
From: Alisdair Cameron [GRO]
Sent: Mon 16/07/2018 8:32:25 AM (UTC)
To: Jane MacLeod [GRO]
Subject: Re: POL Contingent Liability Issue and Outstanding Items

Great, I suggest we cover unanswered questions by answering them in an appendix - we don't know this information etc. Thanks Al

Alisdair Cameron
Chief Finance & Operating Officer

20 Finsbury Street
London
EC2Y 9AQ
[GRO]

From: Jane MacLeod
Sent: Sunday, July 15, 2018 7:08:44 PM
To: Alisdair Cameron
Cc: Michael Passmore; Briony Tristram; Mark Underwood1; Rodric Williams
Subject: Re: POL Contingent Liability Issue and Outstanding Items

Thanks Al, I think this approach to the response is likely to be more manageable than what EY have actually asked for. I've separately asked Mark & Rod to identify materials that already exist that we can use to source the necessary facts etc, and this is underway.

I'm back in the U.K. tomorrow night and will flesh out the draft response for discussion on Tuesday.

Jane

Jane MacLeod
Group Director Legal, Risk & Governance
Post Office
[GRO]

From: Alisdair Cameron
Sent: Friday, July 13, 2018 2:47:23 PM
To: Jane MacLeod
Cc: Michael Passmore; Briony Tristram
Subject: FW: POL Contingent Liability Issue and Outstanding Items

Jane, we agreed two papers and Briony has drafted the easier one!

My suggested approach to this would be for WBD to right a short, factual paper broadly as follows:

1. Some postmasters originally alleged this around this time period....
2. We set up a mediation scheme etc. This many postmasters went through it, this many were settled for this much, this many weren't, this many had criminal convictions. The claims totalled X but included school fees and so on.
3. This has been explained in public via select committee, Panorama etc

4. 5xx postmasters are in the current claim of which we believe XXX went into the mediation, Y have settled with us and z are time barred
5. Our view at the end of the mediation is that we don't owe anyone any money. We believe that Horizon works (because) and that our contract stands up (because). On the fundamental claim that they lost money for reasons not their fault we can find no evidence.
6. That view could be changed by the next two trials – if we owe a different contractual duty or if Horizon is found to be at fault that situation would change.
7. The right time to estimate which claimants could have suffered a loss as a result would be after the two trials and not before.
8. In a typical year, we find missing cash in the Network – we look for it. It may have been stolen by a third party, stolen by the postmaster or lost or borrowed. Last year £xm was identified as missing, £xm paid back, £xm being paid back and everything else was 100% provided for. When we find a significant loss we terminate the relationship.

Thoughts?

Thanks Al



Alisdair Cameron
Chief Finance & Operating Officer

20 Finsbury Street
London
EC2Y 9AQ

GRO

From: Peter McIver [mailto:]
Sent: 12 July 2018 12:35
To: Alisdair Cameron < >; Jane MacLeod < >;
Michael Passmore < >
Cc: Claire Johnson < >; Sana M Gangat < >
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

Ernst & Young LLP
1 More London Place, London SE1 2AF, United Kingdom
Cell: **GRO** | Office: **GRO**
GRO
Website: <http://www.ey.com>
Helen Webster | Phone: **GRO**

EY has supported the arts since 1994. We are proud of The EY Tate Arts Partnership and our support of a number of other arts institutions around the UK. For 2017 — 2018, we are sponsoring: A Perfect Chemistry: Photographs by Hill and Adamson at the [Scottish National Portrait Gallery](#) and The EY Exhibition: Impressionists in London at [Tate Britain](#).

This e-mail and any attachment are confidential and contain proprietary information, some or all of which may be legally privileged. It is intended solely for the use of the individual or entity to which it is addressed. If you are not the intended recipient, please notify the author immediately by telephone or by replying to this e-mail, and then delete all copies of the e-mail on your system. If you are not the intended recipient, you must not use, disclose, distribute, copy, print or rely on this e-mail.

Whilst we have taken reasonable precautions to ensure that this e-mail and any attachment has been checked for viruses, we cannot guarantee that they are virus free and we cannot accept liability for any damage sustained as a result of software viruses. We would advise that you carry out your own virus checks, especially before opening an attachment.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London, SE1 2AF, the firm's principal place of business and its registered office. Ernst & Young LLP is a multi-disciplinary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority and other regulators. Further details can be found at <http://www.ey.com/UK/en/Home/Legal>