

From: Tom Woodhouse **GRO**
Sent: Thur 20/06/2019 10:46:34 AM (UTC)
To: Ben Foat **GRO**
Cc: Tom Lee **GRO**
Subject: RE: FW: Post Office, WBD, PwC call – Group Litigation - Annual Report and Accounts

Hi Ben

Given the likely size of any provision PwC would expect separate disclosure in the Annual Report.

In the notes to the financial statements a column would be added to the table below.

Although the description and commentary could be quite bland, I think it would still be obvious what the provision related to.

15. Provisions

| | Network Programmes £m | Property £m | Severance £m | Other £m | Total £m |
|---|-----------------------------|----------------|-----------------|-------------|-------------|
| At 26 March 2018 | 18 | 32 | 7 | 9 | 66 |
| Charged to investments | 30 | 25 | 43 | - | 98 |
| Charged to trading | - | - | - | 9 | 9 |
| Transfers | - | - | - | 3 | 3 |
| Utilisation | (36) | (9) | (24) | (6) | (75) |
| Provisions released in the year – investments | - | (7) | (4) | (1) | (12) |
| Provisions released in the year – trading | - | - | - | (5) | (5) |
| At 31 March 2019 | 12 | 41 | 22 | 9 | 84 |
| | Network Programmes £m | Property £m | Severance £m | Other £m | Total £m |
| Disclosed as: | | | | | |
| At 31 March 2019 | | | | | |
| Current | 6 | 14 | 22 | 8 | 50 |
| Non-current | 6 | 27 | - | 1 | 34 |
| | 12 | 41 | 22 | 9 | 84 |
| At 25 March 2018 | | | | | |
| Current | 11 | 11 | 7 | 7 | 36 |
| Non-current | 7 | 21 | - | 2 | 30 |
| | 18 | 32 | 7 | 9 | 66 |

The Group has recognised provisions where a present legal or constructive obligation exists as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The Network Programmes provision relates to payments due to postmasters in relation to the major transformation programme. Provisions are recognised when either postmasters agree to terminate their existing contracts or sign the new format contracts under Network Transformation.

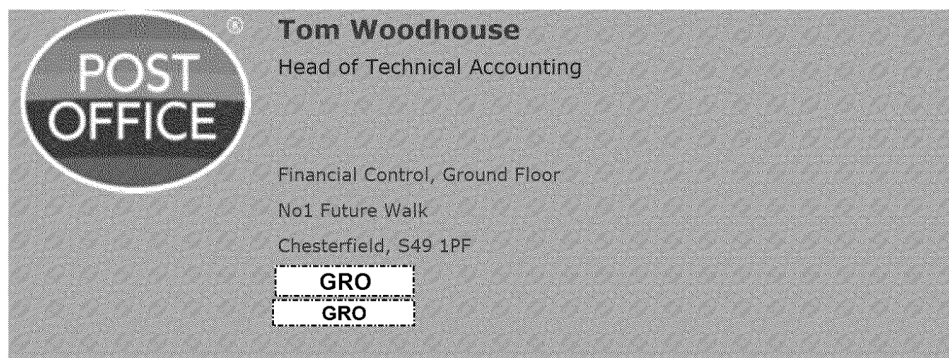
Property provisions relate to vacant and onerous leases and dilapidations. Vacant and onerous lease provisions are recognised on leasehold properties when the unavoidable costs of meeting the obligations of the lease agreement exceed the benefits expected to be received under it.

Severance provisions are recognised for business reorganisation where the plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been undertaken at the balance sheet date.

Other provisions of £9 million includes £1 million for personal injury claims and £2 million which sits within the subsidiary Post Office Management Services Limited and relates to the repayment of commission received in the event of the cancellation of insurance policies.

Thanks

Tom



From: Watts, Alan [GRO]
Sent: 19 June 2019 22:07
To: Ben Foat [GRO] lucy.h.mason [GRO]
Cc: Rodric Williams [GRO] Chris Neale (UK - Assurance)
[GRO] Massey, Kirsten [GRO] Henderson, Tom
[GRO] Tom Woodhouse [GRO] Tom Lee
[GRO] Rodric Williams [GRO] andrew.parsons
[GRO] [GRO] Mark Underwood1
[GRO]

Subject: RE: FW: Post Office, WBD, PwC call – Group Litigation - Annual Report and Accounts

Thanks Ben

Lucy do let me know if it would be helpful to speak in advance of any wider call

Regards

Alan

From: Ben Foat [GRO]
Sent: 19 June 2019 21:55
To: lucy.h.mason [GRO]
Cc: Rodric Williams [GRO] Chris Neale (UK - Assurance)
[GRO] Watts, Alan [GRO] Massey, Kirsten [GRO]
Henderson, Tom [GRO] Tom Woodhouse [GRO] Tom Lee
[GRO] Rodric Williams [GRO] andrew.parsons
[GRO] [GRO] Mark Underwood1
[GRO]

Subject: RE: FW: Post Office, WBD, PwC call – Group Litigation - Annual Report and Accounts

Hi Lucy

Im copying in HSF so you can liaise with them as they are best placed to advise on their availability.

HSF – This request relates to the Annual Report and Accounts issue which we have discuss on whether a provision ought to be made in the 18/19 Annual Report and Account (on the basis that there is past event which has a probable economic output).

The following section contains a broad understanding or working approach rather than the actual analysis which I

have not yet seen documented (but have asked for it to be):

WBD has outlined the legal position which is (Im paraphrasing) that it is difficult to advise on the ultimate merits of the case and therefore whether there is likely to be an economic output in relation to the litigation given that liability has not yet crystallised in respect of the 550 claimants and wont until after the third trial but more likely 4th trial and in any event the claimant has not yet properly particularised their claim. That said, the executive and Board are rapidly moving to a position where settlement is looking increasingly likely and that an offer could be put forward after the summer period. If the executive and Board adopt that strategy, my understanding is that this shift in strategy which may mean that a provision should be made although it is still to be determined how much should be provided and whether there is a proper basis to make that provision. Moreover, the other challenge is just because Post Office decides that it wants to consider a making a settlement that does not mean that the claimants would accept such a settlement. By way of example, if the Board was of the view that it was more probable than not that it would offer a settlement and it was likely to be £18m then its probably unlikely that there is an economic output given that the Claimants aren't likely to accept it. Consequently, we may need to consider a range.

As the solicitors providing the oversight and advice to the Board we would appreciate your guidance on this issue. Could you liaise with PWC (our auditors) in relation to this matter as part of our audit process.

We will need to draft a board paper which sets out the accounting reporting requirements, factual matrix and analysis together with the recommendation for the ARC and July Board (I have set out the proposed structure below). I will be important to ensure that once we have reached a conclusion on whether a provision has to be made and the disclosure statement, that we socialise that to Carla Stent (Chair of the ARC beforehand).

Tom & Tom – a query was raised as whether the provision has to be separately stated as Group Litigation or does it get bundled up with other amounts.

It may be helpful if we all join the call once its arranged. I've copied in my PA, GRO

Ben Foat
General Counsel
Post Office Limited

GRO

From: lucy.h.mason GRO
Sent: Wednesday, June 19, 2019 1:02:41 PM
To: Ben Foat
Cc: Rodric Williams; Chris Neale (UK - Assurance)
Subject: Re: FW: Post Office, WBD, PwC call – Group Litigation

Thanks Ben, that is certainly helpful.

We would still like to have a call with HSF if you could continue to chase them to arrange something.

Given they are doing more of an oversight role from an executive / board perspective, would it make sense to have them review your paper, once completed, given that may also be presented to the board at some point? Might be a good idea to think about having them do this?

Thanks,

Lucy

Lucy Mason (UK - Assurance)PwC | Senior ManagerMobile: GRO Email:

GRO PricewaterhouseCoopers LLPCentral Square, 29 Wellington Street, Leeds, LS1 4DLwww.pwc.co.uk

**At PwC we work flexibly - so whilst it suits me to email now, I do not expect a response or action outside of your own working hours.
Please note, Friday is my non-working day.**

On Tue, 18 Jun 2019 at 18:36, Ben Foat [GRO] wrote:
Hi Lucy

Good question.

Following the common issues judgment, the Board wanted to have further assurance regarding the conduct of the Group Litigation matter and in particular the legal strategy. Consequently, Herbert Smith Freehills, was appointed by the CEO to provide a quasi independent oversight role over the matter reporting to the executive and Board subcommittee. Womble Bond Dickinson remain the solicitors on the record and who principally have carriage of the matter and undertake the work in defending the litigation.

Hope that helps. Let me know if you need any more detail.

Kind regards
Ben

Ben Foat
General Counsel
Post Office Limited

[GRO]

From: lucy.h.mason [GRO]
Sent: Tuesday, June 18, 2019 3:56:13 PM
To: Ben Foat; Rodric Williams
Subject: Re: FW: Post Office, WBD, PwC call – Group Litigation

Hi Ben and Rod,

Just a quick point to clarify with you, obviously Andy from WBD was very helpful this afternoon on the call to provide some external context to us. We have also mentioned HSD as being involved in previous discussions. Could one of you really succinctly set out what services each party has been engaged to provide for POL as at the moment, Chris and I are both a little unclear as to HSD's role.
Many thanks in advance,

Lucy

Lucy Mason (UK - Assurance)PwC | Senior ManagerMobile: [GRO] Email:
[GRO] PricewaterhouseCoopers LLPCentral Square, 29 Wellington Street, Leeds, LS1 4DLwww.pwc.co.uk

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On Tue, 18 Jun 2019 at 14:28, Ben Foat [GRO] wrote:
All

I thought it would be helpful to have a summary of the call we have just had on the ARA – Group Litigation.

The pathway forward is to have:

1. a draft board paper which sets out:
 - a. The accounting requirements [Lucy has provided this before so can have the pen but equally Tom Lee / Tom Woodhouse can provide]
 - b. Status of the litigation and the factual matrix [Andy and Rod]
 - c. Table with facts supporting provision and those against provision [Ben, Andy & Rod first pen and then Tom Woodhouse and Tom Lee]
 - d. Risk appetite statement [Ben]
 - e. Recommendations
2. Legal note from WBD setting out the legal position [PWC to WBD]
3. Update ARA Disclosure [updated subjected to above analysis]
4. Update meeting with CEO and GC with PWC and POL Finance [GRO] can you arrange the call]
5. Further working group call next week to update and confirm outstanding items including first draft of board paper [GRO] can you arrange to call]

Feel free to add / clarify.

Kind regards
Ben

Ben Foat
General Counsel
Post Office Limited

[GRO]

From: Tiffany Readhead
Subject: FW: Post Office, WBD, PwC call – Group Litigation
When: 18 June 2019, 12:00 - 13:00
Location: Skype Meeting

-----Original Appointment-----

From: Tiffany Readhead [GRO]
Sent: 14 June 2019 10:52
To: Tiffany Readhead; Rodric Williams; andrew.paynter [GRO] christopher.n.neale [GRO]
lucy.h.mason [GRO] Andrew Parsons
Subject: Post Office, WBD, PwC call – Group Litigation
When: 18 June 2019 12:00-13:00 (UTC+00:00) Dublin, Edinburgh, Lisbon, London.
Where: Skype Meeting

Join Skype Meeting

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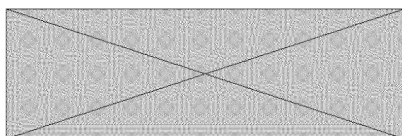
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