

Date: 20 April 2006
 Your ref: SJD3/FAC1/348035.134
 Our ref: MDT.113969
 Please ask for: Mark Turner
 Direct dial: **GRO**
 Direct fax: **GRO**
 E-mail: **GRO**



Bond Pearce
 Solicitors
 DX 8251
 PLYMOUTH

By Fax Only

Dear Sirs

Post Office Limited -v- Castleton

Thank you for your faxed letters of 5 and 13 April. We apologise for the delay in reverting to you, caused in part by the writer's absence from the office last week **GRO** and then annual leave following the Easter bank holiday.

As you know, we recently had a conference with counsel and with our client to deal with settling Replies to your client's Part 18 Request for Further Information. As part of a general review of this claim, we also considered the issue of mediation.

We have previously made clear that our client is happy to mediate this claim. We made clear at the outset however our reservations regarding the usefulness of a mediation before disclosure had taken place. We do not propose to rehearse the reasons again here. Suffice it to say that we do not accept your client's contention that the balance snapshots are a "red herring".

In any event, there are other categories of documentation that we believe we need to have sight of before a meaningful mediation can take place. Foremost among them is the comprehensive audit trail for Marine Drive Post Office that we have requested previously. We do not believe you have ever actually addressed the issue of whether it is accepted that such a document exists nor whether your client will provide disclosure of it.

Your client's position, as set out in your letter of 6 March, is that *"Purely for the sake of commercial expediency, the Post Office is willing in principle to consider a mediation to hear Mr Castleton's proposals to settle the outstanding indebtedness"*. With the greatest of respect, this does appear to create a very clear impression that your client has prejudged the outcome of the mediation and is seeking to set constraints on what it is willing to discuss at a mediation.

Our client presently has not proposals to settle the alleged indebtedness. Given your client's position, we question whether any useful purpose would be served in incurring the costs of a mediation if there is no realistic prospect of a compromise being reached. The fees of the mediator whom you have proposed are £3,500 plus VAT, with the costs of the mediation venue to be added.

When you then add to that figure the parties' respective costs of preparing for and attending the mediation, it is apparent that the costs associated with the process will be quite considerable indeed. We do not think it would be sensible to incur those costs when, as things stand, there appears to be little prospect of the parties being able to mutually acceptable compromise.

Quay House • Quay Street • Manchester M3 3JE • Tel **GRO** • Fax **GRO**
 DX 14352 MCR-1 • Email law@rowecohen.com • Website www.rowecohen.com

Partners: S. E. Cohan • I. Rowe • D. J. Horvich • I. N. Lewis • M. V. Hymanson • G. P. Small • A. Dennison • B. T. Coghlan • J. V. Dwyer • A. Farley • A. Sacks • A. Taylor
 M. C. Woodall • R. J. Sproston • S. Room • A. Curran • R. J. Myer • H. Burns • S. P. Sutton Associates: L. E. Swerling • A. D. Owens • M. Molloy • P. Simpson Consultants: M. T. Horvich

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As things stand, the parties' positions are entrenched. Their respective arguments have, by and large, been set out in correspondence and neither party is prepared to give any ground. Without further evidence becoming available between now and any mediation, we suspect that nothing will change those respective positions and, as a result, the mediation would not be productive.

On balance, and having discussed the matter at some length with both our client and with counsel, we believe that there is a greater prospect of that impasse being broken if the proposed mediation takes place following completion of disclosure and inspection.

For the complete avoidance of doubt, this letter should not be interpreted as an indication that our client is not prepared to mediate this claim. Mr Castleton is happy to mediate the dispute once disclosure has been given.

We appreciate that the agreed directions timetable made provision for a mediation prior to disclosure. We do not believe, however, that there will be any significant difficulty in accommodating a mediation following disclosure and in tandem with the remaining directions.

We look forward to hearing from you with your thoughts in this regard.

Yours faithfully

GRO

ROWE COHEN