



DERBY CITY COUNCIL

RESOURCES DEPARTMENT

Don McLure
Corporate Director

PO Box 6291 Council House, Corporation Street, Derby DE1 2YL

PKF (UK) LLP
5 Temple Square
Temple Street
Liverpool
L2 5R

Your ref:
Our ref: DMc/PM
Date: 11 June 2009
Contact: Peter Morris
E-mail: Peter.morris@derby.gov.uk
Telephone: 01332 5353
Minicom: 01332 256666
Fax: 01332 256149

Dear Sirs

Representation letter in respect of Derby Homes Limited

This representation letter is provided in connection with your audit of the financial statements of Derby Homes Limited for the year ended 31 March 2009 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2009 and of its profit and cash flow for the period 1 April 2008 to 31 March 2009 in accordance with Companies Act 1985.

I confirm, to the best of my knowledge and belief by having made appropriate enquiries, the following representations:

Management fee

The management fee payable to Derby Homes Limited, in respect of services provided to Derby City Council, amounts to £11.6m for the period 1 April 2008 to 31 March 2009.

Inter company balances

All amounts due to and payable by Derby City Council as at 31 March 2009 in respect of services exchanged between Derby Homes Limited and the Council have been identified and notified to Derby Homes Limited so that accounting entries in relation to these can be considered complete.

Cash balances attributable to Derby Homes Limited

The cash balance attributable to Derby Homes Limited, held under the umbrella of the Council's bank account as at 31 March 2009 amounts to £2.7m cleared funds per the bank statement. The reconciled balance within Derby Homes' balance sheet is £2.6m.

Cont'd/

www.derby.gov.uk



Payroll Services
1000004

Going concern and pension liabilities – FRS17

Under FRS 17 the company must account for the net surplus or deficit arising from its share of the pension assets and liabilities in respect of its employees who are members of the Derbyshire Superannuation Fund. As at the 31 March 2009, there was a net deficit of £5.66m in respect of the company's pension liabilities. The company does not have sufficient reserves to offset this deficit and therefore the parent organisation, Derby City Council undertakes to provide continuing financial support to enable the financial statements of Derby Homes to be prepared on a going concern basis.

Yours faithfully



Don McLure
Corporate Director of Resources