

Message

From: Diane Blanchard [GRO]
on behalf of Diane Blanchard [GRO]
Sent: 23/07/2018 17:24:22
To: cjohnson [GRO]
CC: Peter McIver [GRO]; Sana M Gangat [GRO]; Alisdair Cameron [GRO]; Michael Passmore [GRO]; Jane MacLeod [GRO]; Mark Underwood1 [GRO]
Subject: FW: POL Contingent Liability Issue and Outstanding Items CONFIDENTIAL AND SUBJECT TO LEGAL PRIVILEGE

Hi Claire

Further to your email request below, Andrew is not available on Wednesday due to another diary commitment - would you have availability on Thursday at 09.00hrs instead?

I look forward to hearing back from you.

Kind regards
Di

**Diane Blanchard**

Executive Assistant to Tim Parker, Chairman and Post Office Board and
Executive Assistant to Jane MacLeod, Group Director of Legal, Risk & Governance

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[GRO]

From: Claire Johnson [GRO]
Sent: Monday, July 23, 2018 10:59:41 AM
To: Jane MacLeod; Peter McIver; Sana M Gangat
Cc: Alisdair Cameron; Michael Passmore
Subject: RE: POL Contingent Liability Issue and Outstanding Items CONFIDENTIAL AND SUBJECT TO LEGAL PRIVILEGE

Dear Jane

Thanks for your email below with accompanying attachments. Would it be possible to arrange a meeting with Andrew Parsons from Womble Bond Dickinson for this Wednesday morning (via a phone call would be fine given we have met in person already)? From your side it would be good if you or the senior members of your legal team that have been dealing with the matter (I can't recall the name of those individuals) could join the meeting too.

Kind regards

Claire



Claire Johnson | Associate Partner | Real Estate, Hospitality and Construction

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GRO | cjohnson **GRO**

Website: <http://www.ey.com>

EA: Caroline Levick **GRO** | clevick **GRO**

From: Jane MacLeod **GRO**

Sent: Friday, July 20, 2018 3:49 PM

To: Peter McIver **GRO**; Claire Johnson **GRO**; Sana M Gangat **GRO**

Cc: Alisdair Cameron **GRO**; Michael Passmore **GRO**

Subject: RE: POL Contingent Liability Issue and Outstanding Items CONFIDENTIAL AND SUBJECT TO LEGAL PRIVILEGE

Peter,

Further to your email below, we have prepared and now attach two papers to address the Panel questions:

- Accounting Treatment paper (Group Litigation Claim IAS37), and
- Response to Questions (Paper for EY re ARA Litigation disclosure Part 2).

Please note that as the subject matter of the second paper relates to matters covered by current litigation, it is highly confidential and includes matters that attract legal privilege. The paper is provided at EY's request and we therefore expect EY to accord the paper and its contents the same level of protection, security and restrictions on dissemination as EY would provide to its own confidential and privileged materials.

I note that you have also requested further meetings with Womble Bond Dickinson and POL's internal legal team to assess whether the proposed claim meets the requirements for treatment as a contingent liability; that is, is it is probable or possible? Please let us know who needs to be involved in that meeting.

Kind regards,

Jane



Jane MacLeod

Group Director of Legal, Risk & Governance
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GRO

From: Peter McIver **GRO**

Sent: 12 July 2018 12:35

To: Alisdair Cameron **GRO**; Jane MacLeod **GRO**; Michael Passmore **GRO**

Cc: Claire Johnson **GRO**; Sana M Gangat **GRO**

Subject: POL Contingent Liability Issue and Outstanding Items

Dear All,

Further to our discussion today, we held our internal Panel last night to discuss the above and the together we discussed the following:

- We appreciate that no formal Particulars of Claim have been received to date
- We understand that POL are of the position that they are unable to determine the outcome of the proceedings and whether that would be material or adverse as yet
- We have received from POL's lawyers a letter recently where they confirmed that they believe that POL's position that it is currently unable to estimate the amount of the ultimate liabilities which might be incurred is reasonable
- We are aware the Freeths estimate in the Skeleton argument was not a formal estimate of damages and was subject to further analysis and information

We and the panel therefore focussed on obtaining more of a deeper understanding as to the background of what caused the claim to arise, the history of it, and want to understand, given POL is defending the matter vigorously, what is POL's view of the likely population of Postmasters affected and the possible quantum. We would also like to understand can the population then be stratified into various categories of ones which may be valid, those likely to be defensible and those that may require more investigation etc.

The reason this is asked for is to determine is the ultimate claim likely to be material and therefore fundamental to the financial statements. This will then guide the panel further in determining the disclosure and whether we include an emphasis of matter within our audit report.

As we mentioned in the last ARC we said we may require further information and discussion.

Therefore the questions we would like responded to in a formal paper for the panel to consider are:

1. What analysis has POL undertaken to date to determine the population of Postmasters affected, both in number of Postmasters and quantum/value of the claim?
2. Do POL have a record of the number of postmasters terminated over time that may be possibly part of this claim (and possible future claims) or a list of all Postmasters who were terminated for breaching their contracts?
3. Do POL have an idea of the value or quantum of money that was owed by these Postmasters when a termination was sought?
4. Do POL have a record of how much money if any has been collected or has not been collected from these postmasters as part of the terminations above?
5. Are there any receivables or payables carried in POL's books for these amounts?
6. Has any amount been paid out by POL in the event of differences from Horizon (or Fujitsu) to postmasters who were terminated as per above? Do POL have a record of such amounts/value involved?
7. Prior to the case, we understand there was mediation and possibly some settlements made – can we have the full number and value of those please?
8. You have mentioned some cases may be time barred now – do we have an analysis of those or others?
9. Similarly some instances where there was legal proceedings against the individuals an analysis of them please?
10. How many terminations of postmasters were subsequently replaced by alternative postmasters?
11. What were the key contractual terms under which these terminations occurred and the general reasons for termination?
12. What is the level of analysis undertaken by in house legal/ external lawyers on the terms of the contracts i.e. are they relevant/water tight and the resulting strength of POLs position?
13. Have any experts been used by POL to report on the functioning of Horizon and Fujitsu to date? What was the outcome of that?
14. What is the historic trend in terms of the accuracy of the reporting from Horizon? Any assessment made to date on its robustness?

We and the panel would also like POL to produce an Accounting Treatment Paper as to why this is a Contingent Liability under IAS37 (and no provision required) and as a consequence what exact type of contingent liability this is and cover

the disclosure required per IAS37. This is due to the fact that the litigation is now advancing this year, with the two test cases coming up. At present the paper from Legal only covers disclosure recommendations.

We and the panel also recommended a further private meeting or call with Womble Bond Dickinson, your external lawyers, along with POL in house legal/finance team to discuss the level of analysis/strength of the case to form a view if this is a probable or possible claim? This should occur after the questions above have been responded to formally.

Once we have done this we can provide these responses and papers to a further panel.

Thank you for your assistance.

Lastly, as mentioned at the end of the call, we will do up an outstanding list split into a) what matters are required from yourselves and b) matters where we have received information from you and are still finalising our work/testing.

Kind regards
Peter



Peter McIver | Partner | London Audit Leader | Assurance

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