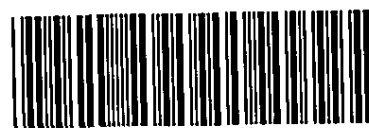

MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED

Company Number 1672903

REPORTS AND FINANCIAL STATEMENTS

For the year ended 31 December 2006

WEDNESDAY



LWTSSU9X

L20

31/10/2007

198

COMPANIES HOUSE

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

The Directors present their annual report on the affairs of the Company together with the audited financial statements for the year ended 31 December 2006

ACTIVITIES AND REVIEW OF BUSINESS

The Company carries on the business of provider of refurbishment and development projects

As the Company qualifies as a small company an enhanced business review is not required

The position at the end of the year is reflected in the audited balance sheet as set out on page 6

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2006, after providing for taxation, show a profit of £17,008 (2005 – profit of £36,357)

The directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005 - £Nil) leaving the retained profit for the year to be transferred to reserves

DIRECTORS

The Directors of the Company who held office during the year and subsequent to the year ended 31 December 2006 were as follows

S M Barkman	(resigned 13 October 2006)
A Chalupa	(appointed 13 October 2006)
A S Masciantonio	(resigned 13 October 2006)
J P Salter	(appointed 13 October 2006, resigned 26 January 2007)
MGW Starmer-Smith	(resigned 13 October 2006)
A P Reid	(appointed 13 October 2006)
N A Warren	(appointed 13 October 2006)

A Rutherford was secretary of the Company throughout the year. There have been no further changes during the year or subsequent to the year-end

As at the date of approval, and during the year, the company provided an indemnity to its directors in the form of a qualifying third party indemnity provision

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of the Company are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with the law.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' INTERESTS

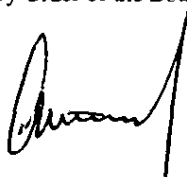
None of the Directors had an interest in the share capital of the Company during the year.

None of the Directors had any disclosable interest in the shares or debentures of any UK group undertaking at the end of the year, or were granted or exercised any right to subscribe for shares in or debentures of any UK group undertaking during the year.

AUDITORS

Pursuant to a section 379A of the Companies Act 1985 the Company has elected to dispense with the annual appointment of Auditors and KPMG Audit Plc will, therefore, continue in office.

By Order of the Board of Directors this 29 day of October 2007



A Rutherford
Secretary

Registered office:

A P Rutherford
Company Secretary
23 Great Winchester Street
London, EC2P 2AX

**REPORT OF THE INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF MORGAN
GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED**
For the year ended 31 December 2006

We have audited the financial statements of Morgan Grenfell (Local Authority Finance) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet, the reconciliation of shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 1.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MORGAN GRENFELL (HOUSING FINANCE) LIMITED (continued)
For the year ended 31 December 2006

Opinion

In our opinion

- The financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2006 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

8 Salisbury Square

London EC4Y 8BB

Dated *29 October 2007*

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

	Note	<u>2006</u> £	<u>2005</u> £
Turnover	1(b)	954,780	1,237,598
Interest payable	2	(943,130)	(1,223,948)
GROSS PROFIT		11,650	13,650
Interest receivable	2	12,647	38,289
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		24,297	51,939
Tax charge on profit on ordinary activities	5	(7,289)	(15,582)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		17,008	36,357
RETAINED PROFIT FOR THE YEAR		17,008	36,357
RETAINED LOSS BROUGHT FORWARD		(101,420)	(137,777)
RETAINED LOSS CARRIED FORWARD		(84,412)	(101,420)

The notes on pages 8 to 11 form part of these financial statements

The profit during the year has arisen from continuing operations

There are no recognised gains or losses in the period other than those included in the profit and loss account

BALANCE SHEET

As at 31 December 2006

	Note	<u>2006</u> £	<u>2005</u> £
CURRENT ASSETS			
Debtors (including £9,123,744 (2005 £13,103,635) due after more than one year	6	12,848,062	17,258,380
Cash at bank and in hand	7	133,681	87,628
		12,981,743	17,346,008
CREDITORS amounts falling due within one year	8	(3,767,311)	(4,168,693)
NET CURRENT ASSETS		9,214,432	13,177,315
TOTAL ASSETS LESS CURRENT LIABILITIES		9,214,432	13,177,315
CREDITORS amounts falling due after more than one year	9	(9,123,744)	(13,103,635)
NET ASSETS		90,688	73,680
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Capital contribution reserve	11	175,000	175,000
Profit and loss account		(84,412)	(101,420)
Shareholders' funds - equity		90,688	73,680

The notes on pages 8 to 11 form part of these financial statements

These financial statements were approved by the Board of Directors on the 29 day of October 2007


 Signed by A. CHALURA
 for and on behalf of the Board of Directors

RECONCILIATION OF MOVEMENTS OF SHAREHOLDER'S FUNDS

For the year ended 31 December 2006

	<u>Profit & loss account</u> £	<u>Capital reserve</u> £	<u>Share capital</u> £	<u>Total</u> £
Balance at 1 January 2006	(101,420)	175,000	100	73,680
Profit for the financial year	17,008	-	-	17,008
Balance at 31 December 2006	(84,412)	175,000	100	90,688

For the year ended 31 December 2005

	<u>Profit & loss account</u> £	<u>Capital reserve</u> £	<u>Share capital</u> £	<u>Total</u> £
Balance at 1 January 2006	(137,777)	175,000	100	37,323
Profit for the financial year	36,357	-	-	36,357
Balance at 31 December 2006	(101,420)	175,000	100	73,680

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

1 ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards and applicable Statements of Recommended Practice. The particular accounting policies are described below.

(a) CONVENTION

These financial statements are prepared in accordance with the historical cost convention.

(b) TURNOVER

Turnover represents the amount receivable in respect of financing agreements, which falls within the Company's ordinary activities, all of which are continuing.

(c) CASHFLOW STATEMENT

The Company is exempt from the requirement to prepare a Cash Flow Statement under Financial Reporting Standard 1 (Revised 1996) as it is a wholly owned subsidiary undertaking of a company which prepares consolidated financial statements which are publicly available.

(d) TAXATION

The charge for taxation is based on the profit for the year and, where applicable, takes into account taxation deferred because of its timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

(e) BASIS OF PREPARATION (Group account exemption)

As the Company is a wholly owned subsidiary undertaking of Deutsche Bank AG, which is incorporated in the E U and which publishes consolidated financial statements, and as its immediate parent undertaking is also incorporated in the E U, it is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. Accordingly, these financial statements present information about the Company as an individual undertaking and not about its group.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2006</u> £	<u>2005</u> £
Profit on ordinary activities before taxation is arrived at after taking into account		
Interest payable to group undertakings	(943,130)	(1,223,948)
Interest receivable from group undertakings	12,647	38,289

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2006

3 ADMINISTRATIVE EXPENSES

The company has no full time employees. The staff involved in the Company's operations are all employees of the Deutsche Bank Group. The total staff costs have been borne by Deutsche Bank Group Company without recharge, no staff costs have therefore, been included in these financial statements (2005 - £nil)

	<u>2006</u> £	<u>2005</u> £
Audit of these financial statements	5,531	6,655

Auditor's remuneration for services to the company has been borne by another group undertaking

4 DIRECTORS' REMUNERATION

The aggregate emoluments of persons who were Directors of the Company during the year ended 31 December 2005, including pension contributions, was £nil (2005 - £nil)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2006</u> £	<u>2005</u> £
Current taxation		
Group relief charge for the year	(7,289)	(15,582)
	<hr/>	<hr/>
Total tax on profit on ordinary activities	(7,289)	(15,582)
	<hr/>	<hr/>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2005 - 30%)

6 DEBTORS

	<u>2006</u> £	<u>2005</u> £
Amounts falling due within one year		
Receivables	3,619,891	3,812,329
Other debtors	104,428	342,416
	<hr/>	<hr/>
	3,724,319	4,154,745
Amounts falling due after more than one year		
Receivables	9,123,743	13,103,635
	<hr/>	<hr/>
	12,848,062	17,258,380

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2006

7 CASH AT BANK

Cash at bank represents balances held with DB UK Bank Limited

8	CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>2006</u> £	<u>2005</u> £
	Interest payable to group undertakings	87,036	108,017
	Loans from group undertakings	3,619,891	3,813,470
	Group relief payable	7,289	38,450
	Other amounts due to group undertakings	53,095	208,756
		<u>3,767,311</u>	<u>4,168,693</u>

All loans from group undertakings are from DB UK Bank Limited the immediate parent undertaking of the Company

9 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2006</u> £	<u>2005</u> £
Loans from group undertakings	9,123,744	13,103,635
	<u>9,123,744</u>	<u>13,103,635</u>

All loans from group undertakings are from DB UK Bank Limited, the parent undertaking of the Company

Terms of repayment on the above balances vary with each individual development project but extend for periods up to 5 years (2005 – 6 years) from the Balance Sheet date. Rates of interest are fixed on rollover of facilities at agreed margins to London Inter-Bank Offered Rates ruling on the date of rollover

10 CALLED UP SHARE CAPITAL

	<u>2006</u> £	<u>2006</u> No	<u>2005</u> £	<u>2005</u> No
Authorised, allotted and fully paid Ordinary shares of £1 each	100	100	100	100

There were no changes in the number of authorised and allotted shares during the year

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2006

11 CAPITAL CONTRIBUTION RESERVE

In 2002 DB UK Bank Limited increased its capital contribution by £175,000 in its investment in MG (Local Authority Finance) Limited

12 ULTIMATE PARENT COMPANY AND OTHER PARENT UNDERTAKINGS

DB UK Bank Limited, a company incorporated in the UK, is the Company's immediate controlling entity

Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany, is the Company's ultimate controlling entity, also being the ultimate parent company and the parent undertaking of the largest and smallest group for which group financial statements are drawn up

Copies of the group financial statements prepared in respect of Deutsche Bank AG may be obtained from the Company Secretary Deutsche Bank AG, London branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB

13 RELATED PARTY TRANSACTIONS

As permitted by paragraph 3(c) of FRS 8, no disclosure is made of transactions with members or associates of the Deutsche Bank AG group
