Company Registration Number 5578205

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

FOR THE YEAR ENDED 31 MARCH 2012

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DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

COMPANY INFORMATION

The board of directors	Wilmington Trust SP Services (London) Limited Mr M H Filer Mr J Traynor
Company secretary	Wilmington Trust SP Services (London) Limited
Registered office	c/o Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
Auditor	Deloitte LLP London

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

The directors have pleasure in presenting their report and the financial statements of the Group which comprise the results of the Company and its subsidiary, Deco 6 – UK Large Loan 2 Plc, for the year ended 31 March 2012

PRINCIPAL ACTIVITIES AND ENHANCED BUSINESS REVIEW

The Company's principal activity is to hold an investment in Deco 6 – UK Large Loan 2 Plc and hold the Post-Enforcement Call Option and other similar options granted in respect of securities granted by other issuers

The Post-Enforcement Call Option will permit the Company to acquire from the noteholders all the notes then outstanding at a price of one penny per note when notice is received from the Issuer Security Trustee

Deco 6 – UK Large Loan 2 Plc is a special purpose company established in order to issue floating rate loan notes due July 2017 ("the notes") and to acquire the beneficial interest in a mortgage portfolio from Deutsche Bank AG, London Branch, ("the mortgage loans") Deco 6 – UK Large Loan 2 Plc was also established to create security and receive interest in respect thereof, and to enter into certain related transactions as described in the Offering Circular dated 1 December 2005 On 6 December 2005, the subsidiary issued £555,119,911 floating rate loan notes in accordance with the Offering Circular

The key performance indicators of the business are considered to be the net interest margin and impairments At the year-end, the Group achieved a net interest margin (net interest income divided by interest income) of 3 85% (2011 2 80%) At the year end, the Group had net liabilities of £131,939,670 (2011 £26,931,972) due to the fair value movement of the derivatives

RESULTS AND DIVIDENDS

The trading results for the year and the Group and Company's financial position at the end of the year are shown in the attached financial statements

The loss of the Group after tax amounted to £105,007,698 (2011 profit £9,411,410 The loss for the year was primarily due to impairment provisions against mortgage loans amounting to £110,224,359 (2011 £nil) The directors have not recommended any dividend (2011 £nil) The Company has net liabilities of £131,927,169 (2011 £26,919,471) driven by the accumulated impairment loss for the year, of £110,224,359 (2011 £nil) and derivative fair value liability of £21,987,917 (2011 £27,203,510)

FUTURE DEVELOPMENTS

The directors will continue to closely monitor the Group's progress There were no significant events affecting the Group after the year end The directors do not expect any significant changes in the operating activities of the Group or Company after the year end

CREDITOR PAYMENT POLICY

The Group's policy concerning payment of its trade creditors is to pay in accordance with its contractual and other legal obligations Due to the nature of the business, the main creditors are the noteholders Principal and interest is repaid quarterly in accordance with the agreements in place The Group does not follow any other code or standard on payment practice

FINANCIAL INSTRUMENTS

The Group's financial instruments, other than derivatives, comprise mortgage loans, cash and cash equivalents, interest-bearing borrowings and various receivables and payables that arise directly from its operations The main purpose of the interest bearing borrowings is to acquire a mortgage portfolio from Deutsche Bank AG, London Branch

The Group also enters into derivative transactions (principally three interest rate swaps and three basis swaps) The purpose of such transactions is to manage the interest rate risk arising from the Group's operations and its sources of finance

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments is undertaken

Furthermore, the directors acknowledge that the global macro-economic indicators and general business environment have improved in the period under review Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to all underlying businesses and borrowers with whom the Group has exposure through the mortgage loans Conditions may deteriorate further due to the continued global financial and economic uncertainty

FINANCIAL INSTRUMENTS (CONTINUED)

The Board reviews and agrees policies for managing risks arising on the Group's financial instruments and they are summarised below

Currency risk
All of the Group's assets and liabilities are denominated in pound Sterling and therefore there is no foreign currency risk

Interest rate risk
Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times The Group minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar, where this is not possible the Group uses interest rate swaps and basis swaps to mitigate any residual interest rate risk

Credit risk
The principal credit risk to the Group is that the borrowers will not be able to meet their obligations as they fall due The mortgage loans are secured on a number of UK commercial properties which are geographically diverse and include a diverse tenant portfolio

The exposure to credit risk is to the mortgage loans borrowers The mortgage loan portfolio consists of 2 loans secured over 21 properties (2011 3 loans 22 properties) At 31 March 2012, the carrying amount of outstanding loan was £161,940,000 (2011 £367,752,608) The maximum single net exposure to credit risk is the loan to Brunel totalling £87,200,000 (2011 £101,844,809) which equals 53 8% of the total net outstanding loan portfolio

Refinancing risk
The ability of a borrower to make timely payment of principal due on any loan on the relevant loan maturity date may be dependent upon that borrower's ability to refinance the loan In the event a borrower cannot refinance before or at the loan maturity date, repayment may be delayed and in some circumstances the collateral which would be enforced and sold, or in the case that the charged property is sold at a value below the then outstanding principal of the loan, repayment of the loan may be made at below par In such circumstances, the Group would be unable to repay certain classes of notes in full
If in the event of the loans not being able to be repaid, the notes would be written down starting from the lowest class of note, D, to the highest class of note, A1

Impairment
The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset
During the year the St Enoch Centre loan, with an outstanding debt of £95,000,000 was fully prepaid However, due to numerous breaches of covenants during the year in both of the remaining loans (Mapeley and Brunel Shopping Centre) it was deemed that an event of default has occurred which was unlikely to be cured and as a result both remaining loans have been transferred to special servicing In addition, since year end, on 25 April 2012, the Brunel Shopping Centre loan defaulted on maturity

As per recent valuations of the properties there has been a substantive reduction in the market value of the underlying properties and subsequently an impairment provision has been made against these loans of £110,224,359 (2011 £nil) based on the estimated market value of those properties (independently valued between September 2011 and February 2012) The special servicers continue to evaluate recovery options

Liquidity risk
A facility provided by Caylon (London Branch) has been established which will be available, subject to certain criteria and circumstances, in the event of the Company being unable, on a temporary basis, to meet its financial commitments The liquidity facility was renewed on 26 October 2011 to expire on 29 November 2012 The directors expect this facility to be renewed annually Further discussion of the Company's approach to financial instruments is set out in note 1 (significant accounting policies) and in note 12

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

GOING CONCERN

The financial statements have been prepared on the going concern basis as described in note 1 However, note 1 also describes a material uncertainty relating to the Group's ability to continue to trade, and therefore continue as a going concern, as a result of potential options available to the special servicer of the remaining loans, which could include the enforcement of security

DIRECTORS

The directors who served the Company throughout the year and to the date of this report were as follows

Wilmington Trust SP Services (London) Limited
Mr M H Filer
Mr J Traynor

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them as auditor for the ensuing year will be proposed at the next annual general meeting

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors confirm that

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each of the directors has taken all steps that they ought to have as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Signed by order of the directors

For and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Mignon Clarke
26 September 2012

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2012

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

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 enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

We have audited the financial statements of Deco 6 – UK Large Loan 2 Holding Limited for the year ended 31 March 2012 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes 1 to 18 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006

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 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
As explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies with the audited financial statements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern The two remaining loans held by the Company are in special servicing and therefore there is uncertainty over the future courses of action the special servicer might take to maximise recoveries on those loans One of those courses of action may be to enforce collateral in order to repay the loans, the result of which would be that the Company would cease to trade As such there is a material uncertainty that may cast doubt on the Company's ability to continue as a going concern This condition, as explained in note 1 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern

Opinion on other matter 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED (CONTINUED)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Simon Stephens, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
26 September 2012

Company Registration Number 5578205

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

Continuing operations	Notes	2012 £	2011 £
Interest income	2	**17,616,536**	21,325,789
Interest expense	3	**(16,936,876)**	(20,727,283)
Net interest income		**679,660**	598,506
Fair value profit on derivative financial instruments		**5,215,592**	9,404,236
Impairment loss	6	**(110,224,359)**	-
Other operating expenses	4	**(677,899)**	(596,372)
(Loss)/profit before tax for the year		**(105,007,006)**	9,406,370
Income tax (charge)/credit	5	**(692)**	5,040
(Loss)/profit after tax for the year		**(105,007,698)**	9,411,410
Other comprehensive income		**-**	-
Total comprehensive (loss)/ income for the year		**(105,007,698)**	9,411,410

The notes on pages 13 to 27 form part of these financial statements

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Notes	2012 £	2011 £
Assets			
Non-current assets			
Mortgage loan	7	**60,683,441**	366,968,276
Current assets			
Mortgage loan	7	**101,256,559**	784,332
Trade and other receivables	8	**2,176,655**	3,819,325
Cash and cash equivalents	9	**334,616**	306,061
		103,768,830	4,909,718
Total assets		**164,451,271**	371,877,994
Equity			
Share capital	10	**1**	1
Retained losses	10	**(131,939,671)**	(26,931,973)
Total deficit		**(131,939,670)**	(26,931,972)
Non-current liabilities			
Interest-bearing loan notes	11	**170,907,801**	366,968,276
Non interest-bearing loans	12	**12,501**	12,501
Total non-current liabilities		**170,920,302**	366,980,777
Current liabilities			
Interest-bearing loan notes	11	**101,256,559**	784,332
Accrued interest	11	**713,176**	743,254
Liquidity drawdown	12	**654,345**	-
Trade and other payables	13	**858,295**	3,097,309
Current tax liability		**348**	784
Derivative financial instruments	15	**21,987,917**	27,203,510
Total current liabilities		**125,470,640**	31,829,189
Total liabilities		**296,378,440**	398,809,966
Total equity and liabilities		**164,451,271**	371,877,994

These financial statements of Deco 6 – UK Large Loan 2 Holding Limited, company registration number 5578205 on pages 7 to 27 were approved and authorised for issue by the directors on 26 September 2012 and are signed on their behalf by

Mignon Clarke for and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Director

The notes on pages 13 to 27 form part of these financial statements

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Notes	2012 £	2011 £
Non-current assets			
Investment in subsidiary	6	12,501	12,501
Current assets			
Cash and cash equivalents	9	1	1
Total assets		12,502	12,502
Equity			
Share capital	10	1	1
Retained earnings	10	-	-
Total equity		1	1
Non-current liabilities			
Non interest-bearing loans	12	12,501	12,501
Total non-current liabilities		12,501	12,501
Total liabilities		12,501	12,501
Total equity and liabilities		12,502	12,502

These financial statements of Deco 6 – UK Large Loan 2 Holding Limited, company registration number 5578205 on pages 7 to 27 were approved and authorised for issue by the directors on 26 September 2012 and are signed on their behalf by

Mignon Clarke for and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Director

The notes on pages 13 to 27 form part of these financial statements

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Share capital	Retained loss	Total equity
	£	£	£
At 1 April 2010	1	(36,343,383)	(36,343,382)
Loss for the year 31st March 2011	-	9,411,410	9,411,410
Other comprehensive income for the year 31 March 2011	-	-	-
Balance at 31 March 2011	1	(26,931,973)	(26,991,972)

	Share capital	**Retained earnings/(loss)**	**Total equity**
	£	**£**	**£**
At 1 April 2011	**1**	**(26,931,973)**	**(26,991,972)**
Profit for the year 31st March 2012	**-**	**(105,007,698)**	**(105,007,698)**
Other comprehensive income for the year 31 March 2012	**-**	**-**	**-**
Balance at 31 March 2012	**1**	**(131,939,671)**	**(131,939,670)**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 April 2009	1	-	1
Loss for the year	-	-	-
Other comprehensive income for the year 31 March 2011	-	-	-
Balance at 31 March 2011	1	-	1

	Share capital	**Retained earnings**	**Total equity**
	£	**£**	**£**
Balance at 1 April 2011	**1**	**-**	**1**
Loss for the year	**-**	**-**	**-**
Other comprehensive income for the year 31 March 2012	**-**	**-**	**-**
Balance at 31 March 2012	**1**	**-**	**1**

The notes on pages 13 to 27 form part of these financial statements

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £	2011 £
Cash flows from operating activities			
Loss before tax for the year		**(105,007,006)**	9,406,370
Adjustments for			
Impairment loss		**110,224,359**	-
Fair value movement on derivative financial instruments		**(5,215,593)**	(9,404,236)
Bank interest receivable	**2**	**(1,659)**	(510)
Decrease/(increase) in trade and other receivables	**7**	**1,642,670**	(12,842)
(Decrease)/increase in trade and other payables	**10,11**	**(2,368,656)**	16,429
Net cash (used in)/from operating activities		**(625,885)**	5,211
Taxation (paid)/credit		**(1,129)**	111
		627,449)	5,322
Investing activities			
Repayments during period	**6**	**95,588,249**	718,971
Bank interest received	**2**	**1,659**	510
Net cash from investing activities		**95,589,908**	719,481
Financing activities			
Redemption of loan notes during the year	**10**	**(95,588,249)**	(718,971)
Liquidity drawdown		**654,345**	-
Net cash used in financing activities		**(94,933,904)**	(718,971)
Net increase in cash and cash equivalents		**28,555**	5,832
Cash and cash equivalents at beginning of year		**300,061**	300,229
Cash and cash equivalents at 31 March 2012	**8**	**334,616**	306,061

Actual cash received and paid as interest income and interest expense during the year was £19,257,546 (2011 £21,312,437) and £4,173,835 (2011 £4,820,607) respectively

(As explained in the accounting policies note on page 15, the cash is not freely available to be used)

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £	2011 £
Cash flows from operating activities			
Profit before tax for the year		-	-
Net cash from operating activities		-	-
Cash and cash equivalents at beginning of year		1	1
Cash and cash equivalents at 31 March	**10**	**1**	**1**

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

1. **SIGNIFICANT ACCOUNTING POLICIES**

Deco 6 – UK Large Loan 2 Holdıng Lımıted ıs a Company ıncorporated ın the UK under the Companıes Act 2006 and domıcıled ın England

Statement of compliance

The Group's financıal statements have been prepared ın accordance wıth Internatıonal Fınancıal Reportıng Standards as adopted by the European Unıon

The accountıng polıcıes set out below have been applıed ın respect of the financıal year ended 31 March 2012, and for the prevıous perıod

Basis of preparation

The financıal statements are presented ın Pounds Sterlıng

The financıal statements have been prepared on the hıstorıcal cost basıs as modıfied for the revaluatıon of certaın financıal ınstruments under IAS 39 Fınancıal Instruments Recognıtıon and Measurement

Due to the fact that the nature of the busıness ıs to provıde finance, the dırectors are of the opınıon that ıt ıs more approprıate to use ınterest ıncome and ınterest expense rather than turnover and cost of sales ın preparıng the statement of comprehensıve ıncome

Basis of preparation – going concern

The Group's busıness actıvıtıes, together wıth the factors lıkely to affect ıts future development, performance and posıtıon and ıts prıncıpal uncertaıntıes are set out ın the Dırectors Report on pages 2 and 3 In addıtıon, note 14 to the financıal statements ıncludes the Group's objectıves, polıcıes and processes for managıng ıts capıtal, ıts financıal rısk management objectıves, detaıls of ıts financıal ınstruments and hedgıng actıvıtıes, and ıts exposures to credıt rısk and lıquıdıty rısk

The Group has a net lıabılıty posıtıon on the balance sheet due to the cumulatıve ımpaırment on the loans and the faır value movement of the derıvatıves However, the terms of the loan notes ıssued by the Group and assocıated securıtısatıon arrangements are such that amounts due are only payable to the extent that there are suffıcıent receıpts from the Group's assets

The lıquıdıty facılıty provıded by Calyon (London Branch) has been establıshed whıch wıll be avaılable, subject to certaın crıterıa and cırcumstances, ın the event of the Group beıng unable, on a temporary basıs, to meet ıts financıal commıtments The lıquıdıty facılıty was renewed on 26 October 2011 to expıre on 29 November 2012 The dırectors expect thıs facılıty to be renewed annually

However, the two remaınıng loans held by the Group are ın specıal servıcıng and therefore there ıs uncertaınty over the future courses of actıon the specıal servıcer mıght take to maxımıse recoverıes on those loans One of those courses of actıon may be to enforce collateral ın order to repay the loans, the result of whıch would be that the Group would no longer have any loans and cease to trade As such there ıs a materıal uncertaınty that may cast doubt on the Group's abılıty to contınue as a goıng concern

Sınce the loan notes are lımıted recourse, notwıthstandıng the uncertaınty above, the dırectors have a reasonable expectatıon that the Group has adequate resources to contınue ın operatıonal exıstence for the foreseeable future Accordıngly, they contınue to adopt the goıng concern basıs ın preparıng the financıal statements

Basıs of consolidation

The consolıdated financıal statements ıncorporate the financıal statements of the Company and entıtıes controlled by the Company (the Subsıdıarıes) Control ıs achıeved where the Company has the power to govern the financıal and operatıng polıcıes of an ınvestee entıty so as to obtaın benefits from ıts actıvıtıes All ıntra-group transactıons, balances, ıncome and expenses are elımınated on consolıdatıon

- Subsıdıarıes

Subsıdıarıes are those entıtıes controlled by the Company Control exısts when the Company has the power, dırectly or ındırectly, to govern the financıal and operatıng polıcıes of an entıty so as to benefit from ıts actıvıtıes

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses, in particular for the fair value of derivatives, and the recoverability of assets The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates used in the financial statements

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods

Financial instruments
Derivative financial instruments are classified as fair value through profit and loss The Group's financial instruments comprise a mortgage loan, cash and liquid resources, derivatives, interest-bearing borrowings and various receivables and payables that arise directly from its operations The main purpose of these interest bearing borrowings is to acquire a beneficial interest in mortgage loans These financial instruments are classified in accordance with the principles of IAS 39 Financial Instruments Recognition and Measurement as described below

Mortgage loans
The mortgage loans and interest receivable thereon are classified as loans and receivables and are initially measured at fair value with subsequent measurement being at amortised cost using the effective interest method
Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired The allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred consideration
A deferred consideration charge is included in interest expense Deferred consideration is payable to the Class X certificates holders dependent on the extent to which the surplus income, in excess of the agreed margin, generated by the mortgage loans in which the Group has purchased an interest, exceeds the administration costs of the mortgage loans Deferred consideration is recognised on an accruals basis On the contrary if there is a shortfall, reduction of expense is recognised in the statement of comprehensive income and previously recorded accrual is reversed to the extent of shortfall, in the statement of financial position

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less Cash and cash equivalents are classified as loans and receivables

Derivative financial instruments and hedging activities
The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational, financing and investment activities In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes

IAS 39 requires all financial assets and liabilities to be recognised initially at fair value on the balance sheet Subsequent to initial recognition, any changes in fair value of the derivatives held are recognised in the statement of comprehensive income

The fair value of interest rate swaps and basis swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties

Interest income receivable or interest expense on the interest rate swap is accounted for on an effective interest rate basis within interest income or interest expense in the statement of comprehensive income

Interest-bearing loans
Interest-bearing borrowings are classified as financial liabilities and recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing borrowings and interest payable thereon are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis

Embedded derivatives
Certain derivatives are embedded within other non-derivative host financial instruments to create a hybrid instrument Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value, the embedded derivative is separated from the host instrument with changes in fair value of the embedded derivative recognised in the statement of comprehensive income Depending on the classification of the host instrument, the host is then measured in accordance with IAS 39

Interest income and expense
Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit or loss is determined using the effective interest rate method The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating the interest income or interest expense over the expected life of the asset or liability The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount

Value added tax
Value added tax is not recoverable by the Group and is included with its related cost

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax expense
The Group has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Group is taxed broadly by reference to its net cash flows during the period, and not by reference to its accounting profits, to the extent that these differ

Standards issued but not adopted

The adoption of Standards and Interpretations issued by the International Accounting Standards Board (IASB) that were effective for the current year has not had a material impact on the financial statements of the Group At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

Name of new Standards/amendments	Effective date
Annual Improvements to IFRSs 2009-2011 Cycle (May 2012)	1 January 2013
Amendments to IAS 1 (June 2011) Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 27 (revised May 2011) Separate Financial Statements	1 January 2013
IAS 28 (revised May 2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to IAS 32 (Dec 2011) Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to IFRS 7 (Dec 2011) Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IFRS 7 (Oct 2010) Disclosures – Transfers of Financial Assets	1 July 2011
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

The directors are currently considering the potential impact of the adoption of IFRS 9 and IFRS 13 on the financial statements of the Group, but the Group does not believe that the adoption at any time in the future of the remaining Standards above will have any material impact on the amounts reported in these financial statements

Segmental reporting
The principal asset of the Group is the beneficial interest in the mortgage portfolio originated in the United Kingdom which is funded by floating rate notes issued in the United Kingdom The directors do not consider it necessary to provide a further analysis of the results of the Group from those already disclosed in these financial statements

Company statement of comprehensive income
As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements The Company's result for the financial year was £nil (2011 £nil)

2. INTEREST INCOME

	2012 Group £	2011 Group £
Income from mortgage loans	17,614,877	21,325,279
Bank interest received	1,659	510
	17,616,536	21,325,789

3. INTEREST EXPENSE

	2012 Group £	2011 Group £
Interest on loan notes	4,143,757	3,971,204
Deferred consideration	(577,582)	961,408
Net swap interest payable	13,370,701	15,794,671
	16,936,876	20,727,283

4. OTHER OPERATING EXPENSES

	2012 Group £	2011 Group £
Administration and cash management fees	630,361	544,789
Audit fees for the audit of the Group's accounts		
Parent company	4,000	6,000
Subsidiaries	23,000	19,504
Tax fees	15,560	15,560
Corporate services fees	10,519	10,519
	677,899	596,372

The directors received no emoluments for their services as directors to the Group during the period, except for those disclosed in note 16 The directors had no material interest in any contract of significance in relation to the business of the Group The Group did not have any employees in the current year or preceding period

5. INCOME TAX EXPENSE

The Group, has elected to be taxed under the Taxation of Securitisation Companies 2006 (Regulations) i e the permanent regime Corporation tax is therefore calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement

The directors are satisfied that this Group meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise

The Group is therefore taxed by reference to the profit required to be retained in accordance with the pre-enforcement priority of payments as defined in the terms and conditions of the loan notes

Group	2012	2011
Current tax:	£	£
Corporation tax charge for the year at a rate of 20% (2011 21%)	(352)	448
Adjustment to prior year's charge	(340)	(5,488)
Total income tax charge/(credit) in the statement of comprehensive income	692	(5,040)

5. INCOME TAX EXPENSE (continued)

Group	**2012**	2011
Reconciliation of total tax credit	**£**	£
The tax assessed for the period is at the standard rate of corporation tax in the UK of 20% (2011 21%)		
(Loss)/profit before tax	**(105,007,006)**	9,406,370
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2011 21%)	**21,001,401**	(1,975,337)
Permanent differences relating to application of Taxation of Securitisation Companies Regulations 2006	**(21,001,753)**	1,974,889
Adjustment in respect of the prior year	**(340)**	5,488
Total tax (charge)/credit reported in the statement of comprehensive income	**(692)**	5,040

Company	**2012**	2011
Current tax:	**£**	£
Corporation tax charge for the period at a rate of 21%	-	-
Total income tax expense in statement of comprehensive income	-	-

	2012	2011
Reconciliation of total tax charge	**£**	£
The tax assessed for the period is at the small companies' rate of corporation tax in the UK of 20% (2011 21%)		
Profit before tax	-	-
Profit before tax multiplied by the small companies' rate of corporation tax in the UK of 20% (2011 21%)	-	-
Total income tax expense in statement of comprehensive income	-	-

6. INVESTMENT IN SUBSIDIARY

	2012	2011
Company	**£**	£
At 1 April 2011 and 31 March 2012	**12,501**	12,501

The shares were purchased at par for cash consideration of £12,501 and the net assets of the subsidiary were £12,501 at this date (comprising only cash on issuance of shares), hence no goodwill arose on acquisition In the opinion of the directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

Shares in group undertakings

The Company has the following interests in group undertakings

Subsidiary undertakings	**Country of incorporation**	**Class of shares**	**Holding (%)**
Deco 6 – UK Large Loan 2 Plc	Great Britain	Ordinary	99 98

Principal activities

The company was established as a special purpose vehicle for the sole purpose of issuing commercial mortgage-backed loan notes secured by a pool of commercial mortgages

7. MORTGAGE LOAN

	2012	2011
Group	**£**	£
At 1 April	**367,752,608**	368,471,580
Redemptions	**(95,588,249)**	(718,972)
Impairment	**(110,224,359)**	-
At 31 March	**161,940,000**	367,752,608
The balance can be analysed as follows		
Non-current assets	**60,683,441**	366,968,276
Current assets	**101,256,559**	784,332
	161,940,000	367,752,608

The mortgage loans are due for repayment by July 2015 At 31 March 2012, £272,164,359 (2011 £367,752,608) was outstanding At 31 March 2012, interest on £101,256,559 (2011 £101,844,809) was at a fixed rate of 6 14% and interest on the remaining £170,907,800 (2011 £170,907,800) was at a fixed rate of 5 70% The loans are secured over commercial properties held by Deutsche Bank AG, London Branch in its capacity as Borrower Security Trustee on behalf of the Company

The Servicer is responsible for monitoring compliance with the loan to value and coverage covenants in accordance with the servicing agreement dated 4 October 2005 At its sole discretion it has the ability to call for a revaluation of the mortgage property

During the year the St Enoch Centre loan, with an outstanding debt of £95,000,000 was fully prepaid Due to numerous breaches of covenants during the year in both the remaining loans (Mapeley and Brunel Shopping Centre) it was deemed that an event of default has occurred which was unlikely to be cured and, as a result, both the remaining loans have been transferred to special servicing In addition, since year end, on 25 April 2012 , the Brunel Shopping Centre loan defaulted on maturity As per recent valuations of the properties there has been a substantive reduction in the market value of the underlying properties and subsequently an impairment provision has been made against these loans of £110,224,359 (2011 £nil) based on the market value of those properties The special servicers continue to evaluate recovery options

8. TRADE AND OTHER RECEIVABLES

	2012 Group	2012 Company	2011 Group	2011 Company
	£	**£**	£	£
Other debtors	**1,085**	**-**	1,085	-
Prepayments and accrued income	**2,175,570**	**-**	3,818,240	-
	2,176,655	**-**	3,819,325	-

The directors consider that the carrying value of trade and other receivables approximate their fair value

9 CASH AND CASH EQUIVALENTS

	2012 Group	2012 Company	2011 Group	2011 Company
	£	**£**	£	£
Cash and cash equivalents	**334,661**	**1**	**306,061**	**1**

The Group has deposits in bank accounts held in the Group's name which meet the definition of cash and cash equivalents but their use is restricted by a detailed priority of payments set out in the securitisation transaction agreements As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash

10. TOTAL EQUITY

Group	Issued capital £	Retained losses £	Total £
At 1 April	1	(26,931,973)	(26,931,972)
Profit (Loss) for the year	-	(105,007,698)	(105,007,698)
Balance at 31 March	1	(131,939,671)	(131,939,670)

Company	Issued capital £	Retained profit £	Total £
At 1 April	1	-	1
Profit for the year	-	-	-
Balance at 31 March	1	-	1

There are 100 authorised ordinary shares of £1 each The issued share capital comprises one £1 share called up and fully paid Wilmington Trust SP Services (London) Limited holds the entire share capital in the Company under a declaration of trust for charitable purposes

11. INTEREST-BEARING LOANS

This note provides information about the contractual terms of the Group's interest-bearing loans For more information about the Group's exposure to interest rate risk, see note 14

Group	2012 £	2011 £
At 1 April	367,752,608	368,471,580
Redemptions	(95,588,249)	(718,972)
	272,164,359	367,752,608
Non-current liabilities		
Loan notes	170,907,800	366,968,276
	170,907,800	366,968,276
Current liabilities		
Loan notes	101,256,559	784,332
Interest payable on loan notes	713,176	743,254
	101,969,735	1,527,586

Current liabilities due within one year are paid when cash is available after other commitments have been fulfilled in order of priority in accordance with the Offering Circular

On 6 December 2005 an agreement was entered into with Calyon (London Branch) for the provision of a liquidity facility for the Group The facility is in place to allow the Group to meet its obligations should there be a shortfall in the revenue or principal received from the mortgage loan At the balance sheet date, the limit on this facility was £28,000,000 (2011 £28,000,000) A fee is charged on the undrawn balance, currently set out at 0 15% per annum This fee would increase on any drawn balance No amounts have been drawn under the facility since inception The liquidity facility is secured by way of fixed and floating charges over the Group's assets including the mortgage loans

Interest-bearing loans and borrowings are repayable as follows

Year ended 31 March 2012

Group	Total £	Less than 1 year £	1-2 years £	2-5 years £	More than 5 years £
Liabilities					
Floating rate notes due 2017	272,164,359	101,256,559	-	170,907,800	-
Interest payable	713,176	713,176	-	-	-
	368,465,784	101,969,735	-	170,907,800	-

11. INTEREST-BEARING LOANS (continued)

Year ended 31 March 2011

Group	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
	£	£	£	£	£
Liabilities					
Floating rate notes due 2017	367,752,608	784,332	196,060,476	170,907,800	-
Interest payable	743,254	743,254	-	-	-
	368,495,862	1,527,586	196,060,476	170,907,800	-

The loan notes are denominated in the following currencies

Group	2012	2011
	£	£
Sterling	272,164,359	367,752,608

On 6 December 2005, the Group issued £173,000,000 Class A1 notes due July 2017, £259,900,000 Class A2 notes due July 2017, £43,000,000 Class B notes due July 2017, £49,100,000 Class C notes due July 2017 and £30,119,911 Class D notes due July 2019 Interest on the Class A1 notes is payable at a rate of 3 month LIBOR plus 0 20% Interest on the Class A2 notes is payable at a rate of 3 month LIBOR plus 0 25% Interest on the Class B notes is payable at a rate of 3 month LIBOR plus 0 44% Interest on the Class C notes is payable at a rate of 3 month LIBOR plus 0 70% Interest on the Class D notes is payable at a rate of 3 month LIBOR plus 1 05%

At the balance sheet date £Nil (2011 £61,882,057) in respect of the Class A1 notes was outstanding, £174,332,578 (2011 £208,038,771) in respect of Class A2 notes, £34,419,650 (2011 £34,419,650) in respect of Class B notes, £39,302,438 (2011 £39,302,438) in respect of Class C notes, and £24,109,693 (2011 £24,109,693) in respect of the Class D notes The notes are secured by way of a fixed and floating charge over the assets of the Company The proceeds of the notes were used by the Company to acquire the mortgage loans from Deutsche Bank AG in accordance with the terms of the securitisation documents

12. NON INTEREST-BEARING LOANS

	2012 Group	2012 Company	2011 Group	2011 Company
Non-current liabilities	£	£	£	£
Other loans	12,501	12,501	12,501	12,501

Other loans relate to an amount received from Wilmington Trust SP Services (London) Limited, a related company

Non interest-bearing loans and borrowings are repayable as follows

	2012 Group	2012 Company	2011 Group	2011 Company
In more than five years	£	£	£	£
Other loans	12,501	12,501	12,501	12,501

13. TRADE AND OTHER PAYABLES

	2012 Group	2011 Group
Current liabilities	£	£
Accruals and deferred income	858,295	3,097,309

Current liabilities due within one year are paid when cash is available after other commitments have been fulfilled, in order of priority in accordance with the Offering Circular

The directors consider that the carrying amount of trade and other payables approximates to their fair value

14. PRINCIPAL RISKS AND UNCERTAINTIES

The pnncipal nsks and uncertainties are set out in the Directors' Report on page 3

Financial instruments
The Group's financial instruments, other than denvatives, compnse a portfolio of commercial mortgage loans, cash and liquid resources, interest-beanng borrowings and vanous receivables and payables that anse directly from its operations The Group also enters into denvative transactions (pnncipally interest rate swaps) The purpose of such transactions is to manage the interest rate nsks ansing from the Company's operations and its sources of finance

It is, and has been throughout the penod under review, the Group's policy that no trading in financial instruments is undertaken

Interest rate risk
Interest rate nsk exists where assets and liabilities have interest rates under a different basis or which reset at a different time The Group minimises its exposure to interest rate nsk by ensunng that the interest rate charactenstics of assets and liabilities are similar Interest rate swaps have been entered into with Deutsche Bank AG to manage the Group's exposure to interest rate nsk associated with the mortgage loans This is to reduce interest rate nsk as a result of the possible vanance between the fixed rate of interest receivable on the mortgage loans and the vanable rate of interest payable on the floating rate loan notes

Interest rate sensitivity
The sensitivity of the Group to interest rate changes, and the resulting changes in net assets attnbutable to equity shareholders, is limited as the Group uses interest rate swaps to mitigate the nsk and only retains 0 01% of available revenue receipts from the beneficial interest in the mortgage portfolio

Credit risk
Credit nsk anses where the borrower will not be able to meet their obligations as they fall due The mortgage loans are secured on a number of UK commercial properties which are geographically diverse and include a diverse tenant portfolio

The exposure to credit nsk is to the mortgage loans borrowers The mortgage loan portfolio consists of 2 loans secured over 21 propernes (2011 3 loans 22 properties) At 31 March 2012, the carrying amount of outstanding loan was £161,940,000 (2011 £367,752,608) The maximum single net exposure to credit nsk is the loan to Brunel totalling £87,200,000 (2011 £101,844,809) which equals 53 8% of the total net outstanding loan portfolio

The credit quality of the underlying mortgage loans is summarised as follows

	31 March 2012	31 March 2011
	£	£
Neither past due nor impaired	-	367,752,608
Impaired	**272,164,359**	-
	272,164,359	367,752,608
Less allowance for impairment	**(110,224,359)**	-
	161,940,000	367,752,608

With regard to credit nsk on denvatives, the directors monitor the credit rating of the swap provider and in case of any downgrade may require the swap provider to provide sufficient collateral or transfer its obligations to another bank of a higher credit rating

14. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity risk
A facility provided by Calyon (London Branch) has been established which will be available, subject to certain criteria and circumstances, in the event of the Group being unable, on a temporary basis, to meet its financial commitments

At 31 March 2012 this facility was not required, and has not been used during the year The liquidity facility was renewed on 26 October 2011 to expire on 29 November 2012 The directors expect this facility to be renewed annually

The tenor of the floating rate notes is designed to match the term of the limited recourse notes and hence, there are deemed to be limited liquidity risks facing the Group

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet date of non-derivative financial instruments

As at 31 March 2012	Carrying value	Gross cash flows	After 1 month but within 3 months	After 3 months but within one year	After 1 year but within 5 years	After 5 years
	£	£	£	£	£	£
Notes	**272,164,359**	**272,164,359**	**101,256,599**	**-**	**170,907,800**	**-**
Interest payable on notes	**713,176**	**7,395,514**	**249,473**	**1,650,940**	**1,495,101**	**-**
Total non-derivative financial instruments	**272,877,535**	**279,559,873**	**101,506,072**	**1,650,940**	**172,402,901**	**-**

As at 31 March 2011	Carrying value	Gross cash flows	After 1 month but within 3 months	After 3 months but within one year	After 1 year but within 5 years	After 5 years
	£	£	£	£	£	£
Notes	367,752,608	367,752,608	196,083	588,249	366,968,276	-
Interest payable on notes	743,254	10,247,126	282,623	2,975,234	6,989,269	-
Total non-derivative financial instruments	368,495,862	377,999,734	478,706	3,563,483	373,957,545	-

The redemption of the notes is dependent on the receipt of payments on the loan notes In accordance with the respective Prospectus for each of the notes, Class A1 Notes will be redeemed in priority to redemption of the remaining classes of notes followed by Class A2, B, C and D Interest payable on floating rate notes was estimated based on the floating rate amounts as at 31 March 2012

Currency risk
All of the Group's assets and liabilities are denominated in pounds Sterling therefore there is no foreign currency risk

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 11 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the balance sheet

The Group is not subject to any external capital requirements except for the minimum share capital requirement under the Companies Act 2006 The Group has not breached the minimum requirement

14. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows

Group	Notes	Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
Financial assets		£	£	£	£
Mortgage loans	7	161,940,000	146,573,282	368,471,581	254,747,809
Trade and other receivables	8	2,176,655	2,176,655	3,806,486	3,806,486
Cash and cash equivalents	9	334,616	334,616	300,229	300,229
Total assets		164,451,271	149,084,553	372,578,296	258,854,524
Financial liabilities					
Interest-bearing loans and borrowings	10	(272,164,359)	(124,585,365)	(367,752,608)	(282,547,795)
Interest payable	10	(713,176)	(713,176)	(743,254)	(743,254)
Trade and other payables	11	(870,796)	(870,796)	(3,109,810)	(3,109,810)
Liquidity drawdown		(654,345)	(654345)	-	-
Derivative financial instruments	13	(21,987,917)	(21,987,917)	(27,203,510)	(27,203,510)
Total liabilities		(296,390,593)	(148,811599)	(398,809,182)	(313,604,369)

The fair value of the interest bearing loans is based on broker quotes The fair value of the mortgage assets have been determined by reference to the fair value of the interest bearing loans and derivatives

Company	Notes	Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
		£	£	£	£
Cash and cash equivalents	9	1	1	1	1
Non-interest bearing loans	12	(12,501)	(12,501)	(12,501)	(12,501)
		(12,500)	(12,500)	(12,500)	(12,500)

Fair value hierarchy

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability as follows

Level 1 - valued using quoted prices in active markets for identical assets or liabilities

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data The valuation techniques used by the company are explained in the accounting policies note

The only financial instruments held at fair value on the balance sheet are derivatives The derivatives all fall within the level 2 fair value hierarchy The fair value of the derivatives is determined by discounting the future cash flows using the applicable yield curves derived from quoted interest rates There have been no transfers between levels from the prior year

14. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Interest rate risk profile of financial liabilities
All of the Group's financial liabilities are floating rate and carry interest rates based on the relevant three-month LIBOR rate

Effective interest rates and re-pricing analysis
The following table details the Group's exposure to interest rate risk by the earlier of contractual maturities or re-pricing

Group At 31 March 2012	**Weighted average effective interest rate**	**1 to 3 months £**	**Fixed rate £**	**Non-interest bearing £**	**Total £**
Assets					
Trade and other receivables		-	-	2,176,655	2,176,655
Mortgage loans	5.325%	-	161,940,000	-	161,940,000
Cash and cash equivalents	-	334,616	-	-	334,616
Total assets		334,616	161,940,000	2,176,655	164,451,271
Liabilities					
Accruals and tax liabilities	-	-	-	1,584,319	1,584,319
Liquidity Drawdown	1.013%	654,345			654,345
Derivative financial instruments	-	21,987,917	-	-	21,987,917
Interest bearing loans	1.288%	272,164,359	-	-	272,164,359
Total liabilities		294,806,621	-	1,584,319	296,390,940

Group At 31 March 2011	Weighted average effective interest rate	1 to 3 months £	Fixed rate £	Non-interest bearing £	Total £
Assets					
Trade and other receivables		-	-	3,819,325	3,819,325
Mortgage loans	5 793%	-	367,752,608	-	367,752,608
Cash and cash equivalents	-	306,061	-	-	306,061
Total assets		306,061	367,752,608	3,819,325	371,877,994
Liabilities					
Accruals and tax liabilities	-	-	-	3,853,848	3,853,848
Derivative financial instruments	-	27,203,510	-	-	27,203,510
Interest bearing loans	1 078%	367,752,608	-	-	367,752,608
Total liabilities		394,956,118	-	3,841,346	398,809,966

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

14. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Company At 31 March 2012	Weighted average effective interest rate %	1 to 3 months £	Fixed rate £	Non interest bearing £	Total £
Assets					
Investment in subsidiary	-	-	-	12,501	12,501
Cash and cash equivalents	-	1	-	-	1
Total assets		1	-	12,501	12,502
Liabilities					
Non-interest bearing loans	-	-	-	12,501	12,501
Total liabilities		-	-	12,501	12,501

Company At 31 March 2011	Weighted average effective interest rate %	1 to 3 months £	Fixed rate £	Non interest bearing £	Total £
Assets					
Investment in subsidiary	-	-	-	12,501	12,501
Cash and cash equivalents	-	1	-	-	1
Total assets		1	-	12,501	12,502
Liabilities					
Non-interest bearing loans	-	-	-	12,501	12,501
Total liabilities		-	-	12,501	12,501

15. DERIVATIVE FINANCIAL INSTRUMENTS

The net fair values of derivative financial instruments at the balance sheet date were

	2012 Group £	2012 Company £	2011 Group £	2011 Company £
Interest rate swaps liability	(21,987,917)	-	(27,203,510)	-

On £170,907,800 (2011 £170,907,800) of the notional principal, the fixed rate payable by the Company is 4 95% and the floating rate receivable is 3 month LIBOR On £101,256,559 (2011, £101,846,168) of the notional principal, the fixed rate payable by the Company is 5 1400% and the floating rate receivable is 3 month LIBOR

In accordance with IAS 39 'Financial instruments Recognition and measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard.

The Group has the ability to redeem the floating rate notes in full or part at their then principal amount outstanding, together with interest accrued to the date of redemption, on any interest payment date The Group effectively has a call option on the floating rate notes exercisable on certain dates The option constitutes an embedded derivative, however, as this is closely related to the underlying host contract (the floating rate notes) as set out in IAS 39, the option does not require separation A similar hybrid instrument arises on the mortgage loan whereby the Group has effectively sold a put option on the mortgage loan exercisable on certain dates As this option is considered to be closely related to the underlying host contract, it does not require separation

The table below reflects the undiscounted contractual cash flows of derivative financial instruments at the statement of financial position date

As at 31 March 2012	Carrying value	Gross cash flows	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years
	£	£	£	£	£
	21,987,917	**22,067,397**	**628,755**	**4,971,017**	**16,467,624**

As at 31 March 2011	Carrying value	Gross cash flows	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years
	£	£	£	£	£
	27,203,510	33,821,038	850,896	9,710,124	23,260,018

16. RELATED PARTY TRANSACTIONS

The Company is a special-purpose company controlled by its Board of directors, which comprises three directors, Wilmington Trust SP Services (London) Limited, Mr M H Filer and Mr J Traynor Mr M H Filer and Mr J Traynor are employees of Wilmington Trust SP Services (London) Limited, and Mr M H Filer is also a director of Wilmington Trust SP Services (London) Limited The Company pays a corporate service fee to Wilmington Trust SP Services (London) Limited in connection with corporate services received The fees payable to these directors for their services for the year ended 31 March 2012 amounted to £11,520 (2011 £10,519) At the end of the year, an amount of £2,040 (2011 £4,016) was outstanding and is included within current liabilities trade and other payables

During the year, accounting services amounting to £5,349 (2011 £4,287) were charged by Wilmington Trust SP Services (London) Limited At 31 March 2012, an amount of £4,200 (2011 £8,400) was outstanding and disclosed within current liabilities trade and other payables

During the period ended 31 March 2006, Wilmington Trust SP Services (London) Limited granted an interest-free loan to the Company for £12,501 At 31 March 2012 £12,501 (2011 £12,501) was still outstanding and disclosed within 'Non interest-bearing loans Other loans'

17 ULTIMATE PARENT UNDERTAKING

Deco 6 – UK Large Loan 2 Holding Limited is a company registered in England and Wales

Wilmington Trust SP Services (London) Limited holds the entire share capital in the Company under a declaration of trust for charitable purposes The registered office of Wilmington Trust SP Services is given on page 1

The Group is the smallest and largest group into which the Company is consolidated

18. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events to report