

Colin Lenton-Smith
Director Commercial and Finance
Fujitsu Services (Pathway) Limited
Forest Road
Feltham
TW13 7EJ

30.08.02

Dear Colin

Re: Lost Data and Audit Trail



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Without Prejudice Subject to Contract

Further to my letter of 28 August 2002, I am writing to you with an offer on a 'Without Prejudice' basis in an attempt to close off this current issue which has the potential to consume disproportionate resources in both our companies.

Post Office Limited would be prepared to waive your failure of the obligations set out Schedule A16, Solution 699 to which I referred in my letter of 6 February in return for a contribution by Fujitsu Services (Pathway) to the cost of the upgrade of the Audit system from DLT drives to the Centera solution which you have now proposed.

The upgraded system will support both the Network Banking Service and the Existing Services. Although I understand that it would not strictly comply with your obligation to use optical media, Post Office Limited considers that it would give equivalent data security to optical media – which the current system does not - and on that basis would agree a change to the Solution for the Existing Services.

Taking into account the relative transaction volumes, values and retention periods required over the remainder of the contract, our assessment of the Fujitsu Services contribution to costs that we would accept is £200,000.

I **IRRELEVANT** until 23 September 2002 **IRRELEVANT** Mike Hannon will be able to deal with this issue for me.

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Yours sincerely

GRO

Keith Baines
Head of IS Services



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