



Strictly Confidential
14 August 2009

Your Ref: AH/POL/MY/024:

Mr. A Hall
Fujitsu Services



Dear Andrew,

HNG-X Re-Baseline

Thank you for your letter on the above subject received via e-mail on 7th August 2009.

I am pleased to hear that Fujitsu remain committed to providing Post Office with compensation in respect of all costs and loss of benefits incurred by Post Office as a result of the need to further re-schedule the HNG-X Programme and this remains a condition precedent to Post Office agreeing to that re-scheduling.

I am surprised you consider some of the figures provided to you by Mark Burley to be high given the actions he and his team have taken and propose to continue to take as a matter of good commercial foresight to contain these where possible. I am also unclear why you consider December should be treated as anything but a full month given the impact of this re-schedule takes us right through December. The annex attached to this letter sets out the costs and loss of benefits of Post Office that would arise as a result of any re-scheduling. While I am prepared for Mark to work with your team to provide further detail where necessary to finalise the precise figures in the annex and agree the liquidated damages I mention below, along with answers to your other queries regarding the Joint Test team and existing committed costs, Post Office needs a clear indication now that Fujitsu Services agrees in principle:

- that these costs and losses are an unavoidable consequence of the need to further re-schedule the HNG-X Programme;
- that payment of these sums will be by means of a deduction from our operating charges in the financial year ending March 2010; and to liquidated damages, which would be payable as a deduction from our operating charges early in the financial year ending March 2011 at dates to be agreed, in the event that further re-scheduling of the HNG-X Programme becomes necessary after the revised delivery date of April 2010.

We need to reach agreement on these matters soon and in any event by the end of September 2009. In addition, as you suggest, we need to keep track on progress as I am



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concerned that 2 months after your team presented the new plan to me, we have no proposal from you on how much we are compensated and how this is actually provided. At that meeting you were informed of the high level Post Office costs. Please contact my secretary to arrange regular meetings over the next six weeks, to enable us both to keep track of progress going forward. I have asked Mark to set up a meeting with your team once you have had an opportunity to review our attached annex so that you can firm up on Fujitsu Services' commitment to payment of Post Office's costs and loss of benefits.

Yours sincerely,
For and on behalf of
Post Office Ltd

Mike Young
Operations Director
Post Office Ltd

enc: Annex of POL costs and loss of benefits

cc: D. Smith – Post Office Ltd
M. Burley – Post Office Ltd

P. Rowley - Fujitsu
D. Roberts - Fujitsu
R. Gilbert - Fujitsu