

3 November 2006

PRIVATE AND CONFIDENTIAL

Greg Booth
Newby Post Office
401 Scalby Road
Scarborough
YA12 6TQ

URGENT

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

Tel: **GRO**
Fax: **GRO**
DX 8251 Plymouth

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

Our ref:
SJD3/NJM1/348035.134
Your ref:

Dear Greg

Post Office Ltd v Lee Castleton

I refer to our recent telephone conversation.

In view of our conversation, we asked Fujitsu to review the occurrence you reported that had transpired. Fujitsu have confirmed that:

1. It is part of the design of the Horizon system that a transaction is not written on to the system for accounting purposes until the session is settled, at which point you have a set of transactions including settlement which nets zero.
2. There is a recovery mechanism for banking and APS transactions, but for other types of transactions, the Horizon User Guide explains that if the system crashes during a transaction, the user has to re-enter the details.
3. Fujitsu have confirmed that the gateway at Newby was rebooted at about 1.25pm on Wednesday 25 October, possibly because the system froze when printing the receipts for a postage label and that the label itself had been successfully printed at 1.17pm (value £1.27).
4. Accordingly, in your case, the postage label would have been on the stack, but the session was never settled. This is not the case of the system "losing" a transaction that had been recorded. Instead, as the session had not been settled when the computer froze, it was not recorded in the first place.

As this is a small point, we are considering whether a supplemental statement is needed at all. However, we have to have served all our witness statements on Mr Castleton's solicitors by 10 November so given the tight timescale, I enclose a supplemental draft witness statement for your approval just in case we decide it is required. At the same time, I am sending this to Counsel for comment.

I will discuss this issue with Counsel on Monday and then give you a call to confirm whether the statement is required and also to see if you have any amendments that you would like to make.

Kind regards.

Yours sincerely

Stephen Dilley

for and on behalf of Bond Pearce LLP