

NAPIER & SONS
ESTABLISHED 1851

25 May 2011

Our Ref: JN/RG/0204700001
Your Ref: ES/HC/M00002-4

RECEIVED

GRO

Eamon Sloan
Solicitors

GRO

Telephone: GRO

Fax: GRO

Web: www.naplers.com

Dear Sirs

Re: Post Office Counters Ltd -v- Katherine McAleavy

We refer to the above matter and by way of further discovery enclose herewith the following:-

1. E-mails from Suzanne Winter to John Breeden 3rd December 2007 to 12th December 2007.
2. Cash spreadsheets detailed in 1 above (by e-mail).
3. E-mail 15th February 2007 Brian Trotter to Contract Support Team.
4. Suzanne Winter's report 26th April 2007.

We are endeavouring to obtain further documentation from Fujitsu, the agents responsible for the operation of the Horizon system and will contact you in due course if the documentation is in existence and can be provided by way of discovery.

GRO



INVESTOR IN PEOPLE

John G Gordon LLB, Brigid Napier LLB Notary Public,
Denis McKay LLB, Joseph Napier LLB

Suzanne Winter
03/12/2007 14:09
To: John.Breeden/e/POSTOFFICE,
cc:
hcc:
Subject: Leitrim

John, as requested I have had another look at the Transaction/Event Logs.

For the period 16/08/06 to 21/09/06.

I have attached a spreadsheet detailing cash declarations made during this period. Also details on Branch Trading statements 16/08/06 to 21/09/06.

The only user on the system is KNC001 (Kathleen McElrney).

Cash on hand figures were not being declared accurately and all transactions were made by User KNC001 (Kathleen McElrney).

The system was changed on 11/09/06 and logs show the office did not conduct any transactions that day.

I have also attached relevant Event/Transaction logs.

You will note the following:

16/08/06 010.34 hrs £9663.49 DDP declared discrepancy positive
16/08/06 @ 10.47 hrs £9482.03 to Housekeeping code 145 (surplus discrepancy in suspense account) and 6297 (clear gain from local suspense account.)

21/09/06 07.03 hrs £20493.48 to Housekeeping code 145 and 6297.

Hope this information is useful.

Regards
Suzanne

Suzanne Winter
Investigation Manager
Post Office Ltd
Royal Mail House,

GRO

GRO

Suzanne Winter
11/12/2007 16:15
To: John.Breeden/e/POSTOFFICE
cc:
bcc:
Subject: Re: Letter

John, we could try discussing the case by phone and see how we go. I will look over the information again tomorrow and try to answer your questions.

Speak with you tomorrow.

Regards,

Suzanne Winter
Investigation Manager
Post Office Ltd.

GRO

Postline:	GRO	STD Phone:	GRO	Fax:	GRO	Mobile:	GRO
GRO	Mobile:	GRO					
External Email:	suzanne.winter		GRO				

John Breeden
11/12/2007 11:37
To: Suzanne.Winter/e/POSTOFFICE@POSTOFFICE.CP
cc: Brian.Trotter/e/POSTOFFICE@POSTOFFICE.CP
Subject: Re: Letter

Suzanne,

Thank you for sending this information.

Not being an expert on how to interpret this information I was wondering if there is anyway Brian and I could arrange for you to take us through this information so we can gain a better understanding. I don't know if this can be done over the phone or whether we have to sit down together. What I want to achieve is to draw conclusions from the information provided.

I notice you mention the system was change on 11/9/06. I am assuming this means the processor was change can we be certain the information would have transferred across correctly without any data being lost as I notice your comment about \$12k of sales not being accounted for in early Sept between 1/9 and 3/9.

I have also seen the points you have raised from the transaction log but note that on the 21/9 an amount of \$20332.48 is shown with a product code of 1 and 145 but I don't understand what this means unfortunately.

As this SPOS was suspended on 19/1/07 is there likely to be anything also in the transaction logs and event logs from the period 14/10 to the date of suspension that we should be considering?

What conclusions do you draw from the information provided?

I would appreciate your thoughts on how fast you could take Brian and I

(3)

through this information and if we need to look at the information from
between 17/10 and the date of suspension.

I look forward to hearing from you.

Regards

John

John Breden

National Contract Manager, North
Outlet Support Team
Network Directorate
Post Office Limited

GRO

Mobile: GRO Model: GRO
External Email: john.breden@GRO

Post Office Limited
Registered in England and Wales Number: 2154540 Registered Office: 80-86
Old Street, London EC1V 9NN

The Post Office and the Post Office symbol are registered trade marks of
Post Office Limited in the UK and other countries.

This email and any attachments are confidential and intended for the
addressee only. If you are not the named recipient, you must not use,
disclose, reproduce, copy or distribute the contents of this communication.
If you have received this in error, please contact the sender and then
delete this email from your system.

Suzanne Winter
12/12/2007 15:58
To: John Breeden/e/POSTOFFICE
cc: Brian Trotter/e/POSTOFFICE
bcc:
Subject: Leitrim

John as discussed today:

To answer your questions on your previous email

The system was changed on 11/09/06. Horizon system shows the office was not open on that day. I am not aware of any problems when base units have been changed with regard to the transfer of information.

The £12k difference in cash declared between 01/09/06 and 3/09/06 suggests to me that the cash declarations were false as it would be unlikely this office would have had sales of £12k. Examination of cash figures declared substantiates this suggestion.

On 21/09/06 the info on Transaction log:

at 06:57 - £20332.48 was settled to cash (code 1)
+ £20332.48 was settled to surplus/discrepancy (suspense) (code145)

later at 07:03 - £20493.48 to gain to local suspense account (6295)
- £20493.48 to surplus/discrepancy (suspense) (145)

- £20493.48 to clear gain from local suspense account (6297)
+ £20493.48 settled to cash (1)

My understanding of the Horizon system is that as a BHS had been due 06/09/06 for Trading Period 5 the system forces you to clear losses and gains that are in suspense. Suspense account can be used during the trading period but losses and gains need to be cleared at end of Trading Period. The Horizon system forces you to do this and to choose either settle to cash or settle centrally.

Event Log for 21/09/2006 then details at 07:04 SU AA was rolled from TP5 to TP6. Trading statement was created for TP6 (which had been due 06/09/06). The office rolled from TP5 to TP6.

A further example of this is on 16/09/06 at 10:17 - £9482.03 to gain to local suspense (6295)
- £9482.03 to surplus/discrepancy (145)
- £9482.03 clear gain from local suspense (6297)
+ £9482.03 local suspense positive Central Hardship (6482)

On this occasion the Sopr choose to settle centrally. Information from Paul Damm confirms this figure was settled centrally on 16/09/06.

Event log for 16/09/2006 then details at 10:49 SU AA was rolled from TP3 to TP4.

b

As mentioned before, on 16/08/2007, two Trading Statements were created in the one day TP 3 and TP4.

You have asked if there is likely to be anything in the transaction and event logs from the period 1/10/07 and 19/01/08 that we should be considering and also my conclusions from this information. As

Transactions have all been conducted by User MCC001. Cash declarations are not true figures. BTs were not completed on trading period dates for Group C.

It is impossible to conduct analysis. Dishonesty could not be proven due to these factors. I had considered taking a statement from assistant. However again considering all the factors and Katherine McAlarney stated she was responsible for completing the Branch Trading Statement the criminal investigation was a 'non' starter.

I hope this information is useful. Please contact me if you wish to discuss.

Regards,
Suzanne

Suzanne Winter
Investigation Manager
Post Office Ltd

GRO

GRO

Suzanne Winter
07/03/2008 16:02
To: Brian Trotter/e/POSTOFFICE
Cc:
Bcc:
Subject: Re: Leitrim

Brian, trying to tidy up my cases. What was the outcome with Leitrim?

Regards
Suzanne

Suzanne Winter
Investigation Manager
Post Office Ltd

GRO

GRO

Brian Trotter
11/01/2008 13:53
To: Suzanne Winter/e/POSTOFFICE/POSTOFFICE
Cc:
Subject: Re: Leitrim

Suzanne

I summary terminated her contract on the 31st January. I still awaiting a reply from her solicitor regarding her decision to appeal.

Thanks

Brian

Contract Advisor
Area Contracts
Upper Floors
The Market DMB

GRO

GRO

Brian

I have had a look at the account and notes are below

£9,482.03 Credit - Branch Discrepancy 16.08.2006 - There is not a lot more information we can supply for a branch discrepancy as this is the branch's own balancing all we can say is that there have been no TC's issued during this period.

£15,148.73 Debit - Branch Discrepancy 22.11.2006 - There is not a lot more information we can supply for a branch discrepancy as this is the branch's own balancing all we can say is that there have been no TC's issued during this period.

£2,240.21 Debit - Branch Discrepancy 03.01.2007 - There is not a lot more information we can supply for a branch discrepancy as this is the branch's own balancing all we can say is that there have been no TC's issued during this period.

£2,494.94 - Final Account Deficiency 19.01.2007 - Audits should be able to give you more info on how this amount is broken down - although again no TC's have been issued in this period to justify this amount.

£1442.97 Credit - TC Settled Centrally 29.03.2006 - This was for a Globank Deposits in week 33 / 2005

£1628.56 Debit - TC Settled Centrally 22.11.2006 - This was for cheques to processing centre - Details - On the 28.06.2006 an amount of £1628.56 was claimed through horizon in respect of cheques sent to Belfast Cash Centres. Belfast Cash Centre advise that no cheques were received from your office. Office was spoken to twice about these amounts requesting the paperwork but nothing was sent in and a TC was requested to rectify the matter.

Total Outstanding £10,587.44

Hope this is enough information if not let me know

cheers
Paul

Brian Trotter
15/02/2007 16:30

To: North@POSTOFFICE, Jacqueline Whitham/e/POSTOFFICE@POSTOFFICE
cc:
Subject: from Solicitor Tara Walsh
Contract Support Team
Lertrim more correspondence

Steve

Can you please examine the call logs for Lertrim, we are looking for evidence of the Spmr contacting the helpline about Horizon problems. Can also acknowledge the attached by sending out a holding letter.

Jackie

Can you give me as MUCH information as possible on the settled centrally debts for the branch.

Thanks
Contract Advisor
Area Contracts
Upper Floors
The Market DMB

GRO

GRO

Contract Support

Team North

Sent by: Stephen
Hough

15/02/2007 15:01

To:
Trotter/e/POSTOFFICE@POSTOFFICE
cc:
Subject:
from Solicitor Tara Walsh

Brian

Leitrim more correspondence

Hi Brian

See latest letter from solicitor of PM at Leitrim. The letter is only two pages long I have scanned the second page twice to

Cheers Steve

Contract Support Team
Post Office Ltd

GRO

GRO

>>> Leitrim from solicitor Mrs McAlerney.pdf attachment was removed from this email <<<

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, PERSONNEL
POLTD/0607/0473

THEFT

Name: Katherine Mary McALERNEY

Rank: Sub Postmaster Identification Code: 1

Office: Leitrim Post Office Branch Code 185713

Age: 36 Date of Birth: GRO

Service: 7 years Date Service Commenced: 31/08/2000

Personnel Printout: At Appendix: C

Nat Ins No: GRO

Home Address: GRO

Contract for Services Suspended: 19/01/2007 on the authority of Brian Trotter
Contracts and Service Advisor

If applicable to be prosecuted by : Royal Mail Group (including Post Office Ltd)/Crown Prosecutor

Designated Prosecution Authority if applicable: Public Prosecution Service, N Ireland

Discipline Manager: Brian Trotter, Contracts and Service Advisor

Brian Trotter

**POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, PERSONNEL
Discipline Manager**

This report relates to a cash and stock deficiency of £2494.94 and £8092.50 of Outstanding Transaction Corrections in the office accounts at Leitrim Post Office® Branch, 2 Dromara Road, Leitrim, Castlewellan identified at audit on Friday 19/01/2007 and the subsequent interview of Katherine Mary McAlerney, Sub Postmaster of Leitrim Post Office.

On Friday 19th January 2007, Linda McLaughlin, Senior Auditor accompanied by Tony Kennedy Audit Officer conducted an audit at Leitrim Post Office Branch.

The audit revealed a shortage in the branch of £2494.94 and £8092.50 of Outstanding Transaction Corrections. Katherine McAlerney could not explain the cash shortage and stated she had had large discrepancies over the past few months and thought it was due to problems with the Horizon processor unit. She had also received a Transaction Correction for £30001.62.

Investigation Team were informed and a case was raised.

Due to the imminent birth of Katherine McAlerneys baby it was considered that a formal interview would not take place until after the baby had been born.

Preliminary enquiries identified the following:

Call logs (09/05/06 to 19/01/2007) identified:

- 3 occasions where the BTS has been overdue.
- 16/08/06 a large gain of was settled centrally
- 08/12/2006 Limited Service as no cash

There were no record of calls relating to difficulty with the system. A request was made to Fujitsu to confirm if the system had been replaced as stated by Katherine McAlerney.

Information was received from Belfast Cash Centre (CRU) regarding Transaction Corrections issued in respect of missing cheque remittances.

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, PERSONNEL

When the CRU is advised of a discrepancy in Remittances despatched from an office and received by themselves they contact the office requesting Horizon records to substantiate the claim. In the case of Leitrim, promises were made by the office to supply same but such evidence was unforthcoming so CRU forwarded papers to Chesterfield so as a Transaction Correction could be issued. If the Subpostmaster or staff had produced the requested evidence no Transaction Correction would have been issued.

In respect of the charge TC for £30,001.62 this was an error by TC duty in Chesterfield. The amount was relating to a missing cheque remittance and should have read £3,001.62. A credit TC was issued for the £30,001.62 (the missing remittance for £3,001.62 turned up 3 months late in CRU).

Agents Debt Team provided details of Transaction Corrections issued. The total of Transaction Corrections outstanding that have been settled centrally is £8092.50. Agents Debt are also deducting £50.00 per month from remuneration which relates to an old error notice debt totalling £1417.23. The outstanding debt for this is £650.00.

Information was requested from Belfast Cash Centre regarding remittance despatched and received and an audit trail was conducted. There were no errors identified.

A response was received from Fujitsu regarding Katherine McAlerneys statement to the auditor that her processing unit had been replaced due to difficulties. Only one counter unit had been replaced in the past two years and that was on 25/01/2007.

Arrangements were made with Eamon Sloan, Solicitor to conduct a formal interview with Katherine McAlerney on Monday 02/04/2007.

On Monday 02/04/2007, accompanied by Judith Trotter, Investigation Team Manager I formally interviewed Katherine Mary McAlerney. Eamon Sloan, Solicitor was also present.

A transcript of the tapes has not been produced at this stage of the investigation.

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, PERSONNEL

Leitrim Post Office is situated in a rural area and the small office is sited within a small grocery store which is attached to a Public Bar. Katherine McAlerney has been the Sub Postmaster of Leitrim Post Office for nearly 7 years and was employed previously as a Secondary School Teacher. She is married with four children aged eleven, nine, six years old and a two month old baby.

The Public Bar and Post Office premises are owned by Katherine McAlerney and her husband. They are opening a restaurant in May and also rent two properties. They have a small mortgage on the business.

Leitrim Post Office opens 9.00 hours to 17.00 hours daily except Thursday opening time is 09.00 hours to 12.00 noon. Closure days are Wednesday and Saturday and the office conducts between 15/20 transactions daily.

Katherine McAlerney employs Selina Mussan (full time) to work in the grocery store and in the Post Office. Selina has been employed for 3 years.

The processes in the office were discussed.

Selina Mussan is responsible for opening and closing the office and conducts the daily cash declaration. Katherine McAlerney counts the cash for the Branch Trading Statement and produces the statement.

Passwords for the Horizon system are confidential.

As it is a small office the balance is only conducted every 4/5 weeks at Branch Trading Statement (BTS) periods. Preliminary enquiries had established Chesterfield have made several requests for the Branch Trading Statement to be produced on the correct trading period date. Katherine McAlerney explained she produced the statement when she got the time. If she has any overages the cash is put into an envelope and kept at the counter.

She writes the amount on the outside of the envelope and signs it. No date is stated on the envelope. Losses are repaid from her own personal cash. No record is kept of personal cash used.

to cover losses, BTS were examined and it was notable that the statements are not produced on correct dates for Group C and not signed.

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, PERSONNEL
The shop cash was discussed and it was established Post Office cash is kept separate from shop cash.

Preliminary enquiries with the Cash Centre identified the Centre had regularly contacted Leitrim Post Office requesting evidence of remitted cheques and it would be weeks/months before the cheques appeared in Cash Centre. Colum McKigney, Business Development Manager (BDM) had also spoken with the office regarding this matter. Katherine McAlerney could not remember discussing this with Colum McKigney and stated it was just a matter of getting around to doing it and getting a chance to look for the receipts or cheques. Katherine McAlerney explained she held the cheques which she had received from customers for transactions and when she had gathered up three or four she would then process to the cash centre.

The Transaction Corrections were discussed. Katherine McAlerney explained she had been very ill during May to August 2006 but would still have come in to the office occasionally and also to conduct the BTS. The BTS was declaring large discrepancies and she contacted the Helpdesk. She was advised to settle centrally and it would then alert someone.

On 16/08/2006 a TC was raised for £9482.03. This was due to an overage declared in BTS 03 27/06/2006 to 16/08/2006 and settled centrally

On 22/11/2006 a TC was raised for £15148.73. This was due to a shortage of £15148.73 declared in BTS 07 18/10/2006 to 22/11/2006 and settled centrally.

On 22/11/2006 a TC was raised for £1628.56. This was due to non receipt of cheques claimed in BTS 28/06/2006.

On 03/01/2007 a TC was raised for £2240.21. This was due to a shortage of £2240.21 declared in BTS TP08 (BTS not available)

On 03/01/2007 a TC was raised for £30,001.62. This was due to non receipt of cheques for £3001.62 claimed in BTS 16/08/2006. However the amount should have been £3001.62 and not £30,0001.62. The error was identified and a compensatory TC was sent 12/01/2007.

Eamon Sloan raised concerns that this error had been made by Chesterfield and suggested that other errors may have been made by Chesterfield that had not been identified and the balance due figure to the Post Office used by the auditors may not be correct.

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, PERSONNEL

Katherine McAlerney believes the errors are due to a system fault as she stated she has had the processor changed a few times. There is also a problem in the Leltrim area and if there is strong wind the electricity power fails. Due to this problem she bought a generator a few years ago which automatically starts when the electricity fails. Preliminary enquiries with Fujitsu stated the processor unit had only been changed once in the last two years and that was after the office had closed on 25/04/07.

Delivery of cash was discussed and Katherine McAlerney stated the delivery date had been changed to a Wednesday when the office was closed.

At the conclusion of the interview Eamon Sloan agreed to provide Selina Mussels address and contact telephone number.

Katherine McAlerney was aware of her responsibilities as a Postmaster to repay any losses however stated she would not be repaying the money as she believed the Post Office actually owed her money. She denied stealing any Post Office monies.

Subsequent enquiries established the following:

The Cash Centre advised the cash delivery day is Thursday and not a Wednesday.

A request was forwarded to Fujitsu to check the information they had provided and it was discovered the initial information supplied was incorrect and there had been two cases of the base unit being swapped. The base unit was changed 11/09/2006 and again 25/01/2007.

Examination of the BTS identified the following:

BTS for TP05 declared an overage of £20,483.48 on 21/09/2006 and also an overage of £1927.46 on 18/10/2006 TP06. Agent Debt Team have advised they have no record of these figures.

The BTS produced by Kathleen McAlerney TP10 (Feb 06) to TP10 (Jan 07) exception TP01, TP08 and TP09 for the period are not correct trading period dates eg. BTS TP07 dates stated on BTS is 18/10/2006 to 22/11/2006 and

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, PERSONNEL
It was printed 22/11/06. However the correct dates for TP07 are 05/10/06 to 08/11/06 (Group C).

Conclusions:

This is a small office which receives between £2,000.00 and £4,000.00 weekly and yet has had losses of £15,000.00.

There have been several issues raised during the investigation.

Katherine McAlerney not producing BTS on scheduled dates and still not producing them when Chesterfield requested.

Katherine McAlerney not remitting cheques to cash centre until three to four have gathered up and not producing the evidence when requested by the Cash Centre. Due to this failure to comply Transaction Corrections were then raised for the missing cheques. The missing cheques eventually arrived at the cash centre months later.

There have been problems with the Horizon processing unit and the information initially provided by Fujitsu was incorrect.

Katherine McAlerney did not contact anyone in the Post Office regarding the high amounts of losses and gains as she had reported it to the Helpdesk.

The error by Chesterfield of issuing a TC for £30,001.62 Instead of £3,0001.62 does bring into question if other errors have been made.

Katherine McAlerney is a busy person and the majority of the responsibility of the Post Office seems to be with Selina Mussan. After several verbal requests and a written request her address and contact details have not been received from Eamon Sloan.

A significant number of failings in security and operational processes have been identified during this investigation.

- Cheques not remitted to Cash Centre within time scales
- Disregard to Cash Centre requests for evidence of remittances despatched
- BTS not completed on trading period dates for Group C

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, PERSONNEL

- Disregard to requests from Chesterfield to complete on trading periods for Group C
- A Transaction Correction was issued for £30,001.62 instead of £3001.62. The error was realised and a compensatory TC was issued.

The loss to the business is:

Shortage at Audit £2494.94

Outstanding amount previously settled centrally £8092.50

Total Shortage: £10587.44

This amount is still outstanding.

I recommend this matter be dealt with by the Discipline manager.

Suzanne Winter
Investigator

26/04/07

GRO

12/1/06
50

Mrs. Katherine McAlenney

GRO10522.00
1146.542231**Request for Payment**

Statement Date
08.01.2007
Our Accounting Clerk
Client Account Clerk 1
Telephone
GRO

FAD Code
GRO
Your Account with us
GRO

Amount Due This Period
£ 32,241.83

Outstanding Debt at 05.01.2007

Doc. Clrg No.	Doc. Date	Trans acn	Due Date	Amnt (£)	Blocked	TC Number
Balance brought forward						5,852.29
Less Payments Received: No payment received in this period.						
Sub Total						5,852.29
New Transactions:						
6000325559	03.01.2007	BD	03.01.2007	2,240.21		
6100009159	03.01.2007	TX	03.01.2007	30,001.62	~	6000332475

Transactions due for payment this Period 32,241.83

Total Blocked Transactions: 0.00

Total Account Balance: 38,094.12

Please settle this account by 18.01.2007 in one of the following ways:-
* Posting a cheque to this department in the enclosed prepaid envelope
OR

* If you wish to pay by debit/credit card ring this department on the number shown.

Key: TX = Transaction Correction, DR = Invoice Debt, FA = Final Account
RA = Remuneration, DZ = Payment, BD = Branch Discrepancy

BS/HC/M00002-4

22 March 2011

FAO Mr Joseph Napier
Napier & Sons
Solicitors

GRO

Dear Joseph,

Re: Post Office Counters Limited -v- Katherine McAlerney

I refer to the above matter which is listed for Hearing before the County Court at Newry on 14 April 2011.

My client remains adamant in her instructions that she does not accept the findings of your client's Audit, and that she does not accept that there is an actual shortage of monies due to your client.

In these circumstances I am instructed that she has no proposals to make to your client.

Without prejudice to the generality of her position you were quite right in your letter of 27 July 2010 when you noted that my client's position is that the Horizon system was not working correctly. In particular my instructions detail *both* a number of incidences prior to the Audit when the computerised system "crashed", with a Post Office Engineer having to attend the premises to carry out works to the system, *and* a number of occasions where errors in the overall balance were subsequently acknowledged and corrected by your client by the provision of credits.

I note that your client's List of Documents does not provide any documentation relevant to either of these two issues and I would therefore be obliged if you would please seek from your client and provide the following specific Discovery:-

- 1) Copies of any/all Incident/Diagnostic/Repair Reports/Records pertaining to difficulties with the Horizon system within Leitrim Post Office from installation to date of Audit.

2) All/any records in relation to corrective credits or debits or adjustments to the overall balance in the period referred to at 1 above. If the reason for such adjustments is not clear from such records please provide sufficient information or clarification in that regard.

I look forward to hearing from you.

Yours faithfully,

RAMON SLOAN

on (Eamon Sloan)

McAlerney M00002-4 Adjournment Application
Newry County Court

Wed 30/03/2011 12:30
Wed 30/03/2011 13:00

(none)

attended Newry County Court and made an adjournment application to Judge Collins in respect of Post Counters Limited -v- Katherine McAlerney, listed for Hearing on 14 April 2011. Eamon indicated that the application was being made on consent. Eamon explained the nature of the reason for the Adjournment application to Judge Collins i.e. that the post office needed to investigate further the defendant's assertion that the post office does not accept the horizon system computer records and does not accept the reliability of the computer. The first time the case has been listed and the first adjournment application to be made. The case has been listed for hearing on a half day on Tuesday 28 June 2011 at Newry County Court. Judge Collins has indicated that there should be a joint consultation in the interim.

03/04/2011

NAPIER & SONS

16 May 2011

IN/RG/0204700001
BS/HC/M00002-4

Bamion Sloan
Solicitors

GRO

RECEIVED

16/05/11

GRO

Telephone: GRO

Fax: GRO

Web: www.naplers.com

Dear Sirs

Re: Post Office Counters Ltd -v- Katherine McAleerney

On a strictly without prejudice basis and to comply with the amendments to the County Court Rules we consider it would be appropriate if the parties were to meet at the High Court in Belfast in the afternoon of 16th/17th June or during week commencing 20th June 2011.

It may well be that no resolution can be found but a meeting would certainly be helpful in narrowing the issues and providing an explanation as to the Horizon system and the computation of the loss and would certainly make the running of the case on 28th June 2011 easier from everyone's perspective.

GRO



NAPIER & SONS

Solicitors

10 August 2011

Our Ref: JN/RG/0204700001
Your Ref: ES/HC/M00002-4

Eamon Sloan
Solicitors

GRO

RECEIVED

GRO

10 AUG 2011

Telephone: **GRO**

Facsimile: **GRO**

Web: www.napiers.com

WITHOUT PREJUDICE

Dear Sirs

Re: Post Office Counters Ltd -v- Katherine McAlerney

We refer to the above matter which is listed for hearing in Newry County Court on 10th October 2011.

We enclose herewith a simplified statement of debt.

We understand your client's defence to be effectively that all of the errors were caused by the Horizon System. We don't consider that to be true. We are not saying, and for the sake of doubt no-one is alleging, that your client in any way benefited from this money. All we are saying is that our client has sustained a loss.

It is clear from the papers and indeed was conceded by your client during the criminal investigation that she did not undertake her stock take or balances at the recommended time intervals. In order to continue trading she "rolled over" discrepancies and when she was then required to balance at the end of the trading period (or be prevented from trading on) those discrepancies would merge into large "gains" and "losses".

The first two discrepancies in the statement of debt in March 2006 and August 2006 were in fact "gains" or a positive figure on your client's system. Indeed when the Horizon unit was replaced in September 2006 the only discrepancies that occurred were "gains" in your client's favour. The replacement of the Horizon unit did not however correct the problems and deficits arose in November 2006 and January 2007. The defendant effectively alleges that there was a problem with two different machines. The plaintiff does not accept that there was a problem with the machine or the system. Your client's difficulties would appear to arise from user error and poor administration.

It was noted at interview that contrary to guidelines and regulations the defendant allowed her employee to use the same signing on passwords. It was further conceded that on the face of requests from Chesterfield for Branch Trading Statements to be produced that the said statements would be produced when the defendant "got the time". The defendant advised that overages of cash were simply put into envelopes and kept at the counter without dates being recorded. There



INVESTOR IN PEOPLE

was a history of delay in provisions of cheques to the Cash Centre and the Post Office Cash Centre had to regularly contact the defendant in order to request evidence of remitted cheques. The defendant conceded that at times she would hold cheques awaiting a build up of three or four before passing them to the Cash Centre.

The contemporaneous investigations do appear to show that there was an element of poor management structure and administration difficulties. The defendant had to be requested on a number of occasions to provide her branch trading and forward remitted cheques. Practices in relation to signing in and declaring surpluses were not standard.

There is no doubt that there will be difficulty in producing evidence to deal with the early surpluses and shortages. It is unlikely that the Court will have the time or patience to dissect each weekly trading period to identify the errors. To do so will raise both parties risks on costs significantly.

What is however clear is at least two of the debits will be much more easily proved by the plaintiff.

The debit which arose on 22nd November 2006 in the sum of £1,628.56 arose as a result of the fact that cheques which the defendant had declared as having been received on 28th June 2006 never arrived at the Belfast Cash Centre. Leitrim Post Office was spoken to twice about these amounts but nothing was ever forwarded and no cheques were ever received. Of course when your client declared the cheques on the system she would have been credited with the amount on the cheques (£1,628.56) but as the cheques were never received in the Belfast Cash Centre the Post Office were never able to recover the sum from the paying party. It is our instructions that your client agreed this error in November 2006 in order to balance the trading period and settled the hardship. This is a relatively straight forward "debit" to explain. There is no allegation that your client benefited from the error but as you can see it can be demonstrated that our client sustained a loss.

Similarly when the final count was conducted on 19th January 2007 significant errors were noted in cash, stock and postage. These cannot be attributed to failures with the Horizon System. They were real discrepancies on site. This issue was raised directly with your client at the audit and Linda McLaughlin specifically asked the defendant if she physically checked her stock and postage on completion of her Branch Trading Statement. The defendant replied that it depended "if she had the time or not". This is further evidence of poor administration and account keeping.

The reference to the £30,001.62 error and subsequent correction is, with all due respect, a "red herring". There was simply an input error on a cheque for £3,001.62. This debit and subsequent credit correction does not provide an example of the sort of discrepancies and problems with the Horizon System which your client is required to substantiate in order to prove that there was a

problem with the system. Our client's have a very straight forward and simple answer to that point.

We are entirely confident that we will prove without any great difficulty the loss of £1,628.56 on 22nd November 2006 and the £2,494.94 on 19th January 2007 or in other words in excess of £4,100.00. The balance claimed on the Civil Bill will, and we are being quite frank about it, be more difficult to prove. It will require a very substantial accounting exercise at the court hearing. It is likely to take at least one full day if not two days. We are however satisfied that our client's can explain the discrepancy and that the discrepancy does not arise as a result of errors within the Horizon System. The errors arose because your client was not doing her Branch Trading Statements on time, was not conducting the business in an appropriate manner and because there was no proper process in place for her to provide accurate returns to the Post Office.

On a strictly without prejudice basis we enclose herewith an "Explanation of the Horizon System" as prepared by one of our witnesses simply as a way of a witness statement for ourselves. We waive privilege however as we consider it would be useful for you to have had sight of this document prior to any joint consultation.

We would welcome a joint consultation either in week commencing 29th August 2011 or 12th September 2011. The earlier a date is agreed the better.

Again strictly without prejudice we are prepared, on an economic basis, to recommend a compromise settlement to our client. Your client is at considerable risk of a judgement being made in favour of the plaintiff and associated costs which will follow. Our client will incur significant costs in running this case which they may not necessarily recover from the defendant. Common sense would dictate that the parties should be exploring an amicable resolution.

We look forward to hearing from you.

GRO

10/053003

IN THE COUNTY COURT FOR THE DIVISION OF
ARMAGH & SOUTH DOWN
BY THE COUNTY COURT JUDGE

Between:

POST OFFICE COUNTERS LIMITED

Plaintiff:

-and-

KATHERINE McALERNEY

Defendant:

The above-named parties hereby agree as follows in full and final settlement of the above-titled proceedings:

1. The Plaintiff shall enter judgment against the Defendant in the sum of £5,000 (Five Thousand Pounds) ("the Judgment Sum") and, for the avoidance of doubt, the Defendant hereby consents to such judgment.
2. There shall be no Order as to Costs in these proceedings.
3. Upon execution of this agreement, the Defendant shall provide to the Plaintiff a legal charge executed by her over each of:
 - a. The lands registered at NI Lands Registry under Folio 25972, County Down; and
 - b. The lands registered at NI Lands Registry under Folio 19661, County Down
(together "the Charges").
4. The Charges are granted by the Defendant to the Plaintiff in consideration of the settlement of these proceedings and as security for payment of the Judgment Sum together with any associated costs of enforcing that judgment and/or the Charges. The Defendant will ensure that all necessary consents and approvals are obtained and in place prior to her execution of the Charges.
5. The Plaintiff agrees not to take any steps to enforce the Judgment or either of the Charges for a period of two years from the date of execution of this agreement. For the avoidance of doubt, this will not prohibit or prevent the Plaintiff from receiving any sums in satisfaction of the Judgment Sum or pursuant to the Charges by virtue of any enforcement action undertaken by any other party.
6. The Plaintiff shall formally consent if requested to do so to any sale of part of the lands in Folio 25972 County Down by virtue of which the net sale

proceeds (after payment of any conveyancing and Estate Agent's costs) are being paid in full to Bank of Ireland, being the registered owner of the first charge on that Folio.

7. Both parties shall be at liberty to apply in respect of these terms.

Dated this 10th day of October 2011

Signed:

GRO

For and on behalf of the Plaintiff

Signed:

GRO

For and on behalf of the Defendant