

1 November 2006  
By Fax: GRO & DX

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Our ref:  
SJD3/KAK2/348035.134  
Your ref:  
MDT.113969

Dear Sirs

**Without Prejudice Save as to Costs  
Post Office Limited v Mr L Castleton**

We refer to our open faxes dated 31 October.

1. On 7 November 2005, we made an offer of mediation. On 8 November 2005, you stated that Mr Castleton was only willing to contemplate mediation in certain conditions. On 17 November 2005, we wrote to you and urged you to reconsider your position.
2. On 5 January 2006, the Post Office made a CPR Part 36 offer. You rejected that offer on 17 January 2006.
3. On 27 February 2006, you stated that even though disclosure had not taken place, Mr Castleton was upon reflection willing to mediate before disclosure. Accordingly, you consented to directions which provided for a stay for ADR and the Court sealed the Directions Order on 9 March 2006.
4. During the stay period, we went to considerable effort to find a capable and available mediator and a venue and wrote to you several times. On 20 April, as the stay drew to an end, you completely changed your position and stated that you no longer wished to mediate before disclosure.
5. On 25 April 2006, we urged you to reconsider your position, not least because we had already at that stage given you a vast amount of disclosure which it was clear that you had not used. We also stated also stated that you could not prejudge the outcome of any mediation because the true bottom line is never known until the mediation is concluded. We reasoned that the costs involved pursuing the matter to trial, given the number of witnesses and experts, would be significant and would certainly significantly exceed the amount in dispute and that the longer you waited to mediate, the more costs both parties would incur. You did not respond to our letter, nor did you raise in correspondence the question of mediation once disclosure had in fact taken place.
6. Outside the CMC hearing on 23 October 2006, your Counsel stated that he had not been aware of our rejected CPR part 36 offer dated 5 January 2006. Accordingly, we sent you a further copy for ease of reference on 24 October so that you could forward it to him for information purposes. You also stated that you had instructed your accountancy expert at the end of July 2006 to focus on just 1 week's worth of trading (week 42). We were surprised that you had asked him to look at just that week, given that it was a week in which a loss of just 60p had occurred. In any event, you stated that at the time, you had no idea (not even a preliminary indication) of what your expert was going to say. Given the length of time your expert has had the papers, we are surprised that is your position. We would have thought that if your expert had significant concerns over the accounts, he would have raised them by now, particularly as you previously indicated that you wanted to serve week 42's evidence on a without prejudice basis.

As the trial is approaching, we have agreed a brief fee with our Counsel. We considered that it might be constructive to inform you of the details: It is £45,000 plus VAT (excluding daily refreshers). The brief fee is staged, so that the liability to pay Counsel's brief fee will fall on the following dates:

- (a) 13 November 2006 £15,000;

- (b) 20 November 2006 £10,000;
- (c) 24 November 2006 £10,000; and
- (d) 29 November 2006 £10,000.

As you can see, the costs are increasing as we approach trial. We believe that the Post Office's case is strong. You have blown hot and cold about ADR but you ultimately rebuffed our various attempts. We have made a CPR Part 36 offer which was rejected. In the circumstances, if Mr Castleton does have a settlement offer to make, we politely suggest that he does as soon as possible, because the closer this case moves towards trial, the more significant both party's costs will be.

Kindly acknowledge receipt.

Yours faithfully

Bond Pearce LLP