

10-NOV-2006 11:09 FROM ROWE COHEN SOLICITORS

TO GRO

P.01/03

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Re: The Post Office -v- Lea Castleton

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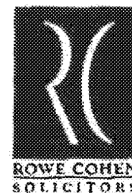
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10-NOV-2006 11:09 FROM ROWE COHEN SOLICITORS

TO GRO

P.02/03

Date: 10 November 2006
Your ref: SJD3/FAC1/348035.134
Our ref: MDT.113969
Please ask for: Mark Turner
Direct dial:
Direct fax :
E-mail:

GRO

Bond Pearce
Solicitors
DX 8251
PLYMOUTH

Without prejudice except as to costs

Dear Sirs

Post Office Limited -v- Mr L Castleton

We refer to our conversation yesterday. We have now received via our counsel your client's response to the offer made by counsel to your counsel on 8 November.

Our client would be prepared to settle this claim on the following terms:

1. The terms of settlement are embodied in a Tomlin Order rather than a judgment, given that a judgment may well impact on our client's ability to re-enter the financial services sector in due course. An obligation to pay set out in the Schedule to the Order would be readily convertible into a judgment by your client pursuant to the liberty to apply as to implementation provision, if required.
2. The Defendant will pay the amount of the claim, £25,858.95, in full.
3. Interest will be payable from 23 March 2004 to date and continuing to pay at 1% above base rate applicable during the period (or such other rate over base rate at which your client is able to borrow).
4. The Defendant will pay the Claimant's costs to be assessed if not agreed (except as otherwise ordered):
 - 4.1 on the standard basis to 26 January 2006 (i.e. to 21 days after the date of your client's purported Part 36 offer letter); and
 - 4.2 on the indemnity basis from 26 January 2006 onwards
5. The Defendant will make a payment on account of costs of £30,000.
6. There be an exchange of letters as previously discussed, viz:
 - 6.1 The Post Office sets out that there no allegation of dishonesty is or has been made against Mr Castleton and that these proceedings were simply a claim for him to make good a shortfall in the accounts of the Post Office's branch at Marine Drive pursuant to his contractual obligations;
 - 6.2 Mr Castleton sets out that he withdraws his allegations in relation to the Horizon system.
7. Payment to be made within 21 days. The reason for this rather than the 14 days which we understand that your counsel indicated to our counsel is that our client is in the process of arranging a re-mortgage and it may be that funds will not be available within the 14 day period.

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P.02

10-NOV-2006 11:09 FROM ROWE COHEN SOLICITORS

TO GRO

P.03/03

In relation to the offer set out in your letter of 5 January 2006, we note that it does not strictly speaking comply with the requirements of Part 36 since it was expressed as a lump sum settlement figure which was inclusive of costs. Your client cannot therefore be certain that it will attract the costs consequences of a true Part 36 offer (although we do recognise that the court has a discretion in this regard and that it can take it into account).

The above proposal gives your client almost everything that it seeks. We hope that your client will view it as a constructive attempt to bring these proceedings to a resolution at least further cost, bearing in mind the proximity of trial and the costs which would necessarily be incurred over the coming weeks if it should proceed.

We would invite you in light of this proposal to seek to agree with your client's counsel that the first tranche of his brief fee be delayed from next Monday to allow settlement discussions to proceed without further substantial costs accruing.

Yours faithfully

GRO
ROWE COHEN