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Phil Davies
Director
Derby Homes Limited
3rd Floor
South Point
Cardinal Square
10 Nottingham Road
Derby DE1 3QT

17 September 2002

Our ref: LMH

Dear Phil

External audit services

Further to our meeting yesterday, I am pleased to provide a summary of the issues we discussed and clarified in respect of our proposed external audit service for Derby Homes Limited ('the Company').

Corporation tax

As discussed, our fees for the calculation and audit of the corporation tax values included in the Company's accounts have already been incorporated within the £10,000 fee quoted. The following services have not however been included within the fee quoted:

- Preparation and filing of the corporation tax return
- Corporation tax advice.

Our proposed fee for the preparation and filing of the corporation tax return is £500.

Our proposed arrangements for the provision of corporation tax advice to the Company is as follows:

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Nature of work	Proposed fee £
<p>Initial consultation on corporation tax issues comprising:</p> <ul style="list-style-type: none"> We will produce a paper on the issues you are likely to face for discussion with you We will meet with you to undertake an initial assessment of your corporation tax issues 	500
<p>Ad hoc advice as and when you require it will be provided by our corporation tax specialists based on the following rates. We agreed that our specialists would inform the Company when certain thresholds in fees have been met so that we can then discuss the most appropriate way forward. The initial threshold agreed was £1,500.</p> <p>Partner Director: £400/hour Manager: £140/hour Executive: £80/hour</p> <p>Based on our understanding of your business it is likely that the advice you will require will need input in the main from staff at manager and executive grades.</p>	1,500 (threshold)

Typing the final version of the accounts

We agreed that we will provide Lorraine's team with a template for completion of the accounts in the required format to meet Companies Act requirements. We also agreed that the accounts would be typed in their final form by PwC. The fees for both of these are incorporated within the £10,000 fee quoted.

Other matters

As discussed, I will ensure that you are included within relevant PwC distribution lists for our publications and invitations to events that may be of interest to you.

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I trust that you will find this response to be satisfactory. If you have any further queries, please do not hesitate to contact me.

With kind regards

Yours sincerely

Lynn Hine

Director

Assurance / Business Advisory Services