollingworth, the schedule for which is set out at **Document 2**.

This schedule also shows that cumulative deficiencies of £8,243.10 were put into a suspense account relating to weeks 43-46, although I note that no figure appears to be disclosed specifically for the following week, week 47.

The identical amounts of £3,509.18 point to two possible scenarios, either that (a) there has been a deficiency suffered on day one of week 49 that **exactly** matches the sum of the deficiency for the whole of week 48, or (b) the figure is the brought forward deficiency from week 48. I consider it reasonable to assume that option (b) is the most likely scenario.

On Day Two of Week 49, being Friday 27 February 2004, an entry for £3,509.68 is shown as "Loss a 2a in", per **Document 3**.

I am unable to explain the difference of 50 pence between the suspense account figure and the daily snapshot deficiency, although I note that in White & Hoggard's report they explain that Mr Castleton informed them this was a manual entry following instructions from Horizon technical support.

The £3,509.68 appears to represent the entry on the suspense account (**Document 4**) for the same amount, processed on 27 February 2004, which I would expect given the daily snapshot entry.

Suspense account

A suspense account is generally used by accountants to 'park' transactions that have either been erroneously posted and are pending correction, or which, as is the case here, are transactions that are either unreconciled or unexplainable.

From my experience, the impact of a suspense posting would allow a line to be drawn under the cumulative deficiencies on the daily prints, effectively resetting the figure to zero, which should be reflected as such on the end of day print.

However, it is evident that on the end of day print (**Document 5**) there is still a deficiency of £3,509.18, notwithstanding the suspense account entry.

Rowe Cohen

23 September 2005
Page 3 of 5

This again leads to two possible scenarios, either that (a) following the suspense account entry an identical shortage of £3,509.18 was again borne by the branch during the course of the day, or (b) the Horizon system, despite the suspense account entry, has failed to recognise the entry on the daily snapshot, leaving the figure of £3,509.18 unchanged.

Again, after considered reflection, it is more probable that scenario (b) has occurred.

For Days 3, 4, 5 and 6 (Saturday 28 February 2004 - Tuesday 2 March 2004), identical entries occur in relation to the figure of £3,509.68, with a cumulative deficiency of £3,509.18 being shown at the end of each day.

For the final day of week 49, Wednesday 3 March 2004, the entry of £3,509.68 again is recorded, however the total deficiency now shows £3,512.26 (Document 6), an increase of £3.08, and supported by the final Horizon Cash Account print (Document 7).

I note that in week 49 the cost of a first class stamp was 28 pence. The increase of £3.08 could, therefore, represent (and in line with Andrew Richardson's opinion) a scenario whereby a book of 12 first class stamps was sold, but only money for one single stamp was taken (ie $(12 \times 0.28) - 0.28$).

Having already concluded that the system should have no longer been recognising the £3,509.18 (posted to suspense) on a daily basis, the only discrepancy for the week should, in my opinion, have been the £3.08 deficiency apparently borne on Wednesday 3 March 2004.

The system has, therefore, appeared to overstate the deficiency for the week by the amount of the deficiency in week 48, being £3,509.18.

The report of White & Hoggard essentially appears to reach the same conclusion, in that this sum has been erroneously double counted.

Cumulative deficiencies

I would note that the Horizon system, from the documentation I have reviewed, appears to record deficiencies on a cumulative basis, hence the running total of £8,243.10 up to the end of week 46 being rolled into week 47's suspense account and carried forward to week 49 (Document 4).

Based on this approach, the integrity of the system is heavily dependent upon weekly figures being both accurate, and carried forward correctly.

In the isolated case of week 49 this appears not to have taken place, with the implication that errors could, theoretically, have been double counted over a number of weeks.

Rowe Cohen

23 September 2005
Page 4 of 5

As such, Mr Castleton's defence, that the root of the problem lies with the inaccurate figures produced by Horizon, appears to hold potential merit based on the limited documentation I have so far reviewed.

Clearly, however, I have only had sight of the daily snapshots for week 49, which although appearing to indicate an error within the Horizon system for that short period, does not necessarily mean that it has been replicated for other weeks. This can only be checked through an analysis of the daily snapshots for all relevant periods.

Andrew Richardson's conclusion that "*the balance of probabilities would suggest that it is quite likely that this has also happened in earlier periods*" is, I suspect, a little premature and can only be proven following a more detailed review.

Equally, other issues aside from the discrete problems evident in Week 49 may be uncovered, upon a more detailed inspection of relevant Horizon documentation.

Disclosure

The documentation I would ideally need sight of (further to that listed in your letter dated 11 April 2005, and presuming such papers were used in the normal course of business at the branch) to gain a clearer picture of how Horizon worked, and whether it was working as intended, is as follows:

- Daily snapshots for the period preceding, during, and following the alleged deficiencies borne under the management of Mr Castleton, which as suggested in copy correspondence might be from weeks 39-52 inclusive, although for completeness (and if considered cost effective) it may be appropriate to analyse the period from when Horizon was first used in the branch to gauge the effectiveness of the system from Day One
- Copy of the full audit report following the inspection made by Helen Hollingworth and Chris Taylor, on 25 March 2004, to include a breakdown of the week 51 balance of £11,210.56 (Document 2)
- P&A reports produced for weeks 39-52, summarising sums paid to customers in allowances through vouchers, and any vouchers supporting the reports
- Cash and stock count at the points in time when Mr Castleton began/left his post as subpostmaster
- Events log produced by the Post Office centrally, summarising which individuals are working on the Horizon system, and when the various reports were produced within the branch - for weeks 39-52 inclusive

Bentley Jennison

Rowe Cohen


23 September 2005
Page 5 of 5


- Transaction log produced by the Post Office, which should summarise all financial transactions undertaken by the branch - weeks 39-52 inclusive
- Any contemporaneous notes made by Mr Castleton in relation to the Horizon system, or by any other employees, or by anyone who may have been assisting Mr Castleton in the initial period following his appointment as subpostmaster

I trust the contents of this letter are self-explanatory, but if you should require clarification on any of the matters raised herein, please do not hesitate to contact me.

Yours faithfully

GRO

 **Chris Hine**
National Litigation Support Partner
Enc.

chris.hine  **GRO**

Document 1

Marine Drive FRN: 213377
17:30 26/08/2004 09:49 09:01 50: 00
Balance Snapshot - Office Copy

*****Discrepancies in this Account*****
*Discrepancy CREDIT 0.00 *
*Discrepancy DEBIT 2609.18 *
*Nett Discrepancy 3509.18- *

| VALUE STOCK & NCP | VOLUME | VALUE |
|-------------------------|--------|----------|
| Cash | | 63966.93 |
| Cash | | 2,994.53 |
| NCP | | 63966.93 |
| TV stap 22 | 347 | 674.00 |
| BMC TV LICENCE STAMP | | 674.00 |
| Stamp Lay | 27 | 5.10 |
| First Day Env | 44 | 11.00 |
| Press Book | | 105.10 |
| Mini Sheets | | 23.11 |
| PHILATELIC ITEMS | | 153.91 |
| 1st class stamp | 3621 | 1016.68 |
| First Class Stamps | | 1016.68 |
| 2nd class stamp | 3508 | 701.60 |
| Second Class Stamps | | 701.60 |
| Postage stamp | | 1096.45 |
| Airletter Pack | 3 | 6.90 |
| Airletter Single | 15 | 6.90 |
| Int rep coupon | 7 | 6.90 |
| Spider 201 | 7 | 28.35 |
| Spider 202 | 5 | 28.25 |
| Diverse Postage Items | | 1162.45 |
| S/A 2nd/100 | 20 | 400.00 |
| Special Class Q/R Staps | | 400.00 |
| S/A 1st/100 | 20 | 260.00 |
| First Class S/A Staps | | 260.00 |
| Special 1st | 350 | 665.00 |
| Special 2nd | 1099 | 209.00 |
| Special Europe | 100 | 36.90 |
| Special 47p | 100 | 47.90 |
| Special 68p | 100 | 68.90 |
| Special 40p | 100 | 40.90 |
| Special Staps | | 661.80 |
| SAS bk 1st x 12 | 28 | 177.60 |
| SAS bk 2nd x 12 | 43 | 103.20 |
| SAS bk 1st x 6 | 46 | 77.28 |
| Stp bk euro x 6 | 41 | 92.46 |
| Stamp Books - Misc | | 481.54 |
| POSTAGE | | 4803.37 |
| PO phoncard 25 | 4 | 20.00 |
| PO phoncard 210 | 10 | 195.00 |
| PO phoncard 220 | 8 | 160.00 |
| PO Holiday 210 | 20 | 260.00 |
| PO Branded Coll Cards | | 480.00 |
| PHONE CHRG | | 480.00 |
| PO 50p | 17 | 8.50 |
| PO 21 | 10 | 10.00 |
| PO 22 | 16 | 32.00 |
| PO 24 | 3 | 12.00 |
| PO 25 | 9 | 54.00 |
| PO 27 | 12 | 84.00 |
| PO 28 | 9 | 72.00 |
| PO 29 | 9 | 63.00 |
| PO 215 | 21 | 215.00 |
| Gift PO 25 | 14 | 35.00 |
| Gift PO 210 | 9 | 90.00 |
| Gift PO 220 | 13 | 260.00 |
| Free Value | | 1028.50 |
| PO fee 50p | 17 | 8.50 |
| PO fee 21 | 10 | 10.00 |
| PO fee 22 | 16 | 32.00 |
| PO fee 24 | 3 | 12.00 |
| PO fee 25 | 9 | 54.00 |
| PO fee 27 | 12 | 84.00 |
| PO fee 28 | 9 | 72.00 |
| PO fee 29 | 9 | 63.00 |
| PO fee 215 | 21 | 215.00 |
| Gift PO fee 25 | 14 | 35.00 |
| Gift PO fee 210 | 9 | 90.00 |
| Gift PO fee 220 | 13 | 260.00 |
| Free | | 109.95 |
| POSTAL ORDER | | 1198.45 |
| Instants 21 | 1267 | 1367.00 |
| Instants 22 | 435 | 910.00 |
| Instants 23 | 108 | 384.00 |
| Instants 24 | 37 | 152.00 |
| INSTANT WITH BAK | | 2846.00 |
| Lined Inst | 20 | 20.00 |
| LITLEDGED SCENTHINES | | 32.00 |
| NK 82uo | 67 | 235.00 |
| MV. SAVINGS STAMP | | 422.00 |
| TOTAL STOCK & NCP | | 94699.26 |

Stock
10,632-33

83966-93
13 377-11
-82

Document 2

| To: | From: | cc: |
|--------------|---------------------------------|-----|
| Cath Oglesby | Helen Hollingworth
Inspector | |

Date: 25th March 2004

Audit of Post Office ® Marine Drive branch, FAD 213337

An audit took place at Marine Drive Post Office on the 25th March 2004. Helen Hollingworth led the audit and in attendance was Chris Taylor. The audit commenced at 8.00am and on our arrival the sub postmaster was very pleased to see us. He explained problems he had been having at the office regarding balancing. His problems with balancing started in week 43 with a mis-balance of -4230.97. He was adamant that no members of staff could be committing theft and felt that the mis-balances were due to a computer problem. He had been in contact with the Retail Line Manager Cath Oglesby and the Horizon help line regularly since the problems began. The following table gives further weeks balance declarations on the cash account.

| | | |
|----|----------|---------------------------------------|
| 48 | -3509.18 | |
| 46 | -8243.10 | |
| 45 | -6730.01 | |
| 44 | -6754.09 | |
| 43 | -4230.97 | |
| 48 | -3509.18 | This amount put into suspense week 49 |
| 46 | -8243.10 | This amount put into suspense week 47 |
| 45 | -6730.01 | Rollled loss |
| 44 | -6754.09 | |
| 43 | -4230.97 | |

In week 47 £8243.10 was put into suspense. Although horizon had been contacted and the Retail Line was aware of this figure, this was not authorised. In week 49 £3509.68 was added to make the amount carried in the suspense account total £11752.78. This was also not authorised:

| | |
|-----------------------|---|
| week 51 balance | - £11210.56 |
| suspense account | - £11752.78 |
| expected audit result | - £22563.34 |
| difference at audit | - £2795.41 (-£1769.00 lottery -£1026.41 cash) |
| audit result | - £25758.75 |

On the completion of the audit the Retail Line Manager Cath Oglesby was contacted, along with the Investigation team and the Audit Line Manager. The sub postmaster was suspended pending enquiries and an interim postmaster was put in charge at the office.

Marine Drive
17:38:00 03/03/2004

GRO

Page 1
CAP 49

Suspense Account - Office Copy

WARNING - Check the C/Fwd column for negative values. If present refer to the Horizon User Guide for instructions on how to proceed

| SU | Date | Product | Volume | Value | B/Fwd | C/Fwd |
|-----------------------------------|------|---------|--------|----------|----------|-----------|
| RD Cheques | | A | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| RD Cheques | | B | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| RD Cheques | | C | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Vouchers | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Shortages in Rems etc | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Burglary etc losses | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| POL Cheques | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Migration UP | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Cash Shortages A | | | | | | |
| AA 27/02/04 Loss A to Table 2a | | | 1 | 3,509.68 | | |
| TOTAL | | | 1 | 3,509.68 | 8,243.10 | 11,752.78 |
| Cash Shortages B | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Cash Shortages C | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Cash Shortages D | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Prepurchases | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Cash Surpluses not yet adjusted A | | | | | | |
| TOTAL | | | 0 | 0.00 | 0.00 | 0.00 |
| Cash Surpluses not yet adjusted B | | | | | | |

Active Drive FPOY 2113377
17 Jul 07/07/2004 CDP:49 DP:01 BR: 00
Balance Snapshot - Office Copy

*****Discrepancies in this Account*****
Discrepancy UNK 0.00
Discrepancy UNK 3589.18
Right discrepancy 3589.18

| VALUE STOCK & HUP | QUANTITY | VALUE |
|--------------------------|----------|-----------|
| Cash | | 9817.00 |
| Coins | | 3017.00 |
| Post | | 3017.00 |
| TV stamp 22 | 344 | 888.00 |
| BBC TV LICENSE STAMP | | 588.00 |
| Stamp Card | 27 | 8.18 |
| First Day Env | 44 | 18.00 |
| Pres Paks | | 185.18 |
| New Sheets | | 29.31 |
| MILITARY STAMPS | | 153.31 |
| 1st class stamp | 3589 | 1004.92 |
| First Class Stamp | | 1004.92 |
| End class stamp | 3393 | 878.60 |
| Second Class Stamp | | 878.60 |
| Feature stamp | | 1090.33 |
| Airletter Pack | 3 | 8.90 |
| Airletter Single | 12 | 6.20 |
| Int use coupon | 7 | 4.25 |
| Palbot 500 | 6 | 24.38 |
| Palbot 500 | 8 | 30.25 |
| Other Postage Issues | | 1121.38 |
| 1/4 2nd100 | 18 | 360.00 |
| Second Class 2/A Stamp | | 360.00 |
| 1/4 Intx100 | 18 | 504.00 |
| First Class 2/A Stamp | | 504.00 |
| Special Int | 300 | 258.00 |
| Special End | 1000 | 200.00 |
| Special Europe | 100 | 38.00 |
| Special 47p | 100 | 47.00 |
| Special 60p | 100 | 60.00 |
| Special 40p | 100 | 40.00 |
| Special Stamp | | 561.00 |
| SAS 1st x 12 | 34 | 114.24 |
| SAS 1st x 12 | 39 | 130.62 |
| SAS 1st x 1 | 40 | 67.20 |
| SAS 1st x 1 | 40 | 91.20 |
| Stamp Books - Misc | | 365.24 |
| POSTAGE | | 4725.74 |
| PD phoncard 25 | 8 | 10.00 |
| PD phoncard 210 | 10 | 100.00 |
| PD phoncard 220 | 8 | 160.00 |
| PD phoncard 225 | 8 | 200.00 |
| PD phoncard 215 | 23 | 470.00 |
| PD phoncard Call Cards | | 470.00 |
| PHONE CARDS | | 470.00 |
| PD 50p | 17 | 8.50 |
| PD 11 | 9 | 9.00 |
| PD 12 | 16 | 32.00 |
| PD 14 | 3 | 42.00 |
| PD 15 | 8 | 54.00 |
| PD 17 | 12 | 84.00 |
| PD 18 | 3 | 72.00 |
| PD 19 | 9 | 81.00 |
| PD 115 | 20 | 300.00 |
| GIFF 50 P5 | 12 | 60.00 |
| GIFF 50 P10 | 6 | 60.00 |
| GIFF 50 P20 | 11 | 220.00 |
| Face Value | | 792.00 |
| PD fee 50p | 17 | 8.25 |
| PD fee 11 | 9 | 8.25 |
| PD fee 12 | 16 | 8.00 |
| PD fee 14 | 3 | 1.50 |
| PD fee 15 | 8 | 7.20 |
| PD fee 17 | 12 | 9.00 |
| PD fee 18 | 3 | 9.00 |
| PD fee 19 | 9 | 9.00 |
| PD fee 115 | 20 | 22.00 |
| GIFF PD fee 50 | 12 | 9.60 |
| GIFF PD fee 10 | 6 | 6.00 |
| GIFF PD fee 20 | 11 | 13.20 |
| Fee | | 181.60 |
| POSTAL ORDER | | 1074.10 |
| Instant 21 | 1260 | 1366.00 |
| Instant 22 | 495 | 910.00 |
| Instant 23 | 124 | 384.00 |
| Instant 24 | 37 | 185.00 |
| NET LBT INSTANT WITH GUN | | 2935.00 |
| Lead into | 20 | 20.00 |
| LETTERBOX SCRATCHES | | 20.00 |
| Net stamp | 57 | 35.00 |
| NET INSTANT STAMP | | 35.00 |
| TOTAL STOCK & HUP | | 182142.35 |

Stock 1a 328-35

Marina Drive
0717 04/03/2004
Final Balance - Office copy

*****Discrepancies in this account*****
Discrepancy OVER
Discrepancy SHORT
Discrepancy

| VALUE STOCK & MCP | VALING | NO. IN |
|------------------------|--------|--------|
| Cash | | |
| Cash | | |
| HQB | | |
| TU stamp 12 | 284 | |
| SEC TO LICENSE STAMP | | |
| Stamp Card | | |
| First Day Cw | | |
| Pres Pack | | |
| Mint Book | | |
| PHILATELIC ITEMS | | |
| 1st class stamp | 2080 | |
| First Class Stamp | | |
| 2nd class stamp | 1117 | |
| Second Class Stamp | | |
| Postage stamp | | |
| Airletter book | | |
| Airletter single | | |
| Ink pen complete | | |
| Stamp 201 | | |
| Stamp 202 | | |
| Other Postage items | | |
| 1/2 cent | | |
| Second class S/A Stamp | | |
| 1/2 cent | | |
| First Class S/A Stamp | | |
| Special 1 | | |
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OVER 3589-18
Short 7018-36
3587-18

4566-42

76424-81
72912-62

Stock 9036-41

Receipts
16557-97

4258-15

Payments
16557-97
6
26

Stock 2010-29

Office code: 2133377 Week No: 49 Week Ending: 03/03/2004

Date: 04/03/2004 Time: 07:46

OFFICE NAME: Marine Drive
ADDRESS: 14 South Marine Drive
Bridlington YO15 3DB

GRO

2003/2004
HORIZON
Cash Account (Final)

Week No **49**

Document 7

TELEPHONE: **GRO**

Week Ended: 03/03/2004

OFFICE CODE: 213 337 7

30

DATE STAMP:

TO BE SIGNED BEFORE DESPATCH OF CASH ACCOUNT

SUBPOSTMASTER/FRANCHISEE/BRANCH MANAGER:

EXAMINED IN TP:

GRO



TABLE 2 UNCLAIMED PAYMENTS

TABLE 10(g) NUMBER OF TRANSACTIONS

| 50 | £ p | Date | 91 |
|--------------------------------------|-----------|------------------------|-------------|
| 26 | | Unpaid Cheques A | 72 2 |
| 27 | | Unpaid Cheques B | 79 |
| 28 | | Unpaid Cheques C | 78 |
| 29 | | | 82 |
| 30 | | Vouchers | 81 |
| 31 | | Shortages in REMS etc | 73 |
| 32 | | Burglary etc Losses | 65 |
| 33 | | POL Chq pension homes | 66 |
| 34 | | | 71 |
| 35 | | Migration | 83 |
| 36 | | | 75 |
| 37 | | | 80 |
| 38 | | | 67 |
| TABLE 2(a) AUTHORISED CASH SHORTAGES | | | 76 11 |
| 50 | 28 501 | | 88 |
| 46 | 11,752.78 | Cash Shortages A | 74 1 |
| 47 | | Cash Shortages B | 87 1 |
| 48 | | Cash Shortages C | 85 |
| 49 | | Cash Shortages D | 89 |
| TABLE 3 UNCHARGED RECEIPTS | | | 94 |
| 50 | | | 90 |
| 60 | | Pre-purchase | 84 |
| 61 | | Cash Surplus A | 77 |
| 62 | | Cash Surplus B | 91 9 |
| 63 | | Surpluses in Items etc | 68 |
| 64 | | | 69 |
| 65 | | | 92 |
| 66 | | | 93 |
| 67 | | | 70 |
| 68 | | Migration | 63 |
| 71 | | | 64 |
| 72 | | | 57 22 |
| DISCREPANCIES TABLE | | | 58 |
| 07 | | | 59 |
| 01 | | Surplus | 60 |
| 02 | 3,512.26 | Shortage | 61 |
| | | | 62 |
| | | | 86 |
| | | | 95 |
| | | | 10 |
| | | | 15 |
| | | | 20 |
| | | | 25 |
| | | | 30 1 |
| | | | 38 17 |
| | | | 40 3 |
| | | | 45 |
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| | | | 55 |
| | | | 26 |
| | | | 27 |
| | | | 28 |
| | | | 29 |

Cont...

White & Hoggard
Chartered Certified Accountants

*Registered to carry on
audit work and regulated for a
range of Investment Business
activities by the Association of
Chartered Certified Accountants*

PRIVATE & CONFIDENTIAL

Mr Lee Castleton
Marine Drive Post Office
14 South Marine Drive
Bridlington
East Yorkshire
YO15 3DB

*1-3 Wheelgate
Malton
North Yorkshire
YO41 7HT*

Telephone: GRO
Fax: GRO

E-mail: *White.Hoggard* GRO

Our Ref: AWR/GL/1/P031

Your Ref:

Date: 18th August 2005

Dear Lee

You have asked me to produce a report on my findings following my examination of the documents presented to me for Marine Drive Post Office in respect of the week ended 3rd March 2004 and the apparent discrepancy claimed by the Post Office which I understand at 4th March 2004 amounted to £15,265.04.

I have therefore examined the daily balance printouts that you produced covering the period 26th February 2004 to 4th March 2004 and also the report marked "Horizon Cash Account (Final)" dated 4th March 2004 in relation to the week ended 3rd March 2004.

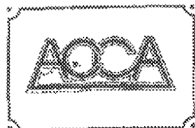
My conclusions are as follows:-

- a) The Horizon Cash Account (Final) Report for week 49 (week ended 3rd March 2004) produced on 4th March 2004 (time 07:46) indicates the following:

| | |
|---|--------------------|
| Table 2 (a) authorised cash shortages (A) | 11,752.78 |
| Discrepancies Table | 3,512.26 |
| Total | £ 15,265.04 |

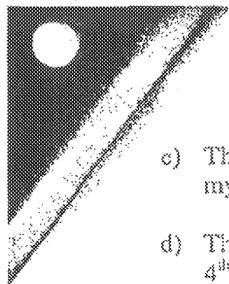
- b) The Suspense Account summary attached to the report – office copy dated 3rd March 2004 (time 17:38) produces the following under the heading "Cash Shortages A"

| | |
|--|--------------------|
| AA 27 th February 2004 Loss A to Table 2a | 3,509.68 |
| Brought forward | 8,243.10 |
| Total | £ 11,752.78 |



PRINCIPAL: Andrew W. Richardson F.C.C.A.
MANAGERS: Keith A. Rhodes F.C.C.A.
Mrs Lesley R. Richardson





- c) The difference between the above two reports is £3,512.26 (I will refer to this figure later in my observations).
- d) The Horizon Cash Account (Final) Report for week no.49 (week ended 3rd March 2004) dated 4th March 2004 (time 07:46) indicates the following:

| | |
|----------------------------|--------------------|
| Balance Due to Post Office | 97,014.07 |
| Less Stock (Table A) | (9,036.41) |
| Less Cash (Table 5) | (72,712.62) |
| Shortfall | £ 15,265.04 |

- e) The above entry at (d) above appears to me to comprise the following:

| | |
|---|--------------------|
| 1. Discrepancies Table | 3,512.26 |
| 2. AA 21 st February 2004 Loss A to Table 2a | 3,509.68 |
| 3. Brought forward from earlier periods | 8,243.10 |
| Total | £ 15,265.04 |

- f) It follows, therefore, that we need to ascertain how each of the above apparent discrepancies at paragraph (e) have arisen.
- g) In order to attempt to explain the apparent discrepancies I have prepared a detailed analysis of the daily balance printouts covering the period 26th February 2004 (time 17:30) to 4th March 2004 (time 07:46). I have used the Horizon Cash Account (Final) Report for the analysis of the movements on 4th March 2004. My conclusions are as follows:

1. Discrepancies Table - £3,512.26

This figure is not on the Suspense Account Summary dated 3rd March 2004 but appears to comprise part of the overall shortfall (see a and c above). This figure appears to include the "discrepancies in this account" summary on the "final balance" sheet dated 26th February 2004 but is recorded as £3,509.18 increasing by £3.08 (which I believe is a book of stamps) to £3,512.26 on 3rd March 2004. It is understood that the sum of £3,509.18 is a discrepancy from an earlier period. I have seen no evidence to reveal how this discrepancy from the earlier period has been arrived at.

2. AA 27th February 2004 Loss A to Table 2 a - £3,509.68

On the "final balance" sheet dated 26th February 2004 (time 17:30) there is an entry for "net discrepancies" of £3,509.18 which equates to the "discrepancies in this account" entry - see g 1 above.

On the "balance snapshot - office copy" sheet dated 27th February 2004 (time 17:31) there is an entry "OTHER PAYMENTS" loss a - 2a amounting to £3,509.68. This entry is then repeated daily.

I understand from my telephone conversation with you that this amount was input manually under instructions from Horizon technical support which probably explains the difference of 50p from the previously mentioned sum of £3,509.18.

If the sum of £3,509.68 is indeed the same entry as the sum of £3,509.18 recorded in g 1 above, and it seems highly likely that this is the case, there is a duplication in the apparent shortfall.

It follows that a rational explanation is needed for this apparent double counting in the Post Office records.

3. Brought forward from Earlier Period - £8,243.10

In addition to having no documentary evidence to support the discrepancy of £3,509.18, which appears to be duplicated by the further entry of £3,509.68, there is no documentation to support the discrepancies from earlier periods amounting to £8,243.10. It is therefore absolutely essential to obtain documentary evidence supporting the discrepancies that are claimed to have arisen in the earlier periods of £3,509.18 and £8,243.10.

h) Conclusion

From the limited available evidence of one weeks transactions referred to above my conclusion is that it is highly likely that the sum of £3,509.18 has been recorded twice increasing the apparent discrepancy during the week ended 3rd March 2004. On the assumption that I am correct in this conclusion, and there seems to be no rational explanation for this amount appearing twice other than my conclusion, then there has to be doubt as to whether or not the discrepancies brought forward from earlier periods of £3,509.18 and £8,243.10 can be substantiated. It is therefore absolutely imperative that the Post Office produce documentation to justify their claim for the earlier periods in order to produce evidence that the system is operating correctly. At the present time it would appear to me that during the week ended 4th March 2004 an incomplete instruction to input a manual entry of £3,509.18 (incorrectly entered as £3,509.68) has created a double counting of this amount in the calculations produced by the Post Office of shortfall. If this has happened for the one week where we have documentary evidence then the balance of probabilities would suggest that it is quite likely that this has also happened in earlier periods and has to cast doubt on the credibility of the claim made by the Post office which therefore needs to be examined in some further detail with the benefit of supporting documentation.

I hope that the above report is of some assistance.

Kind regards

Yours sincerely

GRO

Andrew W RICHARDSON

ortonwood Drive, BARNSELEY, S73 0TB

Postline: [GRO] External

Email: richard.p.benton [GRO]

----- Forwarded by Richard P. Benton [GRO] POSTOFFICE on 05/05/2004 13:44 -----

Welsh Julie
<Julie.Welsh [GRO]> To: "richard. p. benton [GRO]" (E-mail)"
[GRO] <richard.p.benton [GRO]>
cc:
05/05/2004 12:32 Subject:

Richard,

I have had a chat with Anne, she used the message store viewing to investigate this. If you want copies of extracts for the particular incorrect declarations please submit an ad hoc request requesting this information. Hope this helps, see below:

NO TRANSACTION DATE AND TIME WAS PROVIDED FOR THIS ACTION USING CURRENT DATE

AND TIME By Anne Chambers at 26-feb-2004 15:16:00 Category 94 - Advice and guidance given I have checked various things on the system. All the internal

reconciliation checks are ok. Cheques are being handled correctly (except for 10th Feb when the clerk forgot to cut off the report - but this didn't cause a discrepancy). Cash declarations look ok, they usually use drawer id 11. Occasionally they have used a different drawer id, this can lead to amounts apparently doubling on the cash flow report, and should be avoided. But again it will not cause a discrepancy. Checking the cash transactions on

the system against the declarations shows that they are not working particularly accurately (i.e. at the end of the day the cash they declare in

the drawer is tens, hundreds or thousands of pounds astray from what has been recorded on the system). It is possible that they are not accurately recording all transactions on the system. There is no evidence whatsoever of

any system problem. I've mentioned this outlet to Julie Welsh (Customer Services) who will try to get POL to follow it up, but in the meantime please tell the PM that we have investigated and the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared, and are not being caused by the software or hardware.

Julie Welsh
Service Delivery Manager HSH
Business Service Management, Post Office Account

FUJITSU SERVICES
Lovelace Road
Bracknell
Berks
RG12 8SN

Tel: [GRO] Internal: [GRO]

Bond Pearce

18 November 2005

Mr N Samuel
Post Office Limited
Second Floor
Calthorpe House
15-20 Phoenix Place
London
WCLX 0DG

Bond Pearce LLP
Ballard House
West Hoe Road
Plymouth PL1 3AE

Tel: **GRO**
Fax: **GRO**
DX: **GRO**

stephen.dilley **GRO**
Direct: **GRO**

Our ref:
SJD3/ABG1/348035.134
Your ref:

URGENT

Dear Mr Samuel

Post Office Limited -v- Mr L Castleton

I refer to our telephone conversation today.

As discussed, I enclose a letter for you to send to Fujitsu, together with its enclosures. The letter is currently just addressed to "Fujitsu Services". Please could you address the letter to the right person who needs to deal with it at Fujitsu and explain that their report is required urgently. I have stated that the Post Office will be responsible for their fees, so in any covering letter you send to them, I suggest that you set out any agreed rate.

When you have sent the letter, please could you let me know who at Fujitsu will deal with it and when we can expect their response.

I look forward to hearing from you as soon as possible.

Kind regards.

Yours sincerely

GRO

Stephen Dilley
Solicitor
for and on behalf of Bond Pearce LLP



Civil Procedure Rules

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See also [Part 35](#)

PRACTICE DIRECTION – EXPERTS AND ASSESSORS

THIS PRACTICE DIRECTION SUPPLEMENTS CPR PART 35

Contents of this Practice Direction

[EXPERT EVIDENCE – GENERAL REQUIREMENTS](#)

[FORM AND CONTENT OF EXPERT'S REPORTS](#)

[INFORMATION](#)

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Part 35 is intended to limit the use of oral expert evidence to that which is reasonably required. In addition, where possible, matters requiring expert evidence should be dealt with by a single expert. Permission of the court is always required either to call an expert or to put an expert's report in evidence. There is annexed to this Practice Direction a protocol for the instruction of experts to give evidence in civil claims. Experts and those instructing them are expected to have regard to the guidance contained in the protocol.

EXPERT EVIDENCE – GENERAL REQUIREMENTS

- 1.1 It is the duty of an expert to help the court on matters within his own expertise: rule 35.3(1). This duty is paramount and overrides any obligation to the person from whom the expert has received instructions or by whom he is paid: rule 35.3(2).

- 1.2 Expert evidence should be the independent product of the expert uninfluenced by the pressures of litigation.
- 1.3 An expert should assist the court by providing objective, unbiased opinion on matters within his expertise, and should not assume the role of an advocate.
- 1.4 An expert should consider all material facts, including those which might detract from his opinion.
- 1.5 An expert should make it clear:
 - (a) when a question or issue falls outside his expertise; and
 - (b) when he is not able to reach a definite opinion, for example because he has insufficient information.
- 1.6 If, after producing a report, an expert changes his view on any material matter, such change of view should be communicated to all the parties without delay, and when appropriate to the court.

FORM AND CONTENT OF EXPERT'S REPORTS

- 2.1 An expert's report should be addressed to the court and not to the party from whom the expert has received his instructions.
- 2.2 An expert's report must:
 - (1) give details of the expert's qualifications;
 - (2) give details of any literature or other material which the expert has relied on in making the report;
 - (3) contain a statement setting out the substance of all facts and instructions given to the expert which are material to the opinions expressed in the report or upon which those opinions are based;
 - (4) make clear which of the facts stated in the report are within the expert's own knowledge;
 - (5) say who carried out any examination, measurement, test or experiment which the expert has used for the report, give the qualifications of that person, and say whether or not the test or experiment has been carried out under the expert's supervision;
 - (6) where there is a range of opinion on the matters dealt with in the report –
 - (a) summarise the range of opinion, and
 - (b) give reasons for his own opinion;
 - (7) contain a summary of the conclusions reached;
 - (8) if the expert is not able to give his opinion without qualification, state the qualification; and
 - (9) contain a statement that the expert understands his duty to the court, and has complied and will continue to comply with that duty.

2.3 An expert's report must be verified by a statement of truth as well as containing the statements required in paragraph 2.2(8) and (9) above.

2.4 The form of the statement of truth is as follows:

"I confirm that insofar as the facts stated in my report are within my own knowledge I have made clear which they are and I believe them to be true, and that the opinions I have expressed represent my true and complete professional opinion."

2.5 Attention is drawn to rule 32.14 which sets out the consequences of verifying a document containing a false statement without an honest belief in its truth.

(For information about statements of truth see Part 22 and the practice direction which supplements it.)

INFORMATION

3 Under Rule 35.9 the court may direct a party with access to information which is not reasonably available to another party to serve on that other party a document which records the information. The document served must include sufficient details of all the facts, tests, experiments and assumptions which underlie any part of the information to enable the party on whom it is served to make, or to obtain, a proper interpretation of the information and an assessment of its significance.

INSTRUCTIONS

4 The instructions referred to in paragraph 2.2(3) will not be protected by privilege (see rule 35.10(4)). But cross-examination of the expert on the contents of his instructions will not be allowed unless the court permits it (or unless the party who gave the instructions consents to it). Before it gives permission the court must be satisfied that there are reasonable grounds to consider that the statement in the report of the substance of the instructions is inaccurate or incomplete. If the court is so satisfied, it will allow the cross-examination where it appears to be in the interests of justice to do so.

QUESTIONS TO EXPERTS

5.1 Questions asked for the purpose of clarifying the expert's report (see rule 35.6) should be put, in writing, to the expert not later than 28 days after receipt of the expert's report (see paragraphs 1.2 to 1.5 above as to verification).

5.2 Where a party sends a written question or questions direct to an expert, a copy of the questions should, at the same time, be sent to the other party or parties.

5.3 The party or parties instructing the expert must pay any fees charged by the expert for answering questions put under rule 35.6. This does not affect a decision of the court as to the party who is ultimately to bear the expert's costs.

SINGLE EXPERT

- 6 Where the court has directed that the evidence on a particular issue is to be given by one expert only (rule 35.7) but there are a number of disciplines relevant to that issue, a leading expert in the dominant discipline should be identified as the single expert. He should prepare the general part of the report and be responsible for annexing or incorporating the contents of any reports from experts in other disciplines.

ORDERS

- 6A Where an order requires an act to be done by an expert, or otherwise affects an expert, the party instructing that expert must serve a copy of the order on the expert instructed by him. In the case of a jointly instructed expert, the claimant must serve the order.

ASSESSORS

- 7.1 An assessor may be appointed to assist the court under rule 35.15. Not less than 21 days before making any such appointment, the court will notify each party in writing of the name of the proposed assessor, of the matter in respect of which the assistance of the assessor will be sought and of the qualifications of the assessor to give that assistance.
- 7.2 Where any person has been proposed for appointment as an assessor, objection to him, either personally or in respect of his qualification, may be taken by any party.
- 7.3 Any such objection must be made in writing and filed with the court within 7 days of receipt of the notification referred to in paragraph 6.1 and will be taken into account by the court in deciding whether or not to make the appointment (section 63(5) of the County Courts Act 1984).
- 7.4 Copies of any report prepared by the assessor will be sent to each of the parties but the assessor will not give oral evidence or be open to cross-examination or questioning.

ANNEX

Protocol for the Instruction of Experts to give Evidence in Civil Claims

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Keith K Baines
25/10/2005 17:16

To: Nicholas Samuel [GRO]
cc:
Subject: RE: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

----- Forwarded by Keith K Baines/e/POSTOFFICE on 25/10/2005 17:16 -----



Pinder Brian
<Brian.Pinder [GRO]>
[GRO]
25/10/2005 16:24

To: jennifer.robson [GRO]
cc: graham.c.ward [GRO], keith.k.baines [GRO], Thomas Penny <Penny.Thomas [GRO]>
Subject: RE: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

Thanks Jennifer, I will await an Ad-Hoc or ARQ with the respective details.

Regds Brian

-----Original Message-----

From: jennifer.robson [GRO]
[mailto:jennifer.robson [GRO]]
Sent: 25 October 2005 14:28
To: Pinder Brian
Cc: Pinder Brian; graham.c.ward [GRO]; keith.k.baines [GRO]; Thomas Penny
Subject: RE: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

I understand that the suspension was dealt with entirely by the then Retail Line ... Cath Oglesby.

The time in which the discrepancies started to appear I believe are between Jan 2004 wk40/04 - March 2004 wk 52/04.

Graham

Would this be the period of analysis we require do you think?

Regards

Jennifer

Debt Recovery Section manager

Post Office Ltd

Finance

1st Floor West, No 1 Future Walk, West Bars, CHESTERFIELD, S49 1PF

[GRO]

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this email from your system.

External Email: jennifer.robson [GRO]

Pinder Brian

<Brian.Pinder [GRO]>

To:

[GRO]

graham.c.ward [GRO] Pinder

Brian

<Brian.Pinder [GRO]>

25/10/2005 14:06

cc: Thomas Penny

<Penny.Thomas [GRO]>

keith.k.baines [redacted] **GRO**

jennifer.robson [redacted] **GRO**

Castleton -
Bridlington

Subject: RE: FW: Mr L
Marine Drive Post Office,

Graham

Whilst I am happy to do this and I understand there is some urgency I will await conformation of detailed requirements from Post Office either through an Ad - Hoc or ARQ.

Kind Regds

Brian

-----Original Message-----

From: graham.c.ward [redacted] **GRO**
[mailto:graham.c.ward@redacted] **GRO**

Sent: 25 October 2005 12:53

To: Pinder Brian

Cc: Thomas Penny; keith.k.baines [redacted] **GRO**

jennifer.robson [redacted] **GRO**

Subject: Re: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

Brian

This is not a case the Investigation Team is involved with, i.e there is no criminal prosecution being taken against the Postmaster.

I would suggest that the usual analysis of the HSH records covering whatever period is required would suffice, commenting on any specific calls which may detail 'problems' with the system by the Postmaster. If an ARQ is required to cover this then I can submit in due course. A witness statement will not be required, although a report outlining the action taken would be appreciated.

(Keith - Please advise whether you feel an ARQ is required / Jennifer - Please detail the period you'd like analysed)

Regards

Graham

Casework Manager
Post Office Ltd Investigation Team
PO BOX 1, CROYDON, CR9 1WN

[redacted] **GRO**
graham.c.ward [redacted] **GRO**

Pinder Brian

graham.c.ward [Redacted] GRO [Redacted] **GRO**
[Redacted] **GRO**
<Penny.Thomas [Redacted] **GRO**

To:
cc: Thomas Penny
Subject: FW: Mr L

Castleton
- Marine Drive Post Office, Bridlington
25/10/2005 10:20

Graham

I have just received this email from Carl Marx, and I believe you may need to be aware. I await any further instruction from you on this before proceeding further.

Kind Regds

Brian Pinder
Security Manager

-----Original Message-----

From: Marx Carl
Sent: 24 October 2005 13:12
To: Peach Mik; Forrest Hilary; Pinder Brian
Cc: Baldwin Dave
Subject: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

Please see below. My understanding is that this is responded to by Hilary/Brian.
Mik, Please investigate & comment on whether the required evidence can be produced.

Regards,
Carl

-----Original Message-----

From: dave.hulbert [Redacted] **GRO**
Sent: 24 October 2005 11:58
To: carl.marx [Redacted] **GRO**
Cc: gary.blackburn [Redacted] **GRO**; keith.k.baines [Redacted] **GRO**
jennifer.robson [Redacted] **GRO**
Subject: Mr L Castleton - Marine Drive Post Office, Bridlington

Carl,

could I ask you to look at the attached email string relating to an ongoing legal case for recovery of losses against a SPMR (as per title of email). Please have a look at the email from Stephen Dilley (solicitor working on behalf of POL) and his next steps section in particular, as this indicates what we need from Fujitsu i.e.: clear evidence that the losses in question weren't created by the system.

I've also copied below a response you provided some weeks ago relating to a different case (Smallbridge) about the system creating discrepancies and it would be worth having your view on whether this provides useful supporting evidence, particularly in countering the Experts' Reports (referred to in Stephen Dilley's email).

If you can't provide the evidence required, then please state this. A response by the end of this week is required as we need to make a decision on whether to proceed with this case or not.

Regards
Dave

Discrepancies in Stock, Cash or Transactions following equipment malfunction are virtually unknown and can not occur without a Corresponding lack of attention to process by the PM or Post Office staff:

1) If a transaction goes to completion, Riposte messages are written to the disk and replicated within 5 seconds to all of the neighbouring counters or to the Mirror Disk in the case of Single Counter Outlets. This transaction will then be visible to Post Office staff through the transaction log.

2) Should there be a failure which results in incomplete or damaged transaction information being written to the message store, then this will always result in events reported by the counter to the centre and/or visible dialogs which will request that the PM report the matter to Horizon Help Desk, the system generally takes a conservative view and will complete any partial transactions it finds.

3) The Horizon System User Guide has a lot of guidance on System Failure and the steps needed to recover from failure which mitigate against any losses by the PM by documenting procedures for the recovery of transactions.

4) Post Masters were required Pre S80 to produce weekly cash accounts at which time any major losses or gains would become immediately apparent; notwithstanding that the vast majority of Post offices will make a check at the end of each working day by producing daily office summaries and daily cash declarations (Mandatory). These will demonstrate whether there are major discrepancies, if there are discrepancies then it is expected that the Post Master should account for them then, or raise calls on NBSC to assist in resolving the problem.

5) The PM has a powerful tool in the transaction log, this will allow production of reports for the 35 previous days transactions.

In summary, the system is very robust. In our experience it very seldom loses transactions unless equipment is physically removed from site; if it does lose transactions Post Office procedures should quickly identify discrepancies and they should be followed through with help desk assistance within a week.

Reports of discrepancies dating back for more than 7 days are unlikely to provide a definitive answer.

Service Manager, Operations Control
Post Office Ltd
Operations

GRO

dave.hulbert [GRO]
----- Forwarded by Dave Hulbert [GRO] on 24/10/2005 11:25 -----

Jennifer Robson

Hulbert [GRO] 18/10/2005 14:11 To: Dave
Talbot [GRO] Carol King [GRO] cc: Mandy
Subject: Mr L Castleton -
Marine Drive Post Office, Bridlington

To note the emails below please on the case we consulted on recently .
I'm not sure if you now need ot advise Dave Smith of this counterclaim.
Carol and I will need to discuss the requirements placed upon us --stated
below.

Can you advise who would be the contact from your domain. Please note the
date for provision of info. Can you get back to me by early next week
please.

Many thanks
Jen
Debt Recovery Section manager
Post Office Ltd
Finance

1st Floor West , No 1 Future Walk, West Bars, CHESTERFIELD, S49 1PF

[GRO]

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External Email: jennifer.robson [GRO]
----- Forwarded by Jennifer Robson [GRO] on 18/10/2005 14:06 -----

Mandy Talbot

King [GRO] John Legg [GRO] Carol
18/10/2005 13:55 Nicky
Sherrott [GRO] Jennifer Robson [GRO]
cc: Clare
Wardle [GRO]
Subject: Mr L Castleton -
Marine Drive Post Office, Bridlington

This is a case where the adequacy of the evidence which POL has in support
of it case against Castleton is being challenged and his counterclaim
dwarfs
the size of the claim. The adequacy of the records obtained from the
Horizon
system is being challenged. As the business chose to give summary
termination instead of three months notice it is required to physically
prove the loss. If the Horizon evidence is not up to the job this will have
serious ramifications for the business.

Litigation Team Leader
Company Secretary's Office

Legal Services

Royal Mail, Impact House, 2 Edridge Road, CROYDON, CR9 1PU

GRO

External Email: mandy.talbot [GRO]
----- Forwarded by Mandy Talbot [GRO] on 18/10/2005 13:49 -----

"Stephen Dilley"

<Stephen.Dilley [GRO]>
To: <cheryl.woodward [GRO]>
cc: <mandy.talbot [GRO]>
Subject: Mr L Castleton

Marine Drive Post Office, Bridlington
18/10/2005 12:43

Dear Ms Woodward

I refer to Denise's email of 29 September.

Denise has now left the firm and I am dealing with this matter. I have reviewed the voluminous papers and thought it would be helpful to set out my view of the case at this point:

Case Summary

1. The Post Office's claim is for approximately £27,115.83 plus interest and costs in respect of net losses. Clearly, Mr Castleton is contractually responsible for any losses that the Post Office makes caused by negligence or error. However, the real issue is whether there has been any real shortfall, or whether this shortfall has really been generated by computer error. To win, the Post Office must show that there has been a real shortfall.
2. Was Mr Castleton dismissed summarily? If the answer is "yes", then if the Post Office cannot show that there was a real shortfall and loses its claim and has dismissed him without a good reason, then unless his contract say otherwise, it appears that you may well have to take Mr Castleton's wrongful termination claim seriously. He claims that he has suffered loss for up to £250,000 but those losses have not yet been particularised and I will need to analyse any evidence in support of them. Please could you supply me a full copy of his contract?
3. From the outset, Mr Castleton's case has consistently been that if you return to him all of the documents removed by Mrs Ogglesby on 10 May 2004, then he will be able to demonstrate that the losses are not real. He has repeatedly sought the return of the daily snapshots, because he believes that the only way to verify the accuracy of the weekly snapshots and weekly balances is to manually cross check them by reference to the daily snapshots.

Experts' Reports

I enclose copies of the following:-

- (a) A without prejudice letter dated 30 September from Mr Castleton's solicitors to Bond Pearce;
- (b) Bentley Jennison's Report dated 23 September and attachments; and
- (c) White & Hoggard's report dated 18 August.

Bentley Jennison state that the deficiencies have probably been brought forward despite the fact that they have been entered onto the suspense account entry. They suspect this is because the Horizon system, despite the suspense account entry, has failed to recognise the entry on the daily snapshot. They have drawn this conclusion through looking at the discrepancy of £3,509.18 on Thursday 26 February 2004. They then suggest that this double accounting could have continued over a number of weeks and that as such, Mr Castleton's Defence, "appears to hold potential merit based on the limited documentation" they have so far reviewed. White & Hoggard reach a similar conclusion in their report.

You may think the expert has got it wrong, but even if they have, they can only form their view on the information available and this is what the Court will have to do when the claim gets to trial.

Further disclosure

Bentley Jennison seek:

- (i) A full list of all the transactions carried out within the Post Office (he says that it is not good enough that management information is not available simply because the "month end has been closed down".
- (ii) The actual audit report prepared by Mrs Ogglesby. He says that the actual report would have been a manuscript writing document rather than a typed document.
- (iii) P and A Reports for weeks 39-52.
- (iv) Cash and stock counts for when Mr Castleton began trading and when he stopped being a Post Office Sub-Postmaster.
- (vi) The events log for weeks 39 to 52.
- (vii) Transaction log.

In your email to Denise of 26 September, you state that you are probably not going to be able to produce any further paperwork. However, the onus is on the Post Office to prove its case on the balance of probabilities. Given the nature of Mr Castleton's Defence, I suspect that the Court will draw adverse inferences against the Post Office if it is unable to produce relevant documents that could either help or hinder its case. The outcome could well be that instead of recovering £27,000, the Post Office ends up paying to Mr Castleton a significant sum for wrongful termination of his contract.

Next Steps

Do you have the documents that the expert and Mr Castleton have requested? My view is either that we should obtain the documents to prove the claim is true, or take an early view that it is unlikely to succeed and that in order to extricate yourselves from proceedings, you will probably have to make a payment to Mr Castleton. The Court has ordered that the claim be stayed

until 3 November 2005 to enable the parties to try to settle.

Once you have reviewed this email, please could you contact me to discuss strategy. It may be that an early without prejudice meeting or mediation asap would be useful. The worst move would be to run the claim to trial and then find you cannot produce the documents you need because at that stage, both parties will have incurred significant costs and the stakes will be that much higher.

I look forward to hearing from you as soon as possible.

Kind regards,

Stephen Dilley
Solicitor
Bond Pearce LLP

DPI: GRO
GRO

www.bondpearce.com

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Keith K Baines
26/10/2005 12:29

To: Nicholas Samuel [GRO]
cc:
Subject: RE: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

----- Forwarded by Keith K Baines/e/POSTOFFICE on 26/10/2005 12:29 -----



Jennifer Robson
26/10/2005 12:31

To: Pinder Brian <Brian.Pinder [GRO] [GRO]>
cc: graham.c.ward [GRO]
jennifer.robson [GRO] keith.k.baines [GRO]
Thomas Penny <Penny.Thomas [GRO]>
Subject: RE: FW: Mr L Castleton - Marine Drive Post Office, Bridlington [GRO]

I can now confirm that the analysis is required for January to March 04 please.
Many thanks
Jennifer
Debt Recovery Section manager
Post Office Ltd
Finance

1st Floor West, No 1 Future Walk, West Bars, CHESTERFIELD, S49 1PF
Postline: [GRO] STD Phone: [GRO] Mobex: [GRO] Mobile: [GRO]
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External Email: jennifer.robson [GRO]
Pinder Brian <Brian.Pinder [GRO]>



Pinder Brian
<Brian.Pinder [GRO] [GRO]>
[GRO]
25/10/2005 16:24

To: jennifer.robson [GRO]
cc: graham.c.ward [GRO] keith.k.baines [GRO]
Thomas Penny <Penny.Thomas [GRO]>
Subject: RE: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

Thanks Jennifer, I will await an Ad-Hoc or ARQ with the respective details.
Regds Brian

-----Original Message-----

From: jennifer.robson [GRO] [GRO]
Sent: 25 October 2005 14:28
To: Pinder Brian
Cc: Pinder Brian; graham.c.ward [GRO]
keith.k.baines [GRO] Thomas Penny
Subject: RE: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

I understand that the suspension was dealt with entirely by the then Retail Line ... Cath Oglesby.

The time in which the discrepancies started to appear I believe are between Jan 2004 wk40/04 - March 2004 wk 52/04.
Graham
Would this be the period of analysis we require do you think?
Regards
Jennifer
Debt Recovery Section manager
Post Office Ltd

Finance

1st Floor West , No 1 Future Walk, West Barrs, CHESTERFIELD, S49 1PF
Postline: [GRO], STD Phone: [GRO] Mobex: [GRO] Mobile:
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External Email: jennifer.robson [GRO]

Pinder Brian

<Brian.Pinder [GRO]

To:

[GRO]

graham.c.ward [GRO] Pinder

Brian

<Brian.Pinder [GRO]

25/10/2005 14:06

cc: Thomas Penny

<Penny.Thomas [GRO]

keith.k.baines [GRO]

jennifer.robson [GRO]

Subject: RE: FW: Mr L
Marine Drive Post Office,

Castleton -
Bridlington

Graham

Whilst I am happy to do this and I understand there is some urgency I will await conformation of detailed requirements from Post Office either through an Ad - Hoc or ARQ.

Kind Regds

Brian

-----Original Message-----
From: graham.c.ward [GRO]
[GRO]

Sent: 25 October 2005 12:53
To: Pinder Brian
Cc: Thomas Penny; keith.k.baines [GRO]
jennifer.robson [GRO]
Subject: Re: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

Brian

This is not a case the Investigation Team is involved with, i.e there is no criminal prosecution being taken against the Postmaster.

I would suggest that the usual analysis of the HSH records covering whatever period is required would suffice, commenting on any specific calls which may

detail 'problems' with the system by the Postmaster. If an ARQ is required to cover this then I can submit in due course. A witness statement will not be required, although a report outlining the action taken would be appreciated.

(Keith - Please advise whether you feel an ARQ is required / Jennifer - Please detail the period you'd like analysed)

Regards

Graham

Casework Manager
Post Office Ltd Investigation Team

PO BOX 1, CROYDON, CR9 1WN

Postline: N/A, STD Phone: [GRO] Fax: [GRO] VoiceMail:
N/A, Mobex: [GRO] Mobile: [GRO] External Email:
graham.c.ward [GRO]

Pinder Brian

graham.c.ward [GRO] <Brian.Pinder [GRO]>
<Penny.Thomas [GRO]>

To:
cc: Thomas Penny
Subject: FW: Mr L

Castleton
- Marine Drive Post Office, Bridlington
25/10/2005 10:20

Graham

I have just received this email from Carl Marx, and I believe you may need to be aware. I await any further instruction from you on this before proceeding further.

Kind Regds

Brian Pinder
Security Manager

-----Original Message-----

From: Marx Carl
Sent: 24 October 2005 13:12
To: Peach Mik; Forrest Hilary; Pinder Brian
Cc: Baldwin Dave
Subject: FW: Mr L Castleton - Marine Drive Post Office, Bridlington

Please see below. My understanding is that this is responded to by Hilary/Brian.
Mik, Please investigate & comment on whether the required evidence can be produced.

Regards,
Carl

-----Original Message-----

From: dave.hulbert [GRO]
Sent: 24 October 2005 11:58
To: carl.marx [GRO]
Cc: gary.blackburn [GRO]; keith.k.baines [GRO]
jennifer.robson [GRO]
Subject: Mr L Castleton - Marine Drive Post Office, Bridlington

Carl,

could I ask you to look at the attached email string relating to an ongoing legal case for recovery of losses against a SPMR (as per title of email). Please have a look at the email from Stephen Dilley (solicitor working on behalf of POL) and his next steps section in particular, as this indicates what we need from Fujitsu i.e.: clear evidence that the losses in question weren't created by the system.

I've also copied below a response you provided some weeks ago relating to a different case (Smallbridge) about the system creating discrepancies and it would be worth having your view on whether this provides useful supporting evidence, particularly in countering the Experts' Reports (referred to in Stephen Dilley's email).

If you can't provide the evidence required, then please state this. A response by the end of this week is required as we need to make a decision on whether to proceed with this case or not.

Regards
Dave

Discrepancies in Stock, Cash or Transactions following equipment malfunction are virtually unknown and can not occur without a corresponding lack of attention to process by the PM or Post Office staff:

1) If a transaction goes to completion, Riposte messages are written to the disk and replicated within 5 seconds to all of the neighbouring counters or to the Mirror Disk in the case of Single Counter Outlets. This transaction will then be visible to Post Office staff through the transaction log.

2) Should there be a failure which results in incomplete or damaged transaction information being written to the message store, then this will always result in events reported by the counter to the centre and/or visible dialogs which will request that the PM report the matter to Horizon Help Desk, the system generally takes a conservative view and will complete any partial transactions it finds.

3) The Horizon System User Guide has a lot of guidance on System Failure and the steps needed to recover from failure which mitigate against any losses by the PM by documenting procedures for the recovery of transactions.

4) Post Masters were required Pre S80 to produce weekly cash accounts at which time any major losses or gains would become immediately apparent; notwithstanding that the vast majority of Post offices will make a check at the end of each working day by producing daily office summaries and daily cash declarations (Mandatory). These will demonstrate whether there are major discrepancies, if there are discrepancies then it is expected that the Post Master should account for them then, or raise calls on NBSC to assist

in resolving the problem.

5) The PM has a powerful tool in the transaction log, this will allow production of reports for the 35 previous days transactions.

In summary, the system is very robust. In our experience it very seldom loses transactions unless equipment is physically removed from site; if it does lose transactions Post Office procedures should quickly identify discrepancies and they should be followed through with help desk assistance within a week.

Reports of discrepancies dating back for more than 7 days are unlikely to provide a definitive answer.

Service Manager, Operations Control
Post Office Ltd
Operations

[Redacted] GRO [Redacted] VoiceMail:
[Redacted] GRO [Redacted] Mobile: [Redacted] GRO [Redacted] External Email:
dave.hulbert [Redacted] GRO [Redacted]
----- Forwarded by Dave Hulbert/e/POSTOFFICE on 24/10/2005 11:25 -----

Jennifer Robson

Hulbert [Redacted] GRO [Redacted] To: Dave
18/10/2005 14:11 cc: Mandy
Talbot [Redacted] GRO [Redacted] Carol King [Redacted] GRO [Redacted]
Subject: Mr L Castleton -
Marine Drive Post Office, Bridlington

To note the emails below please on the case we consulted on recently .
I'm not sure if you now need ot advise Dave Smith of this counterclaim.
Carol and I will need to discuss the requirements placed upon us --stated
below.
Can you advise who would be the contact from your domain. Please note the
date for provision of info. Can you get back to me by early next week
please.
Many thanks
Jen
Debt Recovery Section manager
Post Office Ltd
Finance

1st Floor West , No 1 Future Walk, West Bars, CHESTERFIELD, S49 1PF

[Redacted] GRO [Redacted]

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External Email: jennifer.robson [Redacted] GRO [Redacted]
----- Forwarded by Jennifer Robson [Redacted] GRO [Redacted] on 18/10/2005 14:06 -----

Mandy Talbot

King [GRO] John Legg [GRO] To: Carol [GRO] Nicky [GRO]
18/10/2005 13:55
Sherrott [GRO], Jennifer Robson [GRO]
Wardle [GRO] cc: Clare
Subject: Mr L Castleton -
Marine Drive Post Office, Bridlington

This is a case where the adequacy of the evidence which POL has in support of it case against Castleton is being challenged and his counterclaim dwarfs the size of the claim. The adequacy of the records obtained from the Horizon system is being challenged. As the business chose to give summary termination instead of three months notice it is required to physically prove the loss. If the Horizon evidence is not up to the job this will have serious ramifications for the business.

Litigation Team Leader
Company Secretary's Office
Legal Services

Royal Mail, Impact House, 2 Edridge Road, CROYDON, CR9 1FJ

[GRO]

External Email: mandy.talbot [GRO]
----- Forwarded by Mandy Talbot/e/POSTOFFICE on 18/10/2005 13:49 -----

"Stephen Dilley"
<Stephen.Dilley [GRO]> To:
<cheryl.woodward [GRO]>
<mandy.talbot [GRO]> cc:
Subject: Mr L Castleton

Marine Drive Post Office, Bridlington
18/10/2005 12:43

Dear Ms Woodward

I refer to Denise's email of 29 September.

Denise has now left the firm and I am dealing with this matter. I have reviewed the voluminous papers and thought it would be helpful to set out my view of the case at this point:

Case Summary

1. The Post Office's claim is for approximately £27,115.83 plus interest and

costs in respect of net losses. Clearly, Mr Castleton is contractually responsible for any losses that the Post Office makes caused by negligence or error. However, the real issue is whether there has been any real shortfall, or whether this shortfall has really been generated by computer error. To win, the Post Office must show that there has been a real shortfall.

2. Was Mr Castleton dismissed summarily? If the answer is "yes", then if the Post Office cannot show that there was a real shortfall and loses its claim and has dismissed him without a good reason, then unless his contact say otherwise, it appears that you may well have to take Mr Castleton's wrongful termination claim seriously. He claims that he has suffered loss for up to £250,000 but those losses have not yet been particularised and I will need to analyse any evidence in support of them. Please could you supply me a full copy of his contract?

3. From the outset, Mr Castleton's case has consistently been that if you return to him all of the documents removed by Mrs Ogglesby on 10 May 2004, then he will be able to demonstrate that the losses are not real. He has repeatedly sought the return of the daily snapshots, because he believes that the only way to verify the accuracy of the weekly snapshots and weekly balances is to manually cross check them by reference to the daily snapshots.

Experts' Reports

I enclose copies of the following:-

- (a) A without prejudice letter dated 30 September from Mr Castleton's solicitors to Bond Pearce;
- (b) Bentley Jennison's Report dated 23 September and attachments; and
- (c) White & Hoggard's report dated 18 August.

Bentley Jennison state that the deficiencies have probably been brought forward despite the fact that they have been entered onto the suspense account entry. They suspect this is because the Horizon system, despite the suspense account entry, has failed to recognise the entry on the daily snapshot. They have drawn this conclusion through looking at the discrepancy of £3,509.18 on Thursday 26 February 2004. They then suggest that this double accounting could have continued over a number of weeks and that as such, Mr Castleton's Defence, "appears to hold potential merit based on the limited documentation" they have so far reviewed. White & Hoggard reach a similar conclusion in their report.

You may think the expert has got it wrong, but even if they have, they can only form their view on the information available and this is what the Court will have to do when the claim gets to trial.

Further disclosure

Bentley Jennison seek:

- (i) A full list of all the transactions carried out within the Post Office (he says that it is not good enough that management information is not available simply because the "month end has been closed down".
- (ii) The actual audit report prepared by Mrs Ogglesby. He says that the actual report would have been a manuscript writing document rather than a typed document.
- (iii) P and A Reports for weeks 39-52.

(iv) Cash and stock counts for when Mr Castleton began trading and when he stopped being a Post Office Sub-Postmaster.

(vi) The events log for weeks 39 to 52.

(vii) Transaction log.

In your email to Denise of 26 September, you state that you are probably not going to be able to produce any further paperwork. However, the onus is on the Post Office to prove its case on the balance of probabilities. Given the nature of Mr Castleton's Defence, I suspect that the Court will draw adverse inferences against the Post Office if it is unable to produce relevant documents that could either help or hinder its case. The outcome could well be that instead of recovering £27,000, the Post Office ends up paying to Mr Castleton a significant sum for wrongful termination of his contract.

Next Steps

Do you have the documents that the expert and Mr Castleton have requested? My view is either that we should obtain the documents to prove the claim is true, or take an early view that it is unlikely to succeed and that in order to extricate yourselves from proceedings, you will probably have to make a payment to Mr Castleton. The Court has ordered that the claim be stayed until 3 November 2005 to enable the parties to try to settle.

Once you have reviewed this email, please could you contact me to discuss strategy. It may be that an early without prejudice meeting or mediation asap would be useful. The worst move would be to run the claim to trial and then find you cannot produce the documents you need because at that stage, both parties will have incurred significant costs and the stakes will be that much higher.

I look forward to hearing from you as soon as possible.

Kind regards.

Stephen Dilley
Solicitor

Bond Pearce LLP

DDI: [REDACTED] GRO

Main office phone: [REDACTED] GRO

Fax: [REDACTED] GRO

www.bondpearce.com

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