

PKF (UK) LLP
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Temple Street
Liverpool
L2 5RH

Your reference

Our reference

LW/SH

Date

26 July 2007

Contact

Lorraine Watson

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Dear Sirs

Financial statements of Derby Homes Limited for the period ended 31 March 2007

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the company, the following representations given to you in connection with your audit of the company's financial statements.

Responsibility for the financial statements

We acknowledge as directors our responsibility for the financial statements.

Completeness of information

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders' meetings (held during the year and up to the date of this letter) have been made available to you.

So far as each of the Directors is aware at the time the report is approved:

- There is no relevant audit information of which the company's auditors are unaware, and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information (s.234ZA (2)).

Fraud

We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud and we have disclosed to you the results of our assessment of the risk that the financial statements could be materially misstated as a result of fraud.

We are not aware of any fraud or suspected fraud affecting the company and no allegations of fraud or suspected fraud affecting the financial statements have been communicated to us by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations

We are not aware of any possible or actual instances of non-compliance with laws or regulations which are central to the company's ability to carry on business or which would otherwise have a potentially material effect on the financial statements.

Transactions with directors and other related parties

We confirm that we have disclosed to you all material related party transactions as listed in the financial statements.

In addition, the company has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for directors or connected persons nor to guarantee or provide security for such matters.

We are satisfied that the disclosure in the financial statements of related party transactions is appropriate and adequate and contains all the elements necessary for an understanding of the financial statements.

Control

We confirm that the company is controlled by Derby City Council (DCC).

Going concern

We confirm that we are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this conclusion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements will be approved.

Derby CC Creditor balance

We confirm that we are satisfied that it is appropriate for the financial statements to disclose amounts owed to DCC as included note 10.

Pension Indemnity

We confirm that any FRS17 pension liability is indemnified by Derby City Council.

Contingent Liability

We confirm that it is our opinion that no disclosure or provision for any contingent liabilities is required other than already recorded in the financial statements.

Subsequent events

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Yours faithfully

Signed:
Title: Chair

Signed:
Title: Chief Executive

Signed:
Title: Director and Company Secretary

For and on behalf of Derby Homes Ltd

Date: