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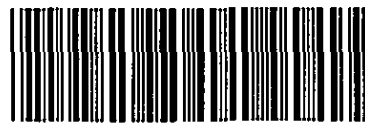
MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED

Company number: 1672903

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

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REPORT OF THE DIRECTORS
For the year ended 31 December 2010

The Directors present their annual report and audited financial statements for the year ended 31 December 2010

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 set out on page 5

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2010, after providing for taxation, show a profit of £2,160 (2009 profit of £4,058)

The Directors do not recommend the payment of a dividend for 2010 year (2009 £nil)

DIRECTORS

The Directors of the company who held office during the year and subsequent to the year ended 31 December 2010 were as follows

P Mehew	Resigned 9 March 2011
B Reilly	
M Williams	

A P Rutherford was the 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

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors 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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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

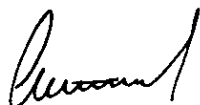
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG Audit plc will therefore continue in office

By order of the Board of Directors this

3rd day of August 2011



A Rutherford
Joint Secretary

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

Company number: 1672903

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MORGAN GRENFELL (LOCAL AUTHORITY FINANCE) LIMITED**

We have audited the financial statements of Morgan Grenfell (Local Authority Finance) Limited for the year ended 31 December 2010 set out on pages 4 to 10. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

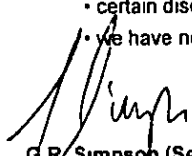
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



G R Simpson (Senior Statutory Auditor)

For and on behalf of KPMG Audit plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Dated

5 August 2011

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	Note	<u>2010</u> £	<u>2009</u> £
Turnover	1(b)	72,656	161,020
Interest payable	2	(69,656)	(155,520)
GROSS PROFIT		3,000	5,500
Bank Interest receivable	2	-	135
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,000	5,635
Tax charge on profit on ordinary activities	5	(840)	(1,577)
PROFIT FOR THE YEAR		2,160	4,058

The notes on pages 7 to 10 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

BALANCE SHEET
For the year ended 31 December 2010

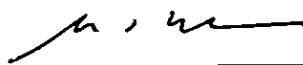
	Note	2010 £	2009 £
CURRENT ASSETS			
Debtors amounts falling due after more than one year	6	-	472,145
Debtors amounts falling due within one year	7	474,407	1,497,324
Cash at bank	8	221,833	184,431
		696,240	2,153,900
CREDITORS amounts falling due within one year	9	(569,042)	(1,556,717)
NET CURRENT ASSETS		127,198	597,183
TOTAL ASSETS LESS CURRENT LIABILITIES		127,198	597,183
CREDITORS amounts falling due after more than one year	10	-	(472,145)
NET ASSETS		127,198	125,038
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Share premium	12	175,000	175,000
Profit and loss account		(47,902)	(50,062)
SHAREHOLDERS' FUNDS		127,198	125,038

The notes on pages 7 to 10 form part of these financial statements

These financial statements were approved by the Board of Directors on the 3rd day of

August

2010


Signed by M. WILLIAMS
for and on behalf of the Board of Directors

Company number: 1672903

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
For the year ended 31 December 2010

	<u>Profit & Loss</u> <u>Account</u>	<u>Ordinary Share</u> <u>Capital</u>	<u>Share Premium</u>	<u>Total</u>
	£	£	£	£
Balance at 1 January 2010	(50,062)	100	175,000	125,038
Profit for the year	2,160	-	-	2,160
Balance at 31 December 2010	(47,902)	100	175,000	127,198

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
For the year ended 31 December 2009

	<u>Profit & Loss</u> <u>Account</u>	<u>Ordinary Share</u> <u>Capital</u>	<u>Share Premium</u>	<u>Total</u>
	£	£	£	£
Balance at 1 January 2009	(54,120)	100	175,000	120,980
Profit for the year	4,058	-	-	4,058
Balance at 31 December 2009	(50,062)	100	175,000	125,038

The notes on pages 7 to 10 form part of these financial statements

NOTES TO THE ACCOUNTS
For the year ended 31 December 2010

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 2006 UK 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 (overhead recoveries made from the Company's subsidiaries management fees and other income receivable, exclusive of Value Added Taxation)

(c) INTEREST INCOME AND EXPENSE

Interest income and expense is accounted for on an accruals basis

(d) CASH FLOW 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 profit for the year and takes into account taxation deferred because of 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

(f) GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>2010</u>	<u>2009</u>
	£	£
Profit on ordinary activities before taxation is arrived at after taking into account		
Interest payable to group undertakings	(69,656)	(155,520)
Interest receivable from group undertakings	-	135

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 without recharge. No staff costs have therefore, been included in these financial statements (2009 - £nil)

	<u>2010</u>	<u>2009</u>
	£	£
Audit of these financial statements	5,250	6,443

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

4 DIRECTORS' REMUNERATION

The aggregate emoluments of persons who are Directors of the Company during the year ended 31 December 2010, including pension contributions, was £nil (2009 - £nil)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>2010</u>	<u>2009</u>
	£	£
Analysis of tax on profit on ordinary activities		
<i>Current tax</i>		
Group Relief charge for the year	(840)	(1,577)
Total tax charge on profit on ordinary activities	(840)	(1,577)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2009 - 28%). Corporation tax has been accrued at this rate, there being no adjusting items.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

6 DEBTORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<u>2010</u>	<u>2009</u>
	£	£
Receivables from Local Authorities	-	472,145

Terms of repayment on the above receivables vary with each individual development project but extend for periods up to 1 year (2009 – 2 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>2010</u>	<u>2009</u>
	£	£
Accrued interest receivable from Local Authorities	1,087	2,635
Receivables from Local Authorities	473,320	1,494,689
	<u>474,407</u>	<u>1,497,324</u>

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

8 CASH AT BANK	<u>2010</u>	<u>2009</u>
	£	£
Cash at bank represents balances held with DB UK Bank Limited	221,833	184,431

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>2010</u>	<u>2009</u>
	£	£
Accrued interest payable to group undertakings	38,399	2,635
Loans from group undertakings	472,145	1,494,281
Corporation tax payable	6,297	5,457
VAT payable	1,756	4,067
Other creditors	50,445	50,277
	<u>569,042</u>	<u>1,556,717</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 1 year (2009 – 2 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 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<u>2010</u>	<u>2009</u>
	£	£
Loans from group undertakings	-	472,145

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 1 year (2009 – 2 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.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

11 CALLED UP SHARE CAPITAL	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	£	No	£	No
Authorised, allotted, called up and fully paid 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 Morgan Grenfell (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 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

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
