



## Kay Linnell and Co

### Chartered Accountants

**STRICTLY PRIVATE AND CONFIDENTIAL**

Justice For Subpostmasters Alliance

**GRO**

16 July 2012

Dear Sirs

#### **ENGAGEMENT LETTER**

##### ***Introduction***

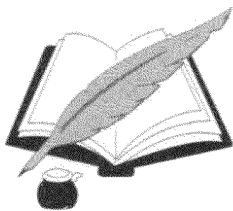
1. This engagement letter and the attached schedule of terms and conditions (the "Engagement Letter") set out the basis on which we are to provide professional services to you (the "Assignment").

##### ***Scope of Our Work***

2. We shall act as your appointed expert accountant to oversee the initial investigation of the Horizon system to be carried out by 2ndSight beginning in August 2012 to ensure proper impartiality of the results obtained. The initial investigation would be in two parts, the first being into current errors, the second to investigate the historic cases which have been raised by MP's and a number of cases you will recommend.
3. Kay Linnell is responsible for the conduct of this Assignment on behalf of Kay Linnell & Co and will draw upon the resources of the firm as is deemed necessary to complete the Assignment.

##### ***Use of Our Advice or Opinions***

4. Any opinions or advice given by us as part of this Assignment will be provided in writing and addressed to you. All reports, letters, information and advice we provide are prepared solely for the purpose of this assignment. In all other respects they are confidential and must not, without our prior written consent, be:



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- a) used, relied upon, reproduced or circulated for any other purpose, in whole or in part; or
- b) quoted, referred to or shown to any other party (other than to your professional advisers provided that they accept that we assume no responsibility or liability whatsoever to them in respect of the contents) unless so required by a Court order or a regulatory authority.

5. We do not accept any liability or responsibility to any third party resulting from a breach of the above obligations by you. In the event that we find ourselves subject to a claim from a third party arising due to your non compliance with the terms and conditions of this Assignment (other than as a result of our own negligence or willful default) any claim established against us by a third party, and the costs we necessarily incur in defending it, would form part of the expenses we would look to recover from you.
6. Our Services provided pursuant to this Engagement are not intended, either expressly or by implication, to confer any benefit on any third party and our liability to any third party is expressly disclaimed.

#### ***Our Responsibilities as Expert***

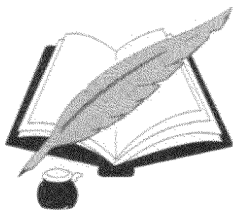
7. We shall:
- (a) use reasonable care and skill in the performance of the instructions received, act with objectivity and independence, preserve confidentiality and undertake only those instructions for which we consider we have adequate qualifications and experience;
  - (b) promptly notify you of any conflict of interest (actual or perceived) or other matter which could disqualify us as the expert in the case;
  - (c) not discharge ourselves from the appointment without good cause;
  - (d) make ourselves available for all hearings, meetings and other appointments for which we receive adequate written notice and attend such meetings in accordance with your instructions;
  - (e) not negotiate with an opposing party or adviser unless specifically instructed to do so;
  - (f) notify you if we become aware that our costs are likely to exceed our estimate of total fees for this assignment.

#### ***Your Responsibilities as the Instructing Party***

8. You will:
- (a) provide full instructions in writing, supported by legible copies of all relevant documents;
  - (b) ascertain our availability and then provide written notification, together with adequate notice, of every hearing, meeting or other appointment at which our attendance is required;
  - (c) deal promptly with every reasonable request by us for authority, information and/or further instructions;
  - (d) not alter, nor permit others to alter our report or use it for any purpose without our specific written permission.

#### ***Money Laundering Regulations***

9. Under the money laundering regulations we should be grateful if you would provide us with the



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documentation necessary to comply with the Anti Money Laundering Procedures. If you are represented by a firm of solicitors then a copy of the documents you provided to them, duly certified as a true copy, will be sufficient for this purpose.

#### ***Fees***

10. Our fee, excluding VAT and disbursements, will be £5,000. This fee estimate is subject to your instructions not being significantly amended after the date of this engagement letter and the extent of documents and other evidence we are required to review is not significantly amended after the date of this engagement letter.
11. Our fees are computed on the basis of time necessarily spent by principals and senior staff and on the level of skill and responsibility involved. The applicable hourly rates for this assignment are £150 for partners and £100 for managers. Our hourly rates are exclusive of VAT and may be reviewed if our work under this assignment extends for more than six months from the date of this letter.
12. VAT will be added to our total fees at the rate in force at the date our fees are rendered. Disbursements, being all reasonable expenses necessarily incurred in rendering our expert advice, will also be added to our total fees.
13. We shall present our invoice immediately following the completion of our work. You have asked that we address our invoice to the Post Office, however you agree to be jointly and severally liable for our fees.
14. Our invoices are all payable on strict 30-day terms and shall be paid in full, irrespective of the outcome of any subsequent taxation or assessment of costs by the Court. If the Assignment is terminated by you, for any reason, or we become aware that you as Claimant has no claim or no case to answer, we will submit an invoice on account of our time charges incurred to the date of notification of this event. In the event of a dispute over fees, such part as is not disputed shall remain payable on strict 30-day terms.
15. Further information in respect of our fees and invoicing arrangements are provided in the attached general terms of business.
16. Any additional work we may undertake for you will be the subject of a separate engagement letter and fee agreement.

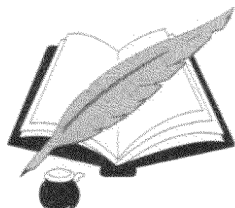
#### ***Agreement of Terms***

17. Our schedule of Terms and Conditions of Business is attached and forms part of this Engagement Letter. Should any of the terms included in the schedule of Terms and Conditions conflict with any of the other terms in this Engagement Letter, then the latter will prevail.
18. The Engagement Letter and the attached general terms and conditions of business shall take effect immediately upon your signing of this letter. Accordingly, please read carefully all the terms to ensure

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Brick Kiln Cottage, The Avenue, Herriard, nr Basingstoke, Hampshire, RG25 2PR

Telephone/Fax:  Mobile:  email:  DX:



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they reflect your requirements and that the terms are acceptable to you. If you require clarification of any matter, please inform us so that we may discuss the matter with you. Any variation of terms must be in writing, signed by both you and ourselves as evidence of the variation.

19. You expressly agree and understand that the terms in the Engagement Letter apply to all services provided by Kay Linnell & Co pursuant to this Assignment, whether such services were performed or provided before or after the signing of the Engagement Letter.
20. I would be grateful if you could confirm your agreement to the terms in this Engagement Letter and the attached schedule of terms and conditions by signing both this letter and the attached copy and then returning the attached copy to us.

Yours faithfully

Kay Linnell, FCA MBA FCI Arb FEWI CFE CEDR Mediator  
On behalf of Kay Linnell & Co Chartered Accountants

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### AGREEMENT

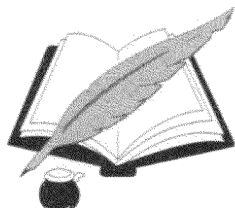
We hereby confirm that Kay Linnell & Co is appointed to carry out the Engagement in accordance with the terms and conditions set out in this Engagement Letter and the attached Schedule.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Authority to Sign)



## Kay Linnell and Co Chartered Accountants

### SCHEDULE OF TERMS AND CONDITIONS

#### *Kay Linnell & Co Chartered Accountants*

1. All references to 'we' or 'us' or 'our' in this engagement letter refer to Kay Linnell & Co Chartered Accountants.

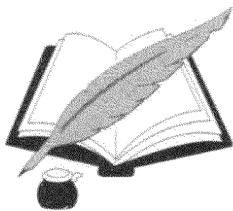
#### *Our Fees and Invoicing Arrangements*

2. Our duties and responsibilities shall be limited to the matters expressly referred to in the scope of work section of the Engagement Letter. Unless specifically agreed by us in writing, we are not responsible for providing legal or other specialist advice outside the scope of work of the Engagement or reviewing (or otherwise being responsible for) the services provided by any other professional advisers retained by you.
3. Cheques in settlement of our invoices should be made payable to "Kay Linnell & Co".
4. Any fee estimate agreed with you is necessarily based on the assumption that the information required for our work is made available in accordance with agreed timetables and that key individuals are available during the course of our work. If delays or other unanticipated problems occur which are beyond our control then this may result in additional fees.
5. We shall be entitled to charge interest at a rate of 2% above the base rate for the time being of Lloyds TSB Bank Plc on all invoices which remain unpaid 60 days after presentation.
6. If any fee remains unpaid for a period exceeding 90 days from the invoice date, we reserve the right to cease all work on your affairs until full settlement is received and has cleared our bank account. In the event of a dispute over fees, such part as is not disputed shall remain payable on presentation.

#### *Our Responsibilities*

7. We will provide the services described in the scope of work section of our engagement letter (or such variations as may subsequently be agreed in writing between us) with reasonable skill and care with the professional standard expected of us and in a timely manner.
8. The nature and content of any advice we provide will necessarily reflect the specific scope and limitations of our engagement, the amount and accuracy of information provided to us and the timescale within which the advice is required. If at your request, we provide our advice in an abbreviated format or timescale, you acknowledge that you will not receive all information you would have done had we provided a full written report or had more time in which to carry out the work.
9. If general advice is provided, the applicability of this will depend on the particular circumstances in which it is to be used by you (of which we might not be aware) and should be viewed accordingly. Our advice is provided for the purposes of this engagement and we disclaim any responsibility for the use of our advice for a different purpose or in a different context.
10. Unless otherwise agreed with you, we may correspond by means of the Internet or other electronic media. Because of the nature of the Internet, we cannot guarantee the security and integrity of electronic





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communications sent by or to you. Whilst it is our policy to check our e-mail correspondence with anti-virus software, we cannot guarantee that transactions will be free from infection.

#### ***Your Responsibilities***

11. In relation to our work for you it is your responsibility to provide us with complete, accurate and timely information where we have requested this and to carry out any other obligations ascribed to you or others under your control. We will not be responsible for any consequences which may arise from any delay or failure by you to do so and these may also result in additional fees.
12. You remain responsible for any commercial decisions that you make, and regard must be had to any restrictions on the scope of our work and to the large number of other factors, commercial and otherwise, of which you and your other advisers are, or should be, aware by means other than our work.

#### ***Confidentiality***

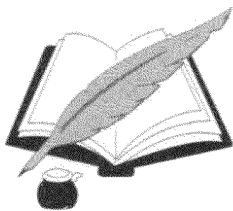
13. We confirm that where you provide confidential information at all times this information will be kept confidential, except for appropriate disclosures to our respective professional advisers and except as required by law or as provided for in regulatory, ethical or other professional requirements applicable to us. This restriction shall not apply to any information which comes into or is in the public domain otherwise than by breach of this agreement; or to comply with the Data Protection Act 1998, Proceeds of Crime Act 2002 and other similar legislation or regulations.
14. You agree that it will be sufficient compliance with our duty of confidentiality that we take such steps in good faith to preserve confidential information as we consider fit both during and after termination of this engagement.

#### ***Intellectual Property Rights***

15. We retain all copyright and other intellectual property rights in everything developed by us either before or during the course of an engagement including systems, methodologies, software, know-how and working papers. We also retain all copyright and other intellectual property rights in all reports, written advice or other materials provided by us to you although you will have a full right to distribute copies of these materials within its own organisation for the purposes of this engagement. If you wish to distribute copies of these materials to third parties, this will require our prior permission.

#### ***Proceeds of Crime Act 2002 as amended by The Serious Organised Crime and Police Act 2005 and The Money Laundering Regulations 2007***

16. In common with all accountancy and legal practices, we are required by the Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 to:
  - Maintain identification procedures for all new clients;
  - Maintain records of identification evidence;
  - Report, in accordance with the relevant legislation and regulations to the Serious Organised Crime Agency.



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#### ***Liability***

17. By engaging us you agree that any claim of any sort whatsoever arising out of or in connection with this engagement shall be brought only against us and that no claims in respect of this engagement will be brought personally against any persons involved in performance of this engagement, whether actual or deemed servants or agents of us or not, and you agree not to bring any proceedings of any sort whatsoever arising out of or in connection with this engagement in any jurisdiction against any partner or member of our staff and each partner or member of staff shall have the right to enforce this provision under the Contracts (Rights of Third Parties) Act 1999.
18. Any person who is not an express party to this agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this agreement or to consent to any purported amendment to the terms of this agreement, but this does not affect any right or remedy of a third party which exists or is available apart from pursuant to that Act.
19. Any claim for breach of contract, breach of duty or fault or negligence or otherwise whatsoever arising out of or in connection with this engagement shall be brought against us within six years of the act or omission alleged to have caused the loss in question.
20. Subject to these terms of business, neither we nor you shall be liable in any way for failure to perform, or delay in performing our respective obligations under this engagement if the failure or delay is due to causes outside the reasonable control of the party which has failed to perform

#### ***Professional Indemnity Insurance***

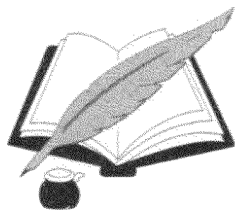
21. In accordance with the disclosure requirements of the Provision of Services Regulations 2009, our professional indemnity insurer is Aviva Insurance Limited, Pitheavlis, Perth PH2 0NH. The territorial coverage is worldwide excluding professional business carried out from an office in the United States of America or Canada and excludes any action for a claim brought in any court in the United States of America or Canada.

#### ***Early Termination***

22. If you terminate our appointment in circumstances where there has been no breach by us, we shall be entitled to render an invoice to you for the work carried out by us up to the date of termination, which shall be payable on presentation. Either party may terminate our services by notice in writing to the regular correspondence address of the other party marked for the appropriate partner or contact. In the event of termination, fees and expenses incurred to the date of termination are payable by you. This agreement may be varied by agreement in writing signed by both parties.

#### ***Governing Law and Jurisdiction***

23. This engagement shall be governed by and construed in accordance with the law of England and Wales. The Courts of England shall have jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and/or any matter, arising from it. Each party irrevocably waives any right it may have to object to an action being brought in the Courts of England, to claim that the action has been brought in an inconvenient form, or to claim that those Courts do not have jurisdiction.



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#### ***Conflicts of Interest***

24. During this Assignment, we reserve the right to act for other clients whose interests are or may be adverse to yours. We confirm that we will notify you immediately should we become aware of any conflict of interest involving us and affecting you. We are not currently aware of any matters which, in our opinion, give rise to any conflicts of interest in relation to this Assignment.

#### ***Handling of Complaints***

25. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you should take the issue up with Kay Linnell. We will undertake to look into any complaint carefully and promptly and fully explain the position to you. If you have received a less than satisfactory service we undertake to do everything reasonable to put matters right but if you are still not satisfied you may of course take up matters with the Institute of Chartered Accountants in England and Wales.

#### ***Rights of Transfer***

26. Neither we nor you may transfer our respective rights or obligations under this agreement to any other party without the prior written consent of the other party, except that we may transfer all our rights and obligations under this agreement to a UK-registered limited liability partnership owned or controlled by our partners to which all or substantially all of our business is transferred.

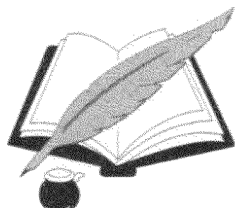
#### ***Our Staff***

27. You undertake that during the course of this Assignment and for a period of six months following its conclusion you will not:
- a) solicit or entice away (or assist anyone else in soliciting or enticing away) any member of our professional staff with whom you have had dealings in connection with this engagement during the 12 months immediately prior to its approach; or
  - b) employ any such person or engage them in any way to provide services to you.
28. This understanding shall not apply in respect of any member of staff who without having been previously approached directly or indirectly by you responds to an advertisement placed by you or on your behalf.
29. In the event of a breach of the terms of this undertaking which leads to the departure of an individual, you will pay to us, on demand, a sum equivalent to 30% of the total annual remuneration package paid by us to the individual prior to his or her departure. You acknowledge that this provision is a fair and reasonable term intended to be a genuine assessment of the likely loss to us.

#### ***File Destruction***

30. We reserve the right to destroy correspondence and other papers stored that are more than seven years old, other than documents we consider to be of continuing significance to you or where you have issued alternative instructions.





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#### **Quality Control**

31. An independent qualified external reviewer who will be subject to a confidentiality agreement may review our client files. This is to comply with both external regulations and our own quality control procedures.

#### **Publicity**

32. We reserve the right to describe our involvement on this assignment, on an anonymous basis, for marketing and publicity purposes. This does not affect our duty of confidentiality to you.

#### **Data Protection Act 1988**

33. For accounting, taxation and forensic accounting services where the firm is acting as Data Controller: To enable us to discharge the services agreed under our engagement, and for other related purposes including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance, we may obtain, use, process and disclose personal data about you / your business / company / partnership / its officers and employees. We confirm when processing data on your behalf we will comply with the relevant provisions of the Data Protection Act 1998.

#### **Severance of Terms**

34. In the event that any of the terms of business is held to be invalid, the remainder of the terms will continue in full force and effect.