

Our ref: ATR/GJW

Your ref:

The Directors
West Midlands Regional Assembly Limited
West Midlands Regional Partnership Centre
Albert house
Quay Side
Edward Street
Birmingham
B1 2RA

12 May 2006

Dear Sirs

The purpose of this letter is to set out the basis on which we are to act as auditors and advisers to the company and the respective areas of responsibility of the company and of ourselves.

We are bound by the ethical guidelines of our professional Institute, and accept instructions to act for you on the basis that we will act in accordance with those ethical guidelines.

1. Your responsibilities as directors

- 1.1 As directors of the above company you are required to prepare financial statements for each financial year that give a true and fair view. In preparing those financial statements, you are required to:
 - (a) select suitable accounting policies and then apply them consistently;
 - (b) make judgements and estimates that are reasonable and prudent; and
 - (c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 1.2 You are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 (the Act).
- 1.3 You are responsible for safeguarding the assets of the company and hence for taking reasonable steps to ensure the company's activities are conducted honestly and for the prevention and detection of fraud and other irregularities.
- 1.4 You are responsible for ensuring that the company complies with laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.

- 1.5 You have agreed to make available to us, as and when required, all the company's accounting records and related financial information, including minutes of directors' and shareholders' meetings. You will make full disclosure to use of all relevant information.
- 1.6 Where audited information is published on the company's website or by other electronic means, it is your responsibility to advise us of any intended electronic publication before it occurs and to ensure that any such publication properly presents the financial information and auditors' report.
- 1.7 We are not required to review such controls nor to carry out ongoing reviews of the information after it is first published. The maintenance and integrity of the company's website is your responsibility and we accept no responsibility for changes made to audited information after it is first posted.

2. Our responsibilities as auditors

- 2.1 Our legal and professional duty is to make a report to the members stating whether, in our opinion, the financial statements of the company which we have audited give a true and fair view of the state of the company's affairs, and of the profit or loss for the year, and whether they have been prepared in accordance with the Companies Act 1985. In arriving at our opinion we are required by law to consider the following matters, and to report on any in respect of which we are not satisfied:
- (a) whether proper accounting records have been kept by the company and proper returns adequate for our audit have been received from branches not visited by us;
 - (b) whether the company's balance sheet and profit and loss account are in agreement with the accounting records and returns;
 - (c) whether we have obtained all the information and explanations which we think necessary for the purpose of our audit; and
 - (d) whether the information in the directors' report is consistent with that in the audited financial statements.
- 2.2 There are certain other matters which, according to the circumstances, may need to be dealt with in our report. For example, where the financial statements do not give details of directors' remuneration or of their transactions with the company, the Companies Act 1985 requires us to disclose such matters in our report.
- 2.3 In addition, we have a professional duty to report if the financial statements do not comply in any material respect with Statements of Standard Accounting Practice, or Financial Reporting Standards, unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified we consider:
- (a) whether the departure is required in order for the financial statements to give a true and fair view; and
 - (b) whether adequate disclosure has been made concerning the departure.

- 2.4 Our professional responsibilities also include:
- (a) including in our report a description of the directors' responsibilities for the financial statements where the financial statements or accompanying information do not include such a description; and
 - (b) considering whether other information in documents containing audited financial statements is consistent with those financial statements.

2.5 As noted above, our report will be made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work will be undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. In those circumstances, to the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for the audit report, or for the opinions we form.

3. Scope of audit

- 3.1 Our auditing procedures will be carried out in accordance with the International Auditing Standards (UK and Ireland) issued by the Auditing Practices Board, and will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities as we consider necessary. We will obtain an understanding of the accounting and internal control systems in order to assess their adequacy as a basis for the preparation of the accounts. We will need to obtain adequate appropriate audit evidence sufficient to enable us to draw reasonable conclusions there from.
- 3.2 The nature and extent of our tests will vary according to our assessment of the company's accounting and internal control systems, and may cover any aspects of the business's operations. We shall report to the management any significant weaknesses in, or observations on, the company's systems which come to our notice and which we think should be brought to the management's attention. Any such report may not be provided to third parties without our prior written consent. Such consent would be granted only on the basis that such reports are not prepared with the interests of anyone other than the company in mind and that we accept no duty or responsibility to any other party as concerns the report.
- 3.3 The responsibility for safeguarding the assets of the company and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the management. However, we will plan our audit so that we have a reasonable expectation of detecting material misstatements in the accounts resulting from irregularities, fraud or non-compliance with law or regulations, but our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance as may exist.
- 3.4 As part of our normal audit procedures, we may request you to provide formal representations concerning certain information and explanations we receive from you during the course of our audit. In particular, where we bring misstatements in the financial statements to your attention that are not adjusted, we shall require written representation of your reasons.
- 3.5 In order to assist us with a review of your financial statements, which constitutes part of our audit, we will request sight of any documents or statements which will be issued with the financial statements.

3.6 Once we have issued our report we have no further direct responsibility in relation to the financial statements for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting which may affect the financial statements. We are also entitled to attend all general meetings of the company, and to receive notice of all such meetings.

3.7 We shall not be treated as having notice, for the purposes of our audit responsibilities, of information provided to members of our firm other than those engaged on the audit (for example information provided in connection with accounting, taxation and other services).

4. Communication

4.1 In order to ensure that there is effective two-way communication between us we set out below the expected form and timing of such communications.

- We shall contact you to discuss the forthcoming audit prior to the expected start date. We will confirm in writing the matters discussed and any agreed action.
- We will arrange a meeting to discuss any matters arising from the audit. We will set out in writing the matters arising and any agreed action.

4.2 The formal communications set out above are the minimum required to comply with auditing standards. We shall of course contact you on a more frequent and regular basis regarding both audit and other matters.

5. Accounting services

5.1 You have stated that the day to day accounting records will be maintained by the company's staff who will also be responsible for extracting details of debtors and creditors at the period end. We will assist you with:

- (a) preparing draft detailed accounts for your approval;
- (b) preparing a draft directors' report and draft financial statements in the form required by the Companies Acts for your approval.

5.2 There are strict time limits and penalties relating to the above. We undertake to produce statutory accounts within the required period provided that all your records are complete and presented to us within six months of the year end and all matters arising are promptly and satisfactorily cleared.

6. Corporation tax

6.1 We will forward to you the corporation tax self-assessment tax return and any supporting schedules for your approval and signature. Once the return has been approved and signed and returned to us, we will submit it to the Inland Revenue. We will advise you of the corporation tax payments that are due and the due date of payment.

6.2 We will advise as to claims and elections relevant to the company's self-assessment tax return from the information supplied by you and, where instructed by you, we will make such claims and elections in the form and manner required by the Inland Revenue.

- 6.3 We will agree with the Inland Revenue the company's liability to corporation tax should the corporation tax self-assessment return be challenged.
- 6.4 Where the company makes a loan to a participator, such as a shareholder, tax is payable. We can only be responsible for advising you of the tax payable if you notify us of details of such loans.
- 6.5 You are legally responsible for making correct returns and for payment of tax on time.
- 6.6 We will undertake all correspondence with the Inland Revenue on your behalf. To avoid any problems please send to us any forms or correspondence received from the Inland Revenue as soon as you receive them. In particular please ensure that no payments are made to the Inland Revenue without our confirmation that the statements of account are correct.
- 6.7 To enable us to provide the above services, you agree:
- (a) to make a full disclosure to us of all sources of income, charges, allowances and capital transactions and to provide full information necessary for dealing with the company's affairs. We will rely on the information and documents being true, correct and complete;
 - (b) to respond quickly and fully to our requests for information and to other communications from us;
 - (c) to provide us with information in sufficient time for the company's self-assessment tax return to be completed and submitted by the due date, being twelve months following the end of the accounting period. In order to do this, we need to receive all relevant information within six months of the company's year end;
 - (d) to forward to us on receipt copies of all statements of account, letters and other communications received from the Inland Revenue to enable us to deal with them as may be necessary within the statutory time limits.
- 6.8 We will submit form 64-8 to the Inland Revenue which authorises the Inland Revenue to send us copies of formal notices. In practice, the Inland Revenue will treat this as authority to correspond with us, in which case they will not correspond with you except to the extent that they are formally required to do so. However, this authority does not apply to all Inland Revenue correspondence, and even where it does, the Inland Revenue sometimes overlook it. You should therefore always send us copies of all communications you receive from the Inland Revenue.
- 6.9 We are able to offer fee protection cover to insure against the cost of our fees arising from Inland Revenue investigations. If you would like further details of this service please let us know.

7. Other services

7.1 We shall be pleased to advise you on the implications of particular business transactions and on other matters which you refer to us, such as national insurance, income tax deducted at source, employee benefits, value added tax, inheritance tax, and statutory sick pay. We can also provide payroll and management accounting services.

8. Investment services

8.1 Although we are not authorised by the Financial Services Authority (FSA) to conduct investment business, we are regulated by the Institute of Chartered Accountants in England and Wales to provide certain limited investment services where these are complementary to, or arise out of, the professional services we are providing to you.

8.2 In particular, we may:

- (a) advise you on investments generally, but not recommend a particular investment or type of investment;
- (b) advise you in connection with the disposal of an investment, other than your rights in a pension policy or scheme;
- (c) advise and assist you in transactions concerning shares or other securities not quoted on a recognised exchange;
- (d) act as trustee (or donee of a power of attorney) where decisions to invest are taken on the advice of an authorised person.

8.3 If these discussions progress we may refer you to a Permitted Third Party (PTP) which may be our Associate, CKG Financial Services Limited which is authorised to carry out investment business under the Financial Services and Markets Act. The partners in Clement Keys have a 50% interest in this company. The company is an appointed representative of Greyfriars Asset Management which is regulated by the Financial Services Authority.

8.4 For the purpose of the Financial Services and Markets Act where referral is made to a Permitted Third Party or CKG Financial Services Ltd you will then be considered to be a client of the relevant third party. The PTP will issue you with his own terms and conditions letter, will be remunerated separately for his services and will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000.

8.5 Unless specifically instructed by you to the contrary we shall not provide to any such Third Party any further information relating to your financial, investment and taxation affairs that they are not already in possession of which they may request to enable them to continue to provide best advice and to attend to your affairs.

8.6 We will act only as introducers but we may comment on any advice given although we are not authorised to offer alternative advice.

- 8.7 As a result of introducing you to a Permitted Third Party we may receive commission or other benefits from them. In the event of our receiving such commission or other benefits we will inform you, in writing, of the amount and terms of payment. You consent to such commissions or benefits being retained by us without our being liable to account to you for such amounts.
- 8.8 As a result of introducing you to our Associate we may receive other benefits in the form of a dividend from them as a result of our shareholding. It will not be possible to quantify the benefit arising for any specific client. We will take such benefits into account when raising our fee note to you. You consent to other benefits being retained by us without our being liable to you for such amounts. If you wish to discuss this aspect please contact the client partner.

9. Money Laundering

- 9.1 We have a duty under section 330 of the Proceeds of Crime Act 2002 to report to the National Criminal Intelligence Service (NCIS) if we know, or have reasonable cause to suspect, that you, or anyone connected with your business, are or have been involved in money laundering. Failure on our part to make a report where we have knowledge or reasonable grounds for suspicion would constitute a criminal offence.
- 9.2 The offence of money laundering is defined by section 340(11) of the Proceeds of Crime Act and includes the acquisition, possession or involvement in arrangements for concealing the benefits of *any* activity that constitutes a criminal offence in the UK. This definition is very wide and would include:
- (a) tax evasion through deliberate understatement of income or overstatement of expenses or stocks, or
 - (b) deliberate failure to inform the tax authorities of known underpayments.
- 9.3 We are obliged by law to report to NCIS without your knowledge and consent and in fact we would commit the criminal offence of “tipping off” under section 333 of the Proceeds of Crime Act were we to inform you of any suspicions or that a report had been made.
- 9.4 We are not required to undertake work for the sole purpose of identifying suspicions of money laundering. We shall fulfil our obligations under the Proceeds of Crime Act 2002 in accordance with the guidance published by the Institute of Chartered Accountants in England and Wales.

10. Fees

- 10.1 Our fees are computed on the basis of the time spent on your affairs by the partners and our staff, and on the levels of skill and responsibility involved. Unless otherwise agreed, our fees will be billed at appropriate intervals during the course of the year and will be due on presentation. Interest may be charged on fee notes which remain outstanding without our prior agreement.
- 10.2 As part of our credit control procedures it may be necessary to issue a letter withdrawing all of our services until any outstanding debt is paid in full. We will not accept liability for any taxes, interest, penalty or other claims arising due to work not being completed after the issue of such a letter.

11. Applicable law

This letter shall be governed by, and construed in accordance with, English law. The Courts of England shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the letter and any matter arising from it. Each party irrevocably waives any right it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

12. Electronic communication

Internet communications are capable of data corruption and therefore we do not accept any responsibility for changes and corruptions made to such communications after their despatch. It may therefore be inappropriate to rely on advice contained in an email without obtaining written confirmation of it. We do not accept responsibility for any errors or problems that may arise through the use of internet communication and all risks connected with sending commercially sensitive information relating to the scheme are borne by you. If you do not agree to accept this risk, you should notify us in writing that email is not an acceptable means of communication.

Although we take steps to prevent viruses affecting emails and attachments sent by us it is your responsibility as the recipient to carry out a virus check on any attachments received.

13. Data Protection Act

We may obtain, use, process and disclose personal data about the company and its members in order that we may discharge the services agreed under this engagement letter, and for other related purposes including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance. You have a right of access, under data protection legislation, to the personal data that we hold about the company and its members. For the purposes of the Data Protection Act 1998, the Data Controller in relation to personal data supplied about you is the Personnel Partner for the time being.

14. Contracts (Rights of Third Parties) Act 1999

Persons who are not party to this agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement. This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

15. Filing and record destruction

Certain original documents in our files may legally belong to you, but unless deposited and accepted by us for safekeeping, or unless we have acknowledged and accepted a specific instruction from you to the contrary, we may routinely destroy correspondence and other papers that we store which are more than 6 years old, or one year after ceasing to act for you.

16. Quality of service

- 16.1 If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please raise the matter in the first instance with the partner who deals with your affairs. If you remain dissatisfied please write to or telephone the Senior Partner of the firm.

- 16.2 We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. If we have given you a less than satisfactory service we undertake to do everything reasonable to put it right.
- 16.3 If you are still not satisfied you may, of course, take the matter up with the Institute of Chartered Accountants in England and Wales by whom we are regulated for audit purposes.

17. Limitation of liability

- 17.1 We will provide our professional services with reasonable care and skill. However, we will not be held responsible for any losses arising from the supply by you or others of incorrect or incomplete information, or your or others' failure to supply any appropriate information or your failure to act on our advice or respond promptly to communications from us or other relevant authorities.
- 17.2 You agree to hold harmless and indemnify us against any misrepresentation, whether intentional or unintentional, supplied to us orally or in writing in connection with this agreement.
- 17.3 Our aggregate liability to you or any other party, of whatever nature, whether in contract, tort or otherwise for any losses whatsoever and howsoever caused arising from or in any way connected with the services described within this engagement letter, other than the conduct of the statutory audit, shall not exceed a multiple of fifteen times our fee charged for such services in the 12 months preceding (including interest).

18. Agreement of terms

- 18.1 The terms set out in this letter shall take effect immediately upon your countersigning this letter and returning it to us
- 18.2 Once it has been agreed, this letter will remain effective until it is replaced. We shall be grateful if you could confirm your agreement to these terms by signing the enclosed copy of this letter and returning it to us immediately.

Yours faithfully

Clement Keys

I confirm that I/we have read and understood the contents of this letter and agree that it accurately reflects my fair understanding of the services that I require you to provide.

Signed

On behalf of the Board of West Midlands Regional Assembly Limited

Dated