

F

6 November 2006

Rowe Cohen  
Solicitors

GRO

**Bond Pearce LLP**

Ballard House  
West Hoe Road  
Plymouth PL1 3AE

Tel: GRO  
Fax: GRO  
GRO

stephen.dilley GRO  
Direct: GRO

Our ref:  
SJD3/JL1/348035.134  
Your ref:  
MDT/113969

Dear Sirs

**Post Office Limited v Mr L Castleton**

We refer to our letter dated 3 November.

We have now received a sealed copy of the Order dated 23 October 2006. We enclose this for your records.

Kindly acknowledge receipt.

Yours faithfully

Bond Pearce LLP

**Enclosure:**

Order

6 November 2006

Stephen Hall  
Grant Thornton UK LLP  
11-13 Penhill Road  
Cardiff  
CF11 9UP

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

Tel: [REDACTED] GRO  
Fax: [REDACTED] GRO  
[REDACTED] GRO

stephen.dilley@bondpearce.com GRO  
Direct: [REDACTED] GRO

Our ref:  
SJD3/JL1/361208.1  
Your ref:

Dear Stephen

**Goldcrest Furniture Limited (In Liquidation)**

Thank you for your e-mail of 30 October.

I enclose a cheque for £7,474.44 which is actually made out to Goldcrest Furniture Limited (In Administration). As it is not made payable to Bond Pearce, I have not paid it in nor deducted payment of our invoice dated 25 October.

Kind regards.

Yours sincerely

**Stephen Dilley**  
Solicitor  
for and on behalf of Bond Pearce LLP

**Enclosure**

Cheque £7,474.44

B

6 November 2006

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Solicitors

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Bond Pearce

**GRO**



06 November 2006

Our ref: TLQ/06/0500

Your ref: SJD3/KAK2/348035.134

Dear Sir or Madam:

Post Office Ltd v Castleton

The Queen's Bench Judges Listing Office acknowledges receipt of your letter dated 31<sup>st</sup> October 2006.

If both parties consent to a pre trial review, please inform this office that dates agreed and we will proceed to list the matter.

If the other party opposes a pre trial review, you will have to issue an application notice. If that is the case, please send the notice and fee of £100 to this office and we will list the matter.

Yours faithfully,

**GRO**

Mr J Tipp  
QB Listing Office



INVESTOR IN PEOPLE



CUSTOMER SERVICE EXCELLENCE

Stephen Dilley

---

**From:** Pinder Brian [GRO]  
**Sent:** 06 November 2006 17:46  
**To:** Stephen Dilley  
**Cc:** Tom Beezer; mandy.talbot [GRO]; graham.c.ward [GRO];  
martyn.mitchell [GRO]; Sewell Peter (FEL01)  
**Subject:** RE: Post Office Limited -v- Lee Castleton  
**Importance:** High

Stephen

Please see attached response (from Gareth Jenkins) interleaved, in answer to your questions.

Kind Regds Brian

---

1. Every time that a new customer is served there is a new "session." Each customer's transactions are recorded in a "stack." For each session:

(a) the number of transactions is recorded;

[GIJ]. The number of transactions is not explicitly recorded. However there is a separate record for each transaction so the number of transactions can be inferred. NB each MOP used is also a transaction and so these transactions are also recorded.

(b) the total cost is shown;

[GIJ] Again the total cost is not explicitly recorded. The running total is maintained visually on the screen, but if multiple payment methods are used, there is no explicit recording of the total cost in the Audit Trail.

(c) the method of payment is recorded;

[GIJ] Method of Payment products are just recorded as additional transactions. There is nothing special about them. Specifically there is nothing to say that they are MOPs (other than realising that the products related to the transactions are normally used for MOP).

(d) settlement occurs by pressing a button to clear the stack; and

[GIJ] This is a two stage process:

- A button is pressed to start settlement
- MOP transactions are then recorded until the session is complete (ie value of MOP transactions equal the value of business transactions). This is frequently achieved with a shortcut "Fast Cash" MOP which indicates that the exact cash has been tendered.

(e) when the button is pressed to clear the stack, the transaction is complete and records the information on to the database.

[GIJ] This recording of the transactions occurs when all MOP transactions have been added to the stack and the net stack value is zero.

2. If machine freezes before the button is pressed to clear the stack, the information is not recorded because the transaction has not been completed.

[GIJ] Correct. However in some circumstances (ie for specific types of transaction) there may be an

07/11/2006

indication of the transaction having taken place in the Audit Trail and recovery of the terminal (even a few days or) may cause the transaction to complete and to be recorded at recovery time. Also, Transactions relating to Failed Mails Labels are recorded immediately rather than waiting for the stack to be settled.

---

**From:** Stephen Dilley [GRO]  
**Sent:** 06 November 2006 10:38  
**To:** Pinder Brian  
**Cc:** Tom Beezer; mandy.talbot [GRO]; graham.c.ward [GRO];  
martyn.mitchell [GRO]  
**Subject:** RE: Post Office Limited -v- Lee Castleton  
**Importance:** High

Dear Brian,

We're preparing a supplemental witness statement for Greg Booth to cover off the event at Newby P.O.

Please can you confirm whether the text below is accurate:

1. Every time that a new customer is served there is a new "session." Each customer's transactions are recorded in a "stack." For each session:
  - (a) the number of transactions is recorded;
  - (b) the total cost is shown;
  - (c) the method of payment is recorded;
  - (d) settlement occurs by pressing a button to clear the stack; and
  - (e) when the button is pressed to clear the stack, the transaction is complete and records the information on to the database.
2. If machine freezes before the button is pressed to clear the stack, the information is not recorded because the transaction has not been completed.

I look forward to hearing from you as soon as possible today.

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
DDI: [GRO]  
Main office phone: [GRO]  
Fax: [GRO]  
[www.bondpearce.com](http://www.bondpearce.com)

---

**From:** Pinder Brian [GRO]  
**Sent:** 02 November 2006 14:37  
**To:** Stephen Dilley  
**Cc:** Tom Beezer; mandy.talbot [GRO]; Richard Morgan; graham.c.ward [GRO];  
martyn.mitchell [GRO]  
**Subject:** RE: Post Office Limited -v- Lee Castleton

07/11/2006

Stephen

You might wish to note that:

*Should the system be restarted (for any reason – including following a “freeze”), there will be evidence of this in the Audit trail (**which we have in fact been examining in this case**). Normally the only system restarts are as part of the overnight “clear desk” function that occurs between 03:30 and 04:00 each day. Any other restarts can be considered unusual and could be searched for.*

Regards Brian

---

**From:** Pinder Brian

**Sent:** 01 November 2006 15:05

**To:** 'Stephen Dilley'

**Cc:** Tom Beezer; mandy.talbot [GRO] Richard Morgan; graham.c.ward [GRO]  
martyn.mitchell [GRO]

**Subject:** RE: Post Office Limited -v- Lee Castleton

Stephen

On initial investigation I am advised as follows;

The gateway was rebooted at about 13:25 on Wed 25th October, *possibly* because the system froze when printing the receipt for a postage label. The label itself had been successfully printed at 13:17 (value £1.27).

So the postage label would have been on the stack, but the session was never settled. Any transactions on the stack in these circumstances are lost (there is a recovery mechanism for banking and AP transactions, but not for other types of transactions).

The documentation provided to the PM should tell them what to do when the system fails in the middle of a session, or NBSC should advise.

If the PM took the money for the label although the stack hadn't / couldn't be settled, then he will have a gain.

This is not strictly speaking a transaction being lost, it has always been a fundamental part of the design that the transaction is not written to the system for accounting purposes until the session is settled, at which point you have a set of transactions including settlement which net to zero..

I hope this is helpful

Kind Regards Brian

---

**From:** Stephen Dilley [GRO]

**Sent:** 31 October 2006 16:04

**To:** Pinder Brian

**Cc:** Tom Beezer; mandy.talbot [GRO] Richard Morgan; graham.c.ward [GRO]  
martyn.mitchell [GRO]

**Subject:** Post Office Limited -v- Lee Castleton

**Importance:** High

Dear Brian,

One of the witnesses in the Castleton case is Greg Booth who was the temporary sub-postmaster at Marine Drive branch from 21 April to 28 May 2004. Greg is currently the manager of the Newbury Post office branch, 401 Scalby Road, Scarborough, YO12 6TQ.

Greg spoke to me last week and reported that his computer froze on Wed 25 or Thurs 26 October 2006 (I will clarify which day) whilst he was serving a customer and part way through a transaction. The transaction had not been settled. It related to a postage label. When he logged back in again, the computer had lost the transaction of £1.27. The computer did

07/11/2006

not prompt him to try to recover it. Greg is away this week, but I will be contacting him upon his return to obtain a supplemental witness statement about this point. Prior to then, Greg's evidence was that he had never known the system to lose a transaction. In this particular case, Greg was £1.27 up because he had taken money from a customer. However, I anticipate the reverse would have happened if he had been paying money out.

Although this is for a small amount, the principle on the face of it seems concerning because it suggests that the Horizon system can, (albeit rarely), lose transactions. Castleton's solicitors will try to exploit any weakness and we must be prepared for a possible attack on this point. Our Counsel has requested that Fujitsu review the Newbury Post Office's Horizon data for those days period to see if you can tell whether the system froze and lost the transaction and what the explanation may be.

We have to serve Witness Statements very shortly. I will have to prepare a supplemental Witness Statement for Greg Booth dealing with this and may possibly need to take a further Witness Statement from somebody at Fujitsu, depending on your explanation. Accordingly, I would be grateful if you could look into this and come back to me as a matter of urgency.

Kind regards.

Yours sincerely

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP

DDI:   
Main office phone:   
Fax:   
[www.bondpearce.com](http://www.bondpearce.com)

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**Stephen Dilley**

---

**From:** Stephen Dilley  
**Sent:** 06 November 2006 17:37  
**To:** 'Mike.Mason' [GRO]  
**Cc:** Geoff.Porter [GRO] Tom Beezer  
**Subject:** RE: POST OFFICE

Dear Mike,

Thanks for your email.

I am seeking immediate instructions on 2. and will revert to you very shortly.

In response to para 4. i.e whether the spmr was making mistakes in counting giro, the short answer is no. This is dealt with in 5 of our witness statements that I sent to Geoff a few weeks ago. (Also see my email of 3 November to you). See Paul Williamson (giro), Ken Crawley (pension), Michael Johnson (lottery), Gillian Hoyland (cheques) and Wendy Smith (APS). There were 15 error notices in 2003 to 2004, so he wasn't making significant errors.

If at any stage you have any queries, please do not hesitate to contact me.

Kind regards.

Stephen Dilley

---

**From:** Mike.Mason [GRO]  
**Sent:** 06 November 2006 17:08  
**To:** Stephen Dilley  
**Cc:** Geoff.Porter [GRO]  
**Subject:** POST OFFICE  
**Importance:** High

Stephen - I have looked through the papers sent. I haven't had a chance to read the statements etc.

Would you please note the following:

1. As I explained to you on the telephone - I am already in Court on 4 December. In addition, given the short time frame we have - it would be better if Geoff Porter takes on this case as the expert. Geoff has many years experience and is authorised by BDO to appear in Court and to act as the expert. We operate a licensing system at BDO in respect of expert witness work and Geoff is authorised. Geoff has also examined much of the documents.
2. I have costed the job and I believe this will cost between £25,000 to £30,000 excluding VAT and disbursements. This includes reviewing the other sides report and meeting with the expert. This does not include any Court attendance. If our costs are less than this (and they might be) - I will invoice the lower cost. If it transpires that our costs are likely to exceed this I will advise you immediately we realise this.
3. Geoff is on annual leave until this Thursday, but I can see that we very well might need to investigate a number of matters not yet considered. Our computer expert has spotted a possible cause of an error from the system documentation. Apparently the sub-postmaster is sent the cash for pensions etc in a wallet that has a barcode and the cash figure gets into the branch accounting system

06/11/2006

if stock message with Cash A/c. + tell him that C didn't keep records.  
by scanning the barcode. We do not know if Castleton counted the cash or just accepted the barcode. It is possible for there to be errors in the cash that is sent to a branch. It might be worth getting an independent report of what cash was sent from the regional cash office to Castleton each week.

4. When we looked at this originally I had thought about whether Castleton could have been making mistakes in remittances out of the branch (e.g. does he make a mistake in counting cashed giros sent to head office. The Post Office were rather vague about this, there is a comment by the auditor or line manager to the effect that I asked Chesterfield and they said there were no significant differences. It would be useful to have a contact in the Post Office who is able to check that there are no errors (or to quantify any that were noticed).

Apart from this we seem to have all that we need. However, as we progress the report it is often the case that other issues come to light. We will probably be asking for other documents as we carry out our investigations. This cannot be avoided at this stage.

Can you please advise me whether the above is acceptable and I will then organise our standard letter of engagement.

Regards

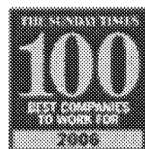
Mike Mason  
Director

BDO Stoy Hayward

Arcadia House  
Maritime Walk  
Ocean Village  
SOUTHAMPTON  
SO14 3TL

Tel:   
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**IN THE HIGH COURT OF JUSTICE**  
**QUEEN'S BENCH DIVISION**

**Claim No: HQ05X02706**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**-and-**

**LEE CASTLETON**

**Defendant**

---

**BUNDLES INDEX**

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<b><u>Bundle No.</u></b>	<b><u>Contents</u></b>
1	Claim Form, Amended Particulars of Claim, Amended Defence, Further Information of Defence, Amended Reply, Orders, allocation questionnaires, Claimant's List of Documents, Defendant's List of Documents.
2	Core Bundle containing the terms of Mr Castleton's contract and his signed acceptance of the same,
3	Witness Statements
4	Experts' Statements
5	Horizon Manual
6	Primary documents (non-accounting) in chronological order
7	Accounting documents in chronological order by week

*Interpales corre.*

Stephen Dilley

---

**From:** Stephen Dilley  
**Sent:** 06 November 2006 10:38  
**To:** 'Pinder Brian'  
**Cc:** Tom Beezer; mandy.talbot [GRO]; graham.c.ward [GRO];  
martyn.mitchell [GRO]  
**Subject:** RE: Post Office Limited -v- Lee Castleton  
**Importance:** High

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Please can you confirm whether the text below is accurate:

1. Every time that a new customer is served there is a new "session." Each customer's transactions are recorded in a "stack." For each session:
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**Subject:** RE: Post Office Limited -v- Lee Castleton

06/11/2006

Step 1

You might wish to note that:

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06/11/2006

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Kind regards.

Yours sincerely

Stephen Dilley  
Solicitor

for and on behalf of Bond Pearce LLP

DDI:

Main office phone:

Fax:

[www.bondpearce.com](http://www.bondpearce.com)

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Bond Pearce

# Telephone attendance

---

Client: Royal Mail Group PLC Sub Postmaster Litigation

Matter: Mr Lee Castleton

Matter no: 348035.134

Attending: Richard Morgan

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Name: Stephen Dilley

Location: N/A

Date: 6 November 2006

Start time:

Units:

---

I had a telephone conversation with Richard Morgan in relation to Greg Booth's Witness Statement. Basically he wanted to go over the order in which the transaction happened and wanted to amend paragraph 5 and also tweak paragraphs 6 and 7 and then ask what Greg did next. Making the changes to the Statement.

Thereafter discussing the ... explanation with Richard ie. namely that on Sundays Mr Castleton used two user ID's - this is mentioned in the Witness Statement either of Andrew Rise or Anne Chambers and that this had the result of doubling up cash declarations. Also explaining to Richard that I have the ... reports from Horizon listed for January but not February or March and I needed to get those too.

Richard is out of the office this afternoon from 3:30 p.m.

Time Engaged: 12 Minutes

Bond Pearce

# Telephone attendance

---

Client: Royal Mail Group PLC Sub Postmaster Litigation

Matter: Mr Lee Castleton

Matter no: 348035.134

Attending: Vicky Harrison

---

Name: Stephen Dilley

Location: N/A

Date: 6 November 2006

Start time:

Units:

---

I had a telephone conversation with Vicky Harrison.

She confirmed that the days in January where the figures don't match are mornings and evenings when Mr Castleton was using separate ID numbers. For example, on 8 January, he did two cash declarations and that is why the figure is so high.

She also said there were certain figures in the spreadsheet she had sent to me in bold. They are days when he didn't make a proper declaration.

She also confirmed that Mr Castleton doesn't have to print every declaration. He can merely make it into the computer.

Finally, she will get her colleague, Steve, to do the same spreadsheet that she sent me for January, for February and March 2004.

Thereafter asking her about the database and she said that the Post Office had to pay Horizon for over a certain number of requests, they had to pay Fujitsu for access. Therefore she didn't think someone in the Post Office could have access to all of this. I hypostasised that maybe they could, but they would just have to pay for it. In any event I can tell Mr Castleton's solicitors that Fujitsu have a database.

Time Engaged: 12 Minutes