



Grant Thornton

Nottingham City Homes Limited
Key Issues Memorandum
For the year ended 31 March 2008

Last updated 8 July 2008



Our Ref : JJ/KB

The Board of Directors
Nottingham City Homes Limited
14 Hounds Gate
Nottingham
NG1 7BA

8 July 2008

Dear Sirs

NOTTINGHAM CITY HOMES LIMITED (THE COMPANY) KEY ISSUES MEMORANDUM FOR THE YEAR ENDED 31 MARCH 2008

This Key Issues Memorandum (KIM) has been prepared in order to record the key matters arising from the audit of the financial statements for the year ended 31 March 2008. We have discussed our report with Julie Crook who confirms its factual accuracy, although the views expressed are those of Grant Thornton. The purpose of the document is further detailed in Section 1.

We would like to take this opportunity to thank the staff and directors for the co-operation and assistance afforded to us during the course of our audit.

Yours faithfully

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1 Introduction

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

1.1 Purpose of memorandum

This memorandum has been prepared for the benefit of discussion between Grant Thornton and the Board of Directors of Nottingham City Homes Limited. The purpose of this memorandum is to highlight the key issues affecting the results of the Company and the preparation of the financial statements for the year ended 31 March 2008.

The document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) (ISAUK) 260.

1.2 Responsibilities of the directors

The directors are responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that the directors confirm that our understanding of all the matters referred to in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Company.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose fraud or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might develop.

We would be pleased to discuss any further work in this regard with the Board.

1.3 Confidentiality

This memorandum is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Company arising under our audit engagement letter.

The contents of this memorandum should not be disclosed to third parties without our prior written consent.

1.4 Representation letter

A draft representation letter is attached at Appendix D.

The Board will need to have this letter printed on the Company's headed paper and sign the letter at the same time as the financial statements, at the meeting of the Board during July 2008.

2 Audit and financial reporting issues

2.1 Bank accounts

Our audit planning identified the treatment of bank accounts within the financial statements as an area of risk due to the unusual nature of the arrangements in place with Nottingham City Council ("NCC").

We understand that NCC hold 4 bank accounts in respect of NCH; each of these is separately identifiable as being for NCH purposes. The directors and employees of NCH do not have direct access to these accounts, with payment requests having to be processed via the Council. In addition, the staff and directors of NCH hold no authority over these bank accounts.

Resolution

Given NCH's lack of access to and control over the bank accounts, we concur with management's view that the bank account balances should be included in the financial statements as inter-company balances with NCC.

We have raised a recommendation in the respect in Appendix C.

2.2 Prior year adjustment for intangible assets

The 2007 financial statements included an intangible asset of £18.1m. From discussions with management, this represented 'purchased goodwill' and was created as a way of balancing the assets and liabilities of the company when NCH was established, effectively compensating in the balance sheet for the FRS 17 pension liability which needed to be recognised.

Purchased goodwill is associated with commercial transactions where the costs of purchasing a business exceed the value of the individual assets and liabilities. The goodwill is then written off over the period for which the value of the business as a whole exceeds the value of the individual assets, as a result of the acquisition. As the NCH creation was the transfer of an existing Council activity to a subsidiary company, with no change in ultimate ownership and a management agreement which includes the transfer of any profits back to NCC, then the recognition of purchased goodwill does not appear appropriate. At best, any goodwill recognised would have needed to be written off immediately as the value of the business does not exceed the value of the assets that make it up. In addition, the recognition of goodwill on creation of NCH is inconsistent with the treatment adopted by most of the ALMO sector.

NCH has taken the view that it would be more appropriate to adjust the 2007 figures to remove this asset. This has been done by using a prior period adjustment, which restates the accounts as though the goodwill had never been treated as an asset originally. The impact of this is to not only to remove the goodwill assets, thereby increasing the reserves deficit, but also to remove the annual charge to the profit and loss account, which in 2006/07 was £256k.

2.3 Prior year adjustment to pension disclosures

During the year, Nottingham City Homes has received an updated valuation of the pension scheme assets and liabilities from the scheme's actuary as at 31st March 2007. This valuation, which was not used to produce the 2006/07 accounts, restates the pension position following the Council's agreement to fully fund the original transfer value of the pension deficit.

The Company considers the revised valuation to be a more appropriate comparative for the 2007/08 accounts and have therefore restated the 2006/07 position. The result of this has been to alter the FRS 17 charge to the 2006/07 profit and loss account from a positive adjustment of £1,606k to a cost of £59k.

Resolution

The 2007 balance sheet has been restated and now shows substantial net liabilities and a much increased deficit on reserves. This treatment has been carried forward into the 2008 accounts. We agree that this is the most appropriate treatment of the pension liability, reflecting that this was not a commercial transaction.

Resolution

Given the importance of comparability within the financial statements, we agree that the restatement of the disclosures and FRS17 charges is appropriate given the updated valuation provided.

2.4 Provisions

Included within the financial statements are provisions amounting to £1.774m. The majority of these relate to redundancy costs, being £1.024m in respect of redundancy payments and £530k in respect of the associated pension strain (where the full pension is paid out at date of redundancy for employees over 50 being made redundant).

The remaining £220k is in respect of a number of employee claims against the company which are likely to be taken to an Industrial Tribunal. It also appears that there may be a significant number of follow on claims from other employees if certain of these cases be successful.

FRS12 requires provisions to be made for amounts that are likely to be paid as a result of a past event. For this to be the case, the payment must be probable. If a payment is only possible rather than probable, a contingent liability should be disclosed in the financial statements, giving some indication of the events which would cause the payment to be necessary. A contingent liability would not give rise to any charge to the accounts.

Resolution

We have examined the provision against redundancy and pension strain costs and agree that the provision is appropriate and in line with FRS12.

The employee claims have been discussed with management and direct confirmation sought from the company's solicitors, Shoosmiths, to gain their assessment of the probability of the claims being paid.

[solicitors response and assessment of probability outstanding]

The possible future employee claims have been disclosed as a contingent liability as they arise from a past event but can only be determined to be 'possible' rather than 'probable' at this stage.

2.5 Impact of the management agreement on the Company's accounts

Our understanding of the management agreement is that profits generated by NCH, before FRS17 adjustments, are repaid to the Council. This has resulted in a payment to the Council during 2007/08 of £163k. Conversely, the agreement does not specify that a loss incurred by NCH will be settled by the Council under the formal agreement, although NCH management believe that the Council will make good the 2007/08 loss during 2009.

This has the following implications:

- The repayment to the Council of last year's profit has reduced this year's profit by £163k.
- The current trend in the FRS17 adjustments means that the company will continue to make operating losses because the pension contributions are less than the actuarial cost - the table below shows the impact over the past 3 years (with the 2007 amounts restated as discussed above).
- The Company balance sheet at 31 March 2008 shows negative reserves totalling £21.5m.

	2007/08 £'000	2006/07 £'000	2005/06 £'000
Employer contributions	3,639	3,436	3,318
Current service cost	(3,821)	(4,430)	(3,850)
Net return on assets	364	(59)	(2,110)
Profit and loss impact due to pension differences	182	(1,053)	(2,642)
STRGL charge / gain	(8,388)	7,638	(2,609)
Balance Sheet impact due to pension differences	(8,206)	6,585	(5,251)

Resolution

While differences exist between the pensions contributions actually paid and the current service costs calculated then NCH will continue to have an imbalance within the accounts. Unfortunately, given the current wording of the management agreement, NCH is unable to retain surpluses to help fund the deficit reported in the financial statements, either in any one year or to reduce the balance sheet negative reserves position.

Given the negative reserves shown in the balance sheet, we will require a letter of support from the Council to confirm that they will make good the pension liability should it become payable and will also continue to support NCH, which currently has net total liabilities, excluding the pension liability, of £103k.

2.6 Inter-company balances

Other than the pension deficit, the inter-company debtor from Nottingham City Council represents one of the largest figures on balance sheet, being a £7.344m net debtor. NCH has sought direct confirmation from the Council of the year end balance, however the response was not sufficiently specific for audit purposes.

As such, we have requested that NCH obtains specific confirmation from NCC that the inter-company balances are not misstated, to a material extent, in the books of NCH. This is particularly important given the extent to which the Council processes NCH's transactions, and the integration of the two ledgers.

Resolution

The inter-company confirmation will be required from the Council before we can conclude our audit as it is the primary source of assurance over the £7.3m debt.

3 Internal controls and risk management systems

3.1 Roles and responsibilities

The Company's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so.

3.2 Accounting system and internal control

We have applied our risk methodology using our auditCARE software. This approach allows us to document, evaluate and assess your internal controls over the financial reporting process. The observations been noted in regards to your internal controls are included within the management letter in appendix C.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these.

In consequence, our work cannot be relied upon necessarily to disclose fraud or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might develop.

We would be pleased to discuss any further work in this regard with the Board.

3.3 Management letter

The management letter is attached at Appendix C and sets out all significant findings and recommendations in respect of the audit.

A Unadjusted and adjusted misstatements

Unadjusted misstatements

During the course of the audit, we have identified the following non-trifling errors. We do not propose to adjust these on grounds of materiality.

No	Description	Profit and loss account		Balance sheet	
		DR £	CR £	DR £	CR £
1	Other tax and social security Profit and loss <i>Being overprovision of amounts of PAYE and NI payable identified in NCC reconciliation</i>		82,893	82,893	
2	Profit and loss Accruals <i>Being underaccrual of invoices due to the invoice amount being disputed with NCC</i>	25,360			25,360

Adjusted misstatements

During the course of the audit, we identified a number of adjustments required to correct the presentation of the prior period adjustment made to restate goodwill and pensions transactions. These adjustments, whilst complex, did not impact on the presentation of the balance sheet or the reported reserves position at 31 March 2008.

B Update on prior year management letter

The following issues were noted by the company's previous auditor, Baker Tilly, in relation to the 2006/07 audit. We have noted any updates on these issues as follows:

Finding and potential consequence	Recommendations	Update on prior year issue	Management response	Timing of implementation and responsibility
<p>Work in progress – old balances (priority B) As at the year end, there are a large number of jobs which have yet to be invoiced to the City Council. A provision of £282,000 has been made in respect of the balances, which represents a potentially avoidable cost to the company.</p>	<p>The old balances should be reviewed on a regular basis and all amounts invoiced as soon as possible.</p> <p>A system of review, authorisation and reporting should be implemented so that</p> <ul style="list-style-type: none"> • Losses are minimised • The amounts written off, and the reasons for the write offs, are highlighted, so that appropriate actions can be derived to minimise future write offs 	<p>The WIP balance at the 2008 year end is substantially lower than at the 2007 year end, being £299k compared to £609k at the prior year end.</p> <p>There are also no provisions in the 2008 year end which suggests that this issue has been fully resolved with only current jobs still on the WIP ledger.</p>	<p>COMPLETE.</p> <p>Jointly working between Finance and Contract Services has been undertaken to establish slicker working practices to reduce WIP and speed up the invoicing process.</p> <p>This is now monitored on a monthly basis using financial information provided by financial section.</p>	<p>December 2008</p> <p>Andy Farnsworth – Repairs Service Manager.</p>
<p>Work in progress invoicing (priority A) On average, nearly £3million of repair work is undertaken each month. At the date of our audit work (May 2007), invoices to the Council for repairs amounted to £500,000, indicating that there was a delay in invoicing the repairs.</p>	<p>A key performance indicator should be used to monitor the timeliness of invoicing.</p> <p>We also noted this matter last year.</p>	<p>Invoicing is now being performed on a timely basis. This is evidenced by the reduction in the WIP balance at the year end.</p>	<p>COMPLETE.</p> <p>A new PI has been developed & used to monitor performance against targets.</p>	<p>March 2008</p> <p>Andy Farnsworth – Repairs Service Manager.</p>

APPENDIX B

Finding and potential consequence	Recommendations	Update on prior year issue	Management response	Timing of implementation and responsibility
<p>Systems (priority A) The systems for recording and invoicing work in progress are complex, involving three computerised systems with information passing between all of these.</p>	<p>Whilst the transfer of data should be complete, a system of reconciling the three systems on a monthly basis should be implemented to ensure that this is the case. In the longer term, an IT strategy should be developed and the systems reviewed to assess whether they provide suitable platforms for NCH in the longer term.</p>	<p>WIP systems are being reconciled on a monthly basis and cleared down more regularly.</p>	<p>COMPLETE. IS Strategy and ICT Review is complete and documented. IS Strategy was approved at the May Company Board meeting.</p>	<p>April 2008 Robert Allen – Head of ICT</p>
<p>Purchase invoices (priority B) As at the year end, purchase invoices totalling £1,698,680 were recorded on the ROCC system, but were only recorded as accruals on the financial system.</p>	<p>Data should be passed between the various systems on a timely basis so that the correct up to date status is shown.</p>	<p>At 31 March 2008 the month end creditor balance of approximately £10m per the financial system had to be reanalysed between accruals, trade creditors and inter-company creditors. Work is needed to ensure that the financial systems reflect the accurate status of liabilities.</p>	<p>As part of a planned review of the ledger and associated coding structure post implementation of the Repairs Contract, consideration will be given to coding accruals, trade creditors and inter-company creditors separately on the One-World financial system.</p>	<p>December 2008</p>

APPENDIX B

Finding and potential consequence	Recommendations	Update on prior year issue	Management response	Timing of implementation and responsibility
<p>Nominal ledger (priority B) The Audit Commission require that ALMOs have a clear segregation from their host Councils. NCH's nominal ledger is a part of the City Council's ledger, rather than being a separate company ledger. As such, the degree of segregation from the City Council is limited.</p>	<p>Most of our ALMOs clients that use their host Council systems have a separate company. We recommend that NCH explores with the City Council whether a separate company can be set up on the Council's system. In the longer term, an IT strategy should be developed to support NCH's future development. As part of this strategy, consideration should be given as to whether it remains appropriate to continue to use the City Council's systems.</p>	<p>NCH continues to operate its nominal ledger within NCC's ledger. As well as the potential for postings between the Council and NCH, the Audit Commission may consider this to be an indicator that NCH is not sufficiently arms length.</p>	<p>An investigation as to whether a separate company can be set up on the Council's financial information system is included in NCC's IT Development Plan. The (currently draft version of the) IS Strategy identifies a clear need to review the provision of financial management system services and potentially to replace OneWorld. This will be further developed during 2008/09 at a time to be scheduled according to business priority.</p>	<p>Initial investigation - March 2008 Full implementation - TBC Robert Allen - Head of ICT.</p>

C Management letter

Finding and potential consequence	Recommendations	Management response	Timing of implementation and responsibility
<p>Bank account</p> <p>The company does not have its own bank account. Although NCC have 4 bank accounts specifically created to manage NCH affairs, NCH have no authority over these accounts.</p> <p>While we accept that day to day transaction processing can be assigned to third parties through contractual arrangements, it is unusual for a company not to manage its own bank account, if only to the extent of having authority over the account and delegating responsibility for day to day activity for the majority of transactions.</p> <p>Again this is indicative of a lack of separation from the Council.</p>	<p>Nottingham City Homes should consider having control over its bank accounts, in particular having authority over the account.</p>	<p>Discussions are ongoing with NCC in relation to transferring the responsibility for completing monthly bank reconciliations (currently performed by NCC as part of the finance Service level agreement) to the company.</p> <p>When agreement over the logistics of transferring responsibility for bank reconciliations has been reached, steps will be taken to ensure the company manages its own bank account and, subsequently, authority over the account will be sort.</p>	<p>December 2008</p> <p>Julie Crook – Director of Finance, ICT and Governance.</p>
<p>Format of accounts</p> <p>The company's profit and loss account currently separates cost of sales and administrative expenses on the basis of direct costs of the DLO. This is a relatively arbitrary split resulting in a 'Gross profit' being reported which has little meaning.</p>	<p>It is recommended that the company considers adopts the 'Format 2' profit and loss account. This does not give a cost of sales figure but analyses expenses in a way which is more appropriate to the business.</p>	<p>As part of the 2008/09 year-end closedown and accounts compilation process consideration will be given to amending the format of the profit and loss account.</p> <p>Amendments agreed will ensure that the analysis of company expense on the P&L is appropriate to the business and provides meaningful information to users of the financial statements.</p>	<p>April 2009</p> <p>Darren Phillips – Head of Company Finance</p>

APPENDIX C

Finding and potential consequence	Recommendations	Management response	Timing of implementation and responsibility
<p>Audit Committee The audit committee does not include a member with financial expertise. This makes it difficult for them to fulfil their role effectively in terms of reviewing internal and external audit functions. The Smith guidance on Corporate Governance states that the Board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.</p>	<p>It is recommended that the Board satisfy itself that at least one member of the audit committee has recent and relevant financial experience.</p>	<p>The Board will review the membership of its committees at its AGM in July 2008 and is looking to strengthen its audit committee. Independent Board Members will also have some vacancies before AGM 2009 and we will look to recruit a Board Member with specific financial skills.</p>	<p>December 2008 Alison Mapp – Company Secretary</p>
<p>Risk Register The risk register is incomplete and therefore cannot be fully effective. This means that effective assessment and monitoring of risk cannot be made and appropriate controls and training cannot be implemented.</p>	<p>The risk register should be completed and regularly updated to ensure all areas of risk are noted and mitigating controls are put in place for each area of risk. Once in place, the risk register can then form the basis for the annual internal audit plan.</p>	<p>COMPLETE. The Company's Corporate Risk Register has been updated as per the requirements of the recently revised Risk Management Framework and the key activities and objectives included in the 2008/09 Delivery Plan. The Register was approved by the Board in May 2008 and will be updated to incorporate the results of the Directorate and Service Area Risk Register compilation process before being re-approved by the Board in September 2008.</p>	<p>May 2008 Alison Mapp – Company Secretary</p>
<p>Risk management The Board and audit committee are not regularly updated on risk management and in particular the content of the risk register and any changes make to this. The directors are responsible for safeguarding the assets of the Company and this can only be done with an awareness of the risks affecting the company.</p>	<p>The Board should be regularly updated on the risk assessment process.</p>	<p>COMPLETE. The company's Risk Management Framework has been revised and now includes a robust and considered approach to updating the Board and Audit Committee on risk management. The Risk Management Framework and the Company's Corporate Risk Register were considered and approved by the Board in May.</p>	<p>May 2008 Julie Crook – Director of Finance, ICT and Governance.</p>

APPENDIX C

Finding and potential consequence	Recommendations	Management response	Timing of implementation and responsibility
<p>Information Technology - strategy There is no current IT strategy. This means that IT developments may not be entirely in line with the overall objectives of the Company.</p>	<p>We understand that consultants are currently drafting an IT strategy. This should be reviewed to ensure it is appropriate to the size of the business and in line with its overall objectives.</p>	<p>The Information Systems strategy has been completed and adopted by the Board. This provides the business-led principles, governance arrangements and development roadmap. It covers business process and technology elements and so will drive any amendments necessary to the pre-existing Information Technology (IT) strategy.</p>	<p>December 2008 (IT Strategy update) Robert Allen - Head of ICT.</p>
<p>IT - disaster recovery NCH is reliant on the Council for disaster recovery. No assessment of the effectiveness of these arrangements has been made by NCH.</p>	<p>NCH should have comprehensive back up policies and procedures in place. Linked to this a written and tested Business Continuity Plan or Disaster Recovery Plan should cover all critical systems. Redundant components could also be considered for back up.</p>	<p>There is a lack of comprehensive documented DR policies and procedures. Disaster Recovery planning and practice, options for redundant components and risk avoidance are being incorporated in the new ICT SLAs for each service element.</p>	<p>August 2008 (Establishment of SLA definitions) TBC – (Date of DR procedures in place to be determined according to service criticality) Robert Allen - Head of ICT.</p>
<p>IT - programming services NCH is reliant on the Council for programming services for software. NCH does not have oversight of this process.</p>	<p>This ties in with the point re IT strategy above which recommends that IT developments should be in line with the overall objectives of NCH.</p>	<p>ICT services managing the Housing Management System are being brought back in-house rendering control of development of this new system properly under NCH control</p>	<p>October 2008 Robert Allen - Head of ICT.</p>
<p>IT - security policy NCH does not have its own IT security policy. The Council sets up new users based on Council policies. User permissions are not transparent to NCH and policies are not in place to remove access for terminated employees. This can result in users having inappropriate access to systems. In addition, it is another example of reliance on the Council.</p>	<p>NCH should develop and implement its own security policy. This should particularly focus on the set up and removal of users, password policies and usage policies.</p>	<p>NCH users are bound by security policies currently supplied and maintained by the Council. NCH has now implemented its own User security database system (within the Council's Active Directory database). This allows NCH to set its own policies and to manage its own NCH user accounts as well as to delegate such work back to the Council under the terms of the renegotiated SLAs.</p>	<p>December 2008 (Implement NCH's own ICT security policies) Robert Allen - Head of ICT.</p>

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Finding and potential consequence	Recommendations	Management response	Timing of implementation and responsibility
<p>IT - intrusion detection There is no intrusion detection system in place and no periodic intrusion testing carried out.</p> <p>This means that any external access or 'hacking' into the system will remain undetected.</p>	<p>NCH should establish an intrusion detection system which will give early warning of any external and unwanted access to systems.</p>	<p>Provision has been built into the ICT budget to cater for intrusion testing.</p>	<p>December 2008 Robert Allen - Head of ICT.</p>
<p>Financial Reporting - journals Journals are not required to be authorised and a documented process is not in place for posting of journals. This could result in inappropriate journal entries leading to potential fraud or error.</p>	<p>A documented process for posting and authorisation of journals should be implemented.</p>	<p>COMPLETE.</p> <p>The revised company Financial Regulations, approved by the Board in May, have been updated to include a process for approving significant monthly journals.</p>	<p>May 2008 Darren Phillips – Head of Company Finance</p>

D Letter of representation

Your Ref: JJ/KB/CG LoR

Grant Thornton UK LLP
Centre City Tower
7 Hill Street
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B5 4UU

24 July 2008

Dear Sirs

NOTTINGHAM CITY HOMES LIMITED - FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

We confirm to the best of our knowledge and belief that the following representations are made on the basis of appropriate enquiries of other members, related parties, controlling bodies, management and staff, with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements, in accordance with the terms of your engagement letter dated 1 May 2008.

- i As set out in the directors' report, we acknowledge our responsibilities for preparing financial statements which give a true and fair view and for making accurate representations to you.
- ii As far as we are aware:
 - a there is no relevant audit information of which you are unaware; and
 - b we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.

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- iii All the accounting records of the company have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly recorded in the accounting records and reflected in the financial statements.
- iv All other records and related information, including minutes of all management and Board meetings, have been made available to you.
- v The financial statements are free of material misstatements, including omissions.
- vi We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- vii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- viii We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
 - a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the financial statements;
- ix We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- x Except as stated in the accounts:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Company has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xi There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to provide security for such matters), involving directors or officers that should be disclosed in the financial statements under section 232 of the Companies Act 1985.
- xii All related parties have been identified to you and there were no transactions with related parties nor details of controlling interests which should be disclosed in the financial statements.

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- xiii There are no claims, legal proceedings or other matters which may lead to a loss falling on the Company or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements.
- xiv The Company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- xv We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.
- xvi We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xvii No significant events having an effect on the financial position of the Company have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.

Yours faithfully

INSERT NAME AND POSITION HERE



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