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MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED

Company Number 1672903

REPORTS AND FINANCIAL STATEMENTS

For the year ended 31 December 2007

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MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED  
REPORT OF THE DIRECTORS  
For the year ended 31 December 2007

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The Directors present their annual report on the affairs of the Company together with the audited financial statements for the year ended 31 December 2007

**ACTIVITIES AND REVIEW OF BUSINESS**

The Company carries on the business of providing finance for refurbishment and development projects to local authorities

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 2007, after providing for taxation, show a profit of £20,555 (2006 – profit of £17,008)

The Directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006 - £Nil) leaving the retained profit for the year to be carried forward to the next year

**DIRECTORS**

The Directors of the Company who held office during the year and subsequent to the year ended 31 December 2007 were as follows

A Chalupa

J P Salter

(resigned 26 January 2007)

A P Reid

(resigned 6 May 2008)

N A Warren

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 IN RESPECT OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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

MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED  
REPORT OF THE DIRECTORS (continued)  
For the year ended 31 December 2007

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS (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.

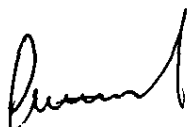
**DISCLOSURE OF INFORMATION TO AUDITORS**

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 he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**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 31<sup>st</sup> day of October 2008



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 2007

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We have audited the financial statements of Morgan Grenfell (Local Authority Finance) Limited for the year ended 31 December 2007 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 2007

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**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 31<sup>st</sup> December 2007 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 31 October 2008

MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED  
**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2007

|  | Note | <u>2007</u><br>£ | <u>2006</u><br>£ |
|--|------|------------------|------------------|
| Turnover   | 1(b) | 745,050          | 954,780          |
| Interest payable   | 2    | (733,800)        | (943,130)        |
| <b>GROSS PROFIT</b>                                      |      | <b>11,250</b>    | <b>11,650</b>    |
| Bank Interest receivable                                 | 2    | 18,114           | 12,647           |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |      | <b>29,364</b>    | <b>24,297</b>    |
| Tax charge on profit on ordinary activities              | 5    | (8,809)          | (7,289)          |
| <b>PROFIT FOR THE YEAR</b>                               |      | <b>20,555</b>    | <b>17,008</b>    |

The notes on pages 8 to 12 form part of these financial statements

The profit during the year has arisen from continuing operations

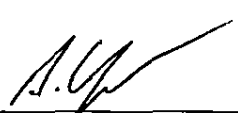
There are no recognised gains or losses in the year other than those included in the profit and loss account

MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED  
BALANCE SHEET  
As at 31 December 2007

|   | Note | <u>2007</u><br>£   | <u>2006</u><br>£   |
|---|------|--------------------|--------------------|
| <b>CURRENT ASSETS</b>   |      |                    |                    |
| Debtors amounts falling due after more than one year          | 6    | 4,415,918          | 9,123,744          |
| Debtors amounts falling due within one year                   | 7    | 3,237,287          | 3,724,319          |
|   |      | <u>7,653,205</u>   | <u>12,848,063</u>  |
| Cash at bank  | 8    | 124,588            | 133,681            |
|   |      | <u>7,777,793</u>   | <u>12,981,743</u>  |
| <b>CREDITORS amounts falling due within one year</b>          | 9    | <b>(3,250,632)</b> | <b>(3,767,311)</b> |
| <b>NET CURRENT ASSETS</b>                                     |      | <b>4,527,161</b>   | <b>9,214,432</b>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                  |      | <b>4,527,161</b>   | <b>9,214,432</b>   |
| <b>CREDITORS amounts falling due after more than one year</b> | 10   | <b>(4,415,918)</b> | <b>(9,123,744)</b> |
| <b>NET ASSETS</b>   |      | <b>111,243</b>     | <b>90,688</b>      |
| <b>CAPITAL AND RESERVES</b>                                   |      |                    |                    |
| Called up share capital                                       | 11   | 100                | 100                |
| Capital contribution reserve                                  | 12   | 175,000            | 175,000            |
| Profit and loss account                                       |      | (63,857)           | (84,412)           |
| <b>SHAREHOLDERS' FUNDS</b>                                    |      | <b>111,243</b>     | <b>90,688</b>      |

The notes on pages 8 to 12 form part of these financial statements

These financial statements were approved by the Board of Directors on the 31<sup>st</sup> day of October 2008

  
Signed by A Chalupa  
for and on behalf of the Board of Directors

MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED  
RECONCILIATION OF MOVEMENTS OF SHAREHOLDER'S FUNDS  
For the year ended 31 December 2007

|                               | <u>Profit &amp; Loss</u><br><u>Account</u> | <u>Capital</u><br><u>Contribution</u><br><u>Reserve</u> | <u>Share</u><br><u>Capital</u> | <u>Total</u><br><u>Capital</u> |
|-------------------------------|--|---|--------------------------------|--------------------------------|
|                               | £  | £   | £                              | £                              |
| Balance at 1 January 2007     | (84,412)                                   | 175,000   | 100                            | 90,688                         |
| Profit for the financial year | 20,555                                     | -   | -                              | 20,555                         |
| Balance at 31 December 2007   | (63,857)                                   | 175,000   | 100                            | 111,243                        |

MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED  
RECONCILIATION OF MOVEMENTS OF SHAREHOLDER'S FUNDS  
For the year ended 31 December 2006

|                               | <u>Profit &amp; Loss</u><br><u>Account</u> | <u>Capital</u><br><u>Contribution</u><br><u>Reserve</u> | <u>Share</u><br><u>Capital</u> | <u>Total</u><br><u>Capital</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                         |



1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

**Basis of preparation**

These financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards. 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) INTEREST PAYABLE AND INTEREST RECEIVABLE

Interest income and expense is accounted for on an accruals basis

(d) 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

(e) 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

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2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

|   | <u>2007</u><br>£ | <u>2006</u><br>£ |
|---|------------------|------------------|
| Profit on ordinary activities before taxation is arrived at after taking into account |                  |                  |
| Interest payable to group undertakings  | (733,800)        | (943,130)        |
| Interest receivable from group undertakings   | 18,114           | 12,647           |

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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 (2006 - £nil)

|                                     | <u>2007</u> | <u>2006</u> |
|-------------------------------------|-------------|-------------|
|                                     | £           | £           |
| Audit of these financial statements | 5,808       | 5,531       |

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 2007, including pension contributions, was £nil (2006 - £nil)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

|  |                   |                   |
|--|-------------------|-------------------|
| Note (a)   | <u>2007</u>       | <u>2006</u>       |
| Analysis of Tax on Profit on Ordinary Activities | £                 | £                 |
| Current taxation                                 |                   |                   |
| Corporation tax on income for the year           | (8,809)           | (7,289)           |
|  | <u>          </u> | <u>          </u> |
| Total tax on profit on ordinary activities       | (8,809)           | (7,289)           |
|  | <u>          </u> | <u>          </u> |

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006 - 30%)

|   |                   |                   |
|---|-------------------|-------------------|
| Note (b)  | <u>2007</u>       | <u>2006</u>       |
| Current tax reconciliation                                  | £                 | £                 |
| Profit on ordinary activities before taxation               | 29,364            | 24,297            |
|   | <u>          </u> | <u>          </u> |
| Tax on profit on ordinary activities at standard rate (30%) | (8,809)           | (7,289)           |
|   | <u>          </u> | <u>          </u> |
| Total current tax charge                                    | (8,809)           | (7,289)           |
|   | <u>          </u> | <u>          </u> |

MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED

NOTES TO THE ACCOUNTS (continued)  
For the year ended 31 December 2007

6 DEBTORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                                    | <u>2007</u><br>£ | <u>2006</u><br>£ |
|------------------------------------|------------------|------------------|
| Receivables from Local Authorities | 4,415,918        | 9,123,744        |
|                                    | <u>4,415,918</u> | <u>9,123,744</u> |

Terms of repayment on the above receivables vary with each individual development project but extend for periods up to 4 years (2006 – 5 years) from the Balance Sheet date at predetermined repayment schedules for each project. Rates of interest are fixed on rollover of facilities at agreed margins to London Inter-Bank Offered Rates ruling on the date of rollover.

7 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | <u>2007</u><br>£ | <u>2006</u><br>£ |
|--|------------------|------------------|
| Accrued interest receivable from Local Authorities | 40,956           | 104,428          |
| Receivables from Local Authorities                 | 3,179,563        | 3,619,891        |
| Other amounts due from group undertakings          | 16,768           | -                |
|  | <u>3,237,287</u> | <u>3,724,319</u> |

Receivables from Local Authorities based on the repayment schedule within one year of the balance sheet date

8 CASH AT BANK

Cash at bank represents balances held with DB UK Bank Limited

MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED  
NOTES TO THE ACCOUNTS (continued)  
For the year ended 31 December 2007

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | <u>2007</u>      | <u>2006</u>      |
|--|------------------|------------------|
|  | <u>£</u>         | <u>£</u>         |
| Accrued interest payable to group undertakings | 33,828           | 87,036           |
| Loans from group undertakings                  | 3,179,563        | 3,619,891        |
| Corporation tax payable                        | 8,809            | 7,289            |
| VAT payable                                    | 28,432           | 29,540           |
| Other creditors                                | -                | 23,555           |
|  | <u>3,250,632</u> | <u>3,767,311</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 up to 4 years (2006 – 5years) 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 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                               | <u>2007</u>      | <u>2006</u>      |
|-------------------------------|------------------|------------------|
|                               | <u>£</u>         | <u>£</u>         |
| Loans from group undertakings | 4,415,918        | 9,123,744        |
|                               | <u>4,415,918</u> | <u>9,123,744</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 4 years (2006 – 5years) 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

11 CALLED UP SHARE CAPITAL

|  | <u>2007</u> | <u>2007</u> | <u>2006</u> | <u>2006</u> |
|--|-------------|-------------|-------------|-------------|
|  | <u>£</u>    | <u>No</u>   | <u>£</u>    | <u>No</u>   |
| Authorised, allotted, called up and fully paid<br>Ordinary Shares of £1 each | 100         | 100         | 100         | 100         |

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

12 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

13 ULTIMATE PARENT COMPANY AND OTHER PARENT UNDERTAKINGS

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

Deutsche Bank AG, a Company incorporated in Germany, is the ultimate parent Company, the ultimate controlling entity and the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up

Copies of the Group financial statements of this Company are available to the public and may be obtained from Company Secretariat Winchester House, 1 Great Winchester Street, London EC2N 2DB  
No other group accounts include the results of the Company

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14 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

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