

Mr Hamid Ghafoor
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Your ref:
Our ref: DMc/CLS
Date: 3 July 2007
Contact: Don McLure
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Dear Sir

REPRESENTATION LETTER IN RESPECT OF DERBY HOMES LTD

This representation letter is provided in connection with your audit of the financial statements of Derby Homes Ltd for the year ended 31 March 2007 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 2007 and of its profit and cash flows for the period 1 April 2006 to 31 March 2007 in accordance with the Companies Act 1985.

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

Management fee

The management fee payable to Derby Homes Ltd, in respect of services provided to Derby City Council, amounts to £10.9m for the period 1 April 2006 to 31 March 2007.

Inter company balances

All amounts due to and payable by Derby City Council as at 31 March 2007 in respect of services exchanged between Derby Homes Ltd and the Council have been identified and notified to Derby Homes Ltd so that accounting entries in relation to these can be considered complete.

Cash balances attributable to Derby Homes Ltd

The cash balance attributable to Derby Homes Ltd, included within the Council's ledger system and held in the Council's bank account as at 31 March 2007 amounts to £0.8m.

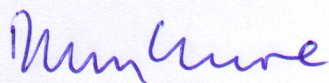
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Going Concern and pension liabilities – FRS17

Under FRS17 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 2007, there was a net deficit of £4.68m 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.

Potential National Minimum Wage Claim

Derby City Council undertakes to indemnify Derby Homes for the value of any claim, notice of assessment or negotiated settlement emerging from the current investigation by HMRC NMW office into the contract of employment of resident wardens between 1 April 1999 and 31 December 2001.



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Acting Corporate Director of Resources

For and on behalf of Derby City Council

Date: 31/7/07