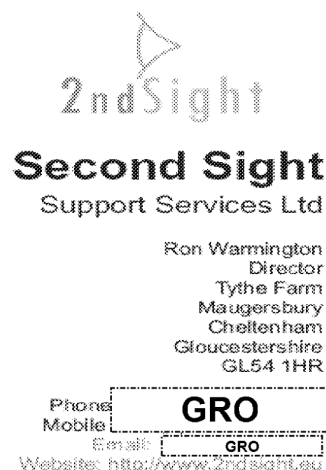


**PRIVATE AND CONFIDENTIAL**



Mr. C. Aujard  
General Counsel,  
Post Office Ltd  
(this letter is sent as an attachment to an email)

8<sup>th</sup> October, 2014

Dear Mr. Aujard,

**Second Sight's Engagement**

Thank you for your letter of 24<sup>th</sup> September, which was referred to in our meeting with you and others on 30<sup>th</sup> September.

It is appropriate that we respond, as we equally have concerns with the manner in which this engagement is being handled.

Although we have detailed comments on each of the points raised in your letter it is probably sufficient, at this stage, for us to just address our major issues of concern. Should you wish to follow up in more detail then we are ready to do so.

You refer in section (1) of your letter to our rate of delivery of Draft CRRs and our Part Two report. We accept and acknowledge that we have not delivered at the anticipated rate of three Draft CRRs per week as indicated, and indeed committed to, in the 12<sup>th</sup> June Working Group conference call.

Given our performance in this area we had, as you know, already put in place, before receipt of your letter, measures to allow us to increase our rate of production and we are confident that the planned increased production target will enable the remaining 'backlog' to be eliminated by the end of this current month. You are aware that one of the factors affecting our ability to meet the previously agreed delivery target was the decision by the Working Group to delay the delivery of both Draft and Final CRRs until after our Part Two Report had been issued and considered.

You also briefly mention the delivery of our Part Two Report. You will recall that at the time of producing what became known as the Part One Briefing Report, we identified that there would be a requirement to produce a Part Two Report. At that time we clearly stated and subsequently repeated our position that for this to be a fully evidence-based report it would be necessary for us to have reviewed and analysed a significant number of cases. In March we had received virtually no POIRs so it would have been inappropriate for us to produce this Part Two Report at that point. We were however then put under significant pressure from the Working Group and, in particular the Chair, to accelerate the production of the Report or parts thereof.

This we did and notwithstanding the significant adverse impact on our other tasks, including those as referred to above, we achieved our stated target of producing the Report by end August, although there will potentially be more work to be done as further cases are reviewed.

In section (2) of your letter you express concern as to the manner of delivery of our work. We were surprised and disappointed to receive this comment since the Working Group, to whom we report (not Post Office), has made no such criticism of our work.

You further criticise us for not responding to comments from Post Office on our Draft CRRs. This was never part of the agreed process and would significantly add to the work involved at a time when we are attempting to minimize costs. A simple comparison of the differences between a Draft and a Final CRR will however show that, where possible, we do reflect observations and suggestions that have been made by both Post Office and the Applicant.

Insofar as our engagement is concerned, your request that you "...expect a Second Sight Director to attend Post Office offices within a reasonable time of a meeting being requested, just as Post Office expects and receives from the other professionals it engages." seems to indicate a difference of opinion as to the basis on which we are engaged.

We have been engaged to provide support to the Working Group, as your Engagement Letter of 1<sup>st</sup> July clearly states. Given the very nature of the assignment, to compare our role and relationship with Post Office as being the same as other professional advisors that you might engage, appears to us to be based on an incorrect premise.

We will however continue to provide our services to the Working Group, including for the avoidance of doubt Post Office, in a fully professional and appropriate manner.

Finally, as in your letter, we turn to the issue of 'value for money'. We fully agree that many parties, including Post Office, have "...invested a considerable amount of valuable time and resource to provide Second Sight with information." We acknowledge this and we are indeed grateful for the assistance of your team, and others, in helping us fulfil our mandate.

It does seem, however, that there is a misunderstanding about the reason for any possible change of our billing arrangements.

The current basis for our compensation is that contained in the Fee Schedule appended to the 1<sup>st</sup> July 2014 Letter of Engagement, in which "Post Office agrees to pay Second Sight an hourly rate of £150 plus VAT.....".

At a meeting with Belinda Crowe and others on 30<sup>th</sup> July we were requested to submit a revised charging methodology that would allow greater certainty of monthly and overall cost.

We agreed to consider this and to revert with a proposal, which we have done, essentially suggesting a fixed rate per report of £3,500. You have indicated in your letter and in our recent meeting that this is unacceptable. Although the room for making significant amendments is limited, we will formulate a revised proposal that will allow our remuneration to be linked more clearly to report production and will provide even greater granularity and transparency. Given the passage of time, and the number of cases that represent 'work in progress', it does not however seem sensible to try to implement any new basis with effect from 1<sup>st</sup> September and we suggest that any change should more logically now be implemented no earlier than 1<sup>st</sup> October.

Despite your stated criticisms, most of which we consider to be largely unfounded we will continue to try to engage with you and your team in the same spirit of cooperation as demonstrated to date.

Yours sincerely,

A large, bold, black signature that reads "GRO" is enclosed within a dashed rectangular border.

Ronald J. Warmington CFE, FCA  
Director