

Message

From: Alisdair Cameron [GRO]
on behalf of Alisdair Cameron [GRO]
Sent: 02/06/2019 19:09:47
To: Tim Parker [GRO]; Ben Foat [GRO]; Watts, Alan
Subject: FW: Letter from Kelly Tolhurst MP RE POL (May 2019) - Legally Privileged
Attachments: Document1.docx

Tim, as discussed. The attached draft is mostly me trying to get across how seriously we are taking it and that we are changing the approach in the face of the facts, without opening up too much in case the legal privilege fails.

You will see amendments in red and highlights in yellow where Alan is recommending changes or would prefer not to make the statements. If it was me I would be OK with the red changes but would prefer to keep the highlighted sections, as without them it looks like we aren't really thinking about it and we would trigger a loss of investor confidence.

However, this is your letter....

Thanks and happy to discuss Al



Al Cameron
Interim Chief Executive

20 Finsbury Street
London
EC2Y 9AQ

[GRO]

From: Watts, Alan [GRO]
Sent: 02 June 2019 19:27
To: Alisdair Cameron [GRO]; Ben Foat [GRO]
Subject: RE: Letter from Kelly Tolhurst MP RE POL (May 2019) - Legally Privileged

Al

Please see attached with some suggested changes. I have also highlighted (in yellow) those areas that I think are the most sensitive particularly if the letter were to gain wider circulation notwithstanding its privileged nature.

Regards

Alan

From: Alisdair Cameron [GRO]
Sent: 02 June 2019 17:43
To: Ben Foat; Watts, Alan

Subject: FW: Letter from Kelly Tolhurst MP RE POL (May 2019) - Legally Privileged
Importance: High

I have amended it to be something more helpful with the Minister. Before I share with Tim, what are your thoughts. I have promised it to him tonight. To maintain privilege we would need to copy in the BEIS lawyer.

Dear Minister

Thank you for your letter dated 29 May 2019 regarding the current status and areas of risk around the ongoing Post Office Group Litigation. Some of your questions will be better answered in person, given the legal sensitivities. We have a meeting in the diary on 25th June but I would be happy to meet sooner: we completely share your perception of the risks to Post Office. We are of course already working on mitigation strategies and no avenue is ruled out. Nonetheless, we have limited options and no likely outcomes are attractive.

Answering your questions in turn:

1. Current status of the litigation, particularly the Horizon trial and the appeal of the Common Issues trial

With respect to the current status of the litigation, the Managing Judge split the litigation into a series of trials. The first trial, the "Common Issues Trial", took place in November 2018 and judgment was handed down in March. We are seeking to appeal this judgment. Having been denied permission by the trial Judge, we must make an application for permission to appeal to the Court of Appeal by 13 June 2019. The Court of Appeal will then decide whether to grant permission. If it does, the appeal is likely to place in the next 12 months. If it refuses, the Common Issues judgment will stand.

The second trial, the "Horizon Trial", concerns the function and reliability of the electronic accounting system that Postmasters are required to use in the operation of their branches and the processes that operate around it ("Horizon"). At present the Horizon Trial is part-heard – evidence of fact has concluded, with expert evidence due to be heard from 4 June. It is anticipated that the Horizon Trial will conclude by 2 July 2019, with written judgment to follow thereafter. The written judgment is likely to be handed down some months after the hearings finish. However, we will be prepared for a judgement, and a difficult judgement, in July.

The third trial, the "Further Issues Trial", principally concerns limitation and breach issues in two lead claims. It is listed to be heard in November 2019 but it is not clear whether that timetable will be maintained. A fourth trial for final findings and liabilities is expected in 2020.

2. What changes to your litigation strategy have been made following the appointment of the new legal team

The Judge's findings to date have been consistently and highly critical, creating heightened legal risk and brand damage. We decided to introduce a new team because our existing advisors did not believe that our strategy and approach should change in the light of this criticism. When the new legal team was being introduced, we were pursuing a joint appeal on both the common issues and the recusal of the Judge. In discussion with its new advisors, the Board separated the two appeals so that the common issues appeal would not be affected by the more controversial appeal on recusal. The final common issues appeal that will be presented shortly will now not make any attempt to being in any of the recusal evidence but instead will present a narrower focus on the most material legal issues affecting our contracts with Postmasters. We are planning a different tone as well as scope and have asked a different QC to lead the appeal. We have also reached out to the claimant's QC to see if a settlement discussion would be available.

3. Scenarios as to how the litigation will play out and how it could be settled, including what settlement windows could exist during the trial timetable

We can continue to work through the trials as scheduled. Our previous advisors considered this as effective strategy because there are a number of weaknesses in the claimants' case. For example, some claimants took action after more than 6 years had elapsed and others have already signed "full and final settlements" with us. Others are claiming amounts that would seem disproportionate to the losses incurred.

However, it was always recognised that a settlement might be preferable and given the Judge's views to date, the protections listed above may be ineffective. The claimant's QC has indicated that a settlement discussion could take place after the Horizon trial has completed, so in the late Summer and early Autumn.

4. Your assessment of the potential cost of the litigation, including a range of possible outcomes with rationale

The claimants have not at any stage quantified their claim and on this basis we have explained to our external auditors that it is not possible for us come up with an effective estimate for disclosure or provision in our Annual Report. We will be able to speculate on ranges of settlement amounts and their rationales when we meet. However, it is important to note that settling this case will not comprise our only expected cost: any settlement will create new historical claims and we are also in the process of changing the way our current operations work in the light of the common issues judgement.

5. **Details of any other significant operational consequences arising from the litigation**

Operationally, it is critical that we maintain the trust and co-operation of the Postmaster community. To date, that has held and we should remember that the vast majority of Postmasters manage effectively and without issue. To maintain trust, we are progressively introducing higher remuneration, simplifying the way Postmasters work, introducing changes to reduce accounting differences and creating more transparent and helpful processes to manage any differences that do arise.

Fundamentally, for us to trade as we do today, we must be able to recover taxpayers' money that is used as cash in branches. There are elements of the common issues judgement that make this harder and even more dependent on Postmaster goodwill. Hence the appeal.

6. **Confirmation of Post Office's ability to fund a settlement in the range referred to above without further taxpayer support.**

Based on current cashflow forecasts, we could manage a substantial cost. We are using £100m as a number with our auditors in determining our ability to trade as a going concern.

As you know, our long term financial health is complex but improving. A number of issues will affect it which we are working through over the Summer and which will support any debate underpinning the Government's next spending review. This will include issues that are the focus of the Select Committee and others. AI will be writing separately to you in the next few days on these issues but I did not want them to detract from our focus on the litigation.

7. **Other matters**

Our next Board meeting is on 30th and 31st July and I would be delighted if you would attend. In addition, we hold regular meetings of the Board sub-committee that deals specifically with the Litigation. As I am sure you know, Tom Cooper of UKGI has been a member of that since [date] and you are again most welcome to attend. This is a key component of our approach as a Board, recognising the importance of the litigation – our other sub-committees are more general (Nominations, Remuneration, Audit & Risk). I will share more about the operations of the Board and my own perspectives when we meet.

From: Alisdair Cameron
Sent: Friday, May 31, 2019 8:25:43 AM
To: Watts, Alan; Ben Foat
Subject: RE: Letter from Kelly Tolhurst MP RE POL (May 2019) - Legally Privileged

Slight change of plan – the advice from BEIS officials is that Tim answer this letter straight away, answering as many questions as possible, and we follow it up with a separate letter on other subjects. Could I therefore see a first draft today? Thoughts below. Thanks AI

Current status of the litigation, particularly the Horizon trial and the appeal of the Common Issues trial. This should be an easy factual answer.

What changes to your litigation strategy have been made following the appointment of the new legal team. Again as above, no co-joining, narrow appeal, new counsel, opened up possible settlement conversation Scenarios as to how the litigation will play out and how it could be settled, including what settlement windows could exist during the trial timetable; settlement or play through pros and cons
 Your assessment of the potential cost of the litigation, including a range of possible outcomes with rationale; we could decide not to give detail until later in the month. Settlement or play through of this litigation. Follow

on case or process on historical challenges. May be helpful to recognise that big numbers will be involved without getting drawn in?

Details of any other significant operational consequences arising from the litigation. Current plan and investments; ability to get cash back; historical process.

Confirmation of Post Office's ability to fund a settlement in the range referred to above without further taxpayer support. We may prefer to have a GLO sub committee first and postpone the answers?



Al Cameron
Interim Chief Executive

20 Finsbury Street
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GRO

From: Alisdair Cameron

Sent: 30 May 2019 09:00

To: Watts, Alan [GRO] Ben Foat [GRO]

Subject: FW: Letter from Kelly Tolhurst MP RE POL (May 2019)

Alan, Ben please see attached. I would be a grateful if you can start work on this, although I am asking for an extension to end June. I could use quickly a grid of future options, decisions etc that we can agree early next week to plot this through, which obviously we had agreed to do now anyway. Thanks Al



Al Cameron
Interim Chief Executive

20 Finsbury Street
London
EC2Y 9AQ

GRO

From: Tim Parker [GRO]

Sent: 29 May 2019 17:57

To: Alisdair Cameron [GRO]
Subject: Fwd: Letter from Kelly Tolhurst MP RE POL (May 2019)

Dear Al,

Perhaps we can get some work done on this..

Thanks

Tim

Tim Parker

Chairman
National Trust
20 Grosvenor Gardens, London, SW1W 0DH

[GRO]

Chairman
Post Office Limited
Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ

[GRO]

Chairman
Samsonite International SA
Westerring 17, B-9700 Oudenaarde, Belgium

[GRO]

From: Tolhurst, Mpst (BEIS); [GRO]
Sent: Wednesday, May 29, 2019 2:08:07 PM
To: Tim Parker
Cc: Tolhurst, Mpst (BEIS); Diane Blanchard
Subject: Letter from Kelly Tolhurst MP RE POL (May 2019)

Dear Tim,

Please see attached a letter from Kelly Tolhurst MP following your meeting on 15 May 2019.

I look forward to receiving your response in due course.

Many thanks,
Jessica



Department for
Business, Energy
& Industrial Strategy

Jessica Tysoe
Private Secretary to Kelly Tolhurst MP
Parliamentary Under Secretary of State
Department for Business, Energy and Industrial Strategy
1 Victoria Street, London, SW1H 0ET

[GRO]

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