

7 February 2007
By Fax & Post

Bond Pearce LLP
Ballard House
West Hoe Road
Plymouth PL1 3AE

PRIVATE AND CONFIDENTIAL

Mr L Castleton
Marine Drive Post Office
14 South Marine Drive
Bridlington
YO17 0UX

Tel: **GRO**
Fax: **GRO**

GRO

Our ref:
SJD3/KAK2/348035.134
Your ref:

Dear Sir

Post Office Limited v Yourself

Pursuant to the Order dated 22 January 2007 of His Honour Judge Havery QC, you were ordered to pay the Post Office:

1. the sum of £32,273.11 in respect of the Judgment debt and interest up to 22 January 2007. Further interest accrues on the principle sum of £25,858.95 from 22 January 2007 at the rate of 8% per annum.
2. the Post Office's costs when occasioned by the claim and the counter-claim along with such VAT that they cannot recover from HMRC, to be subject to a detailed assessment (if not agreed) on the standard basis up to and including 26 January 2006 and thereafter on the indemnity basis.
3. interest on the costs paid by the Post Office prior to 22 January 2007 from the date of such payments until 22 January 2007 at the rate of 10% over the Bank of England base rate.
4. By 4pm on Monday 19 February 2007, you are ordered to make an interim payment on account of the Post Office's costs in the sum of £50,000.

We enclose a copy of the Order for your ease of reference, although you should have already received a copy directly from the Court.

We would like to agree the Post Office's costs with you. So far, the total amount we have invoiced the Post Office is as follows:

Our charges	£105,917.55
Disbursements (such as Counsel's fees, Expert's fees, Court fees etc)	£129,550.96
VAT	£ 40,409.10

We are instructed that the Post Office can only recover 12.18% of the VAT it pays from HMRC and therefore they would seek to cover the balance of 87.82% of the VAT from you ie the sum of £35,487.27.

Total **£270,995.78**

We invite you to agree the Post Office's costs at this amount. Both you and your solicitors have previously been supplied with detailed costs breakdowns, so you should already have a good idea of how those costs have been incurred. Please confirm within 7 days of the date of this letter whether you are willing to agree the Post Office's costs at this amount. If we are unable to agree the amount of costs with you, then we will instruct a costs draftsman to prepare a formal bill of costs and we will then initiate costs assessment proceedings without further reference. However, if we do that, we will incur further costs which we will also seek to recover against you. For this reason, we hope that you will be able to agree the costs with us.

In addition, interest accrues on the Post Office's costs and the Post Office's position in that regard is reserved.

Kindly acknowledge receipt. We await hearing from you.

Yours faithfully

Bond Pearce LLP