Company Registration Number 5479512

DECO SERIES 2005–UK CONDUIT 1 PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

DECO SERIES 2005–UK CONDUIT 1 PLC

FOR THE YEAR ENDED 31 MARCH 2010

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DECO SERIES 2005–UK CONDUIT 1 PLC

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 5th Floor 6 Broad Street Place London EC2M 7JH
Auditors	Deloitte LLP London

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010

The directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 March 2010

PRINCIPAL ACTIVITIES AND ENHANCED BUSINESS REVIEW

The Company is a special purpose company established in order to issue floating rate loan notes due July 2017 ("the Notes"), to acquire the beneficial interest in a mortgage portfolio ("the mortgage loans") from Deutsche Bank AG, London Branch, to create security and receive interest in respect thereof, and to enter into certain related transactions as described in the Offering Circular dated 8 July 2005 On 12 July 2005, the Company issued £236,056,634 floating rate loan notes in accordance with the Offering Circular

BUSINESS REVIEW

The key performance indicator of the business is considered to be the net interest margin In the year ended 31 March 2010, the Company achieved a net interest margin (net interest income divided by interest income) of 7 93% (2009 2 29%) At the year end, the company had net liabilities of £4,775,913 (2009 net liabilities of £5,305,619) due to fair value movement on derivatives and the cumulative impairment on the mortgage loans

RESULTS AND DIVIDENDS

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

The profit after tax for the year ended 31 March 2010 was £529,706 (2009 loss of £6,094,319) due to fair value movement on derivatives) The directors have not recommended a dividend (2009 nil)

DIRECTORS

The directors who served the Company during the year were as follows

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The Company's financial instruments, other than derivatives, comprise the 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 the mortgage loans from Deutsche Bank AG, London Branch

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

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

The main risks arising from the Company's financial instruments are interest rate risk and credit risk The Board reviews and agrees policies for managing these and the other risks arising on the Company's financial instruments and they are summarised below

The directors acknowledge that the global macro-economic indicators and general business environment have improved in the period under review However, 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 Company has exposure through the mortgage loans

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2010

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Currency risk
All of the Company's assets and liabilities are denominated in pounds 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 Company 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 Company uses interest rate swaps and basis swaps to mitigate any residual interest rate risk

Credit risk
Credit risk arises 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 most significant concentration of credit risk is considered to be the mortgage loans to CPI Retail Active Management, Commercial and Warehouse Properties and Holaw (420) Limited totalling £32,574,800 (2009 32,574,800), £10,275,513 (2009 10,373,875) and £6,792,500 (2009 7,362,500) respectively At 31 March 2010, the carrying amount of mortgages outstanding were £72,394,818 (2009 £74,168,860) The maximum exposure to credit risk is represented by the carrying amount of the mortgage loans The mortgage loan portfolio consists of 12 loans (2009 12 loans) secured over 21 properties (2009 21 properties)

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 Company 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, A1, to the highest class of note E

Impairment
The Company 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

The Servicer has confirmed that as at the report date the coverage and loan to value covenants have not been breached with the exception of three loan assets, Kashani Investments Limited Metropolitan Property & Finance Limited, Holaw (420) Limited and Mondeal Limited which comprise 1 51%, 7 73%, 1 56% and 0 76% respectively of total loan assets The market value of the underlying properties had decreased during the year, and accordingly, with except for Holaw (420) Limited where market value of the underlying property is estimated to be above the carrying value, an impairment provision was made against these loans in the year totalling £795,282 (2009 £792,911)

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2010

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 Company being unable, on a temporary basis, to meet its financial commitments The liquidity facility was renewed on 6 July 2010 to 5 July 2011 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 (financial risk management)

CREDITOR PAYMENT POLICY

The Company'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 note holders Principal and interest is repaid quarterly in accordance with the agreements in place The Company does not follow any other code or standard on payment practice

AUDITORS

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each of the directors have 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 auditors are 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

Martin McDermott for and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Date 30 September 2010

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

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 AUDITORS' REPORT TO THE MEMBERS OF DECO SERIES 2005-UK CONDUIT 1 PLC

We have audited the financial statements of Deco Series 2005-UK Conduit 1 PLC for the year ended 31 March 2010 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the related notes 1 to 16 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 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, 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 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
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 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

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 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

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

David Barnes

David Barnes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
30 September 2010

Company Registration Number 5479512

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

Continuing operations	Notes	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Interest income	2	4,297,791	5,117,362
Interest expense	3	(3,956,995)	(5,000,417)
Net interest income		340,796	116,945
Impairment of commercial mortgage loans	6	(795,282)	(792,911)
Fair value gain/(loss) on derivative financial instruments		1,324,842	(5,312,292)
Operating expenses	4	(340,414)	(288,910)
Profit/(loss) before tax for the year		529,942	(6,277,168)
Tax (charge)/credit	5	(236)	182,849
Profit/(loss) after tax for the year and total comprehensive income/(loss) for the year		529,706	(6,094,319)

The notes on pages 11 to 23 form part of these financial statements

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

	Notes	2010 £	2009 £
Assets			
Non-current assets			
Mortgage loans	6	30,891,621	68,748,141
Current assets			
Mortgage loan	6	41,503,197	5,420,719
Trade and other receivables	7	767,871	798,078
Cash and cash equivalents	8	38,119	38,871
		42,309,187	6,257,668
Total assets		73,200,808	75,005,809
Equity			
Share capital	9	12,502	12,502
Retained loss		(4,788,415)	(5,318,121)
Total deficit		(4,775,913)	(3,305,619)
Liabilities			
Non-current liabilities			
Interest-bearing loans	10	32,479,814	69,541,052
Total non-current liabilities		32,479,814	69,541,052
Current liabilities			
Interest-bearing loans	10	41,503,197	5,420,719
Accrued interest	10	226,119	393,338
Trade and other payables	11	573,384	437,270
Derivative financial instruments	13	3,194,207	4,519,049
Total current liabilities		45,496,907	10,770,376
Total liabilities		77,976,721	80,311,428
Total equity and liabilities		73,200,808	75,005,809

The financial statements of Deco Series 2005-UK Conduit 1 plc, registration number 5479512, were approved and authorised for issue by the board of directors on 30 September 10 and they were signed on their behalf by

For and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Director

The notes on pages 11 to 23 form part of these financial statements

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	Issued share capital £	Retained losses £	Total £
At 1 April 2008	12,502	776,198	788,700
Loss for the year	-	(6,094,319)	(6,094,319)
Balance at 31 March 2009	12,502	(5,318,121)	(5,305,619)
Profit for the year	-	529,706	529,706
Balance at 31 March 2010	12,502	(4,788,415)	(4,775,913)

The notes on pages 11 to 23 form part of these financial statements

DECO SERIES 2005–UK CONDUIT 1 PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Profit/(loss) before tax for the year		**529,942**	(6,277,168)
Adjustments for			
Impairment of commercial mortgage loans		**795,282**	792,911
Fair value movement on derivative financial instruments	**13**	**(1,324,842)**	5,312,292
Bank interest receivable	**2**	**(47)**	(24,640)
Decrease in trade and other receivables	**7**	**54,155**	295,765
Decrease in trade and other payables	**10, 11**	**(31,105)**	(275,150)
Net cash from/(used in) operating activities		**23,385**	(175,990)
Tax paid		**(24,184)**	(10,182)
		(799)	186,172
Investing activities			
Repayments during period	**6**	**978,989**	17,098,387
Bank interest received	**2**	**47**	24,640
Net cash from investing activities		**979,036**	17,123,027
Financing activities			
Redemption of loan notes during the year	**10**	**(978,989)**	(17,098,387)
Net cash used in financing activities		**(978,989)**	(17,098,387)
Net decrease in cash and cash equivalents		**(752)**	(161,532)
Cash and cash equivalents at beginning of year		**38,871**	200,403
Cash and cash equivalents at 31 March 2010	**8**	**38,119**	38,871

(As explained in the accounting policies on page 12, the cash is not freely available to be used)

DECO SERIES 2005–UK CONDUIT 1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

1. SIGNIFICANT ACCOUNTING POLICIES

Deco Series 2005-UK Conduit 1 PLC is a Company incorporated in the United Kingdom under the Companies Act 2006 and domiciled in England

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union

The accounting policies set out below have been applied consistently in respect of the financial year ended 31 March 2010, and for the previous financial year

Basis of preparation

The financial statements are presented in Pounds Sterling

The financial statements have been prepared on the historical cost basis as modified for the revaluation of certain financial instruments under IAS 39 Financial Instruments Recognition and Measurement

Due to the fact that the nature of the business is to provide finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the statement of comprehensive income

Basis of preparation – going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the Directors Report on pages 2 and 4 In addition, note 12 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

The Company has a net liability position on the balance sheet due to the cumulative impairment on the loans and the fair value movement of the derivatives However, the terms of the loan notes issued by the Company and associated securitisation arrangements are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's assets As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, 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 financial statements

Critical accounting judgements and key sources of estimation and uncertainty

The preparation of financial statements in conformity with IFRSs 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 and 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both the current and future years

Financial instruments

The Company's financial instruments comprise the mortgage loans, cash and liquid resources, derivatives, 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 beneficial interest in a mortgage portfolio These financial instruments are classified in accordance with the principles of IAS 39 Financial Instruments Recognition and Measurement as described below

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgage loans
The mortgage loans and interest receivable thereon are classified as loans and receivables The acquisition of the beneficial interest from the mortgage loans is 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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received

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 All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements and as such the cash and cash equivalents are not freely available to be used for other purposes

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 Company has purchased an interest, exceeds the administration costs of the mortgage loans

Derivative financial instruments and hedging activities
Derivative financial instruments are classified as fair value through profit and loss The Company 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 Company does not hold or issue derivative financial instruments for trading purposes Derivatives are accounted for as held for trading

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 Company 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest-bearing loans
Interest-bearing loans are classified as financial liabilities and are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing loans 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 host 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 and expense is accounted for on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount

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

Income tax expense
Income tax on profit or loss for the year comprises current and deferred tax Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss, and

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled based on tax rates and laws enacted or substantively enacted at the balance sheet date

Standards issued but not adopted
The directors are considering the following standards which are currently in issue but are not yet effective and have not been adopted in the current financial year

Improvements to IFRSs 2009 (Apr 2009)
Improvements to IFRSs 2010 (May 2010)
Amendment to IFRS 1 (Jan 2010) Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 9 Financial Instruments
IAS 24 (revised Nov 2009) Related Party Disclosures
Amendment to IAS 32 (Oct 2009) Classification of Rights Issues
Amendments to IFRS 1 (Jul 2009) Additional Exemptions for First-time Adopters
Amendments to IFRS 2 (Jun 2009) Group Cash-settled Share-based Payment Transactions

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 1 (revised Nov 2008) First-time Adoption of International Financial Reporting Standards
IFRS 3 (revised Jan 2008) Business Combinations
Amendments to IAS 27 (Jan 2008) Consolidated and Separate Financial Statements
Amendment to IAS 39 (Jul 2008) Eligible Hedged Items
Amendments to IFRIC 14 (Nov 2009) Prepayments of a Minimum Funding Requirement
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 18 Transfers of Assets from Customers
IFRIC 17 Distributions of Non-cash Assets to Owners

During the year, the Company adopted the revised presentation requirements of IAS 1 Presentation of Financial Statements, amendments to IFRS 7 Financial Instruments Disclosures and IFRS 8 Operating Segments

Segmental reporting
The principal asset of the Company 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 As such the Company is recognised as having one reportable operating segment and geographical area The directors do not consider it necessary to provide a further analysis of the results of the Company from those already disclosed in these financial statements

2. INTEREST INCOME

	Year ended 31 March 2010	Year ended 31 March 2009
	£	£
Income from mortgage loans	**4,297,515**	4,640,412
Amortisation of discount on acquisition of mortgage portfolio	**229**	3,994
Net swap interest receivable	-	448,316
Bank interest received	**47**	24,640
	4,297,791	5,117,362

All income is derived from the United Kingdom

3. INTEREST EXPENSE

	Year ended 31 March 2010	Year ended 31 March 2009
	£	£
Interest on loan notes	**1,002,198**	4,596,226
Amortisation of discount on floating rate notes	**229**	3,994
Net swap interest payable	**2,691,089**	-
Deferred consideration	**263,479**	400,197
	3,956,995	5,000,417

4. OPERATING EXPENSES

	Year ended 31 March 2010	Year ended 31 March 2009
	£	£
Administration and cash management fees	**285,628**	235,854
Audit fees for the audit of the Company's accounts	**27,715**	26,098
Fee payable to Company's auditors for non-audit tax services	**13,950**	14,200
Corporate services fees	**13,121**	12,758
	340,414	288,910

4. OPERATING EXPENSES (CONTINUED)

Other than the fees received for the provision of corporate services as detailed in note 14, the directors received no emoluments for their services as directors to the Company during the year (2009 none) The directors had no material interest in any contract of significance in relation to the business of the Company The Company did not have any employees in the current year (2009 nil)

5. INCOME TAX CHARGE

The Company, 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 Company 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 Company 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

	Year ended 31 March 2010	Year ended 31 March 2009
Current tax:	**£**	£
Corporation tax charge/(credit) for the year at a rate of 21%	**236**	(24,201)
Deferred tax:		
Reversal of prior years' deferred tax	**-**	(158,648)
Total income tax charge/(credit) in statement of comprehensive income	**236**	(182,849)

	2010	2009
Reconciliation of total tax charge	**£**	£
The tax assessed for the period is at the small company rate of corporation tax in the UK of 21%		
Profit/(loss) before tax	**1,325,223**	(6,277,168)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 21%	**278,297**	(1,318,205)
Permanent differences relating to application of Taxation of Securitisation Companies Regulations 2006	**-**	1,294,004
Reversal of prior year deferred tax	**-**	(158,648)
Amendment to prior period	**(156)**	-
Adjustment under securitisation company regulations	**(277,905)**	-
Total income tax charge/(credit) in statement of comprehensive income	**236**	(182,849)

6. MORTGAGE LOANS

	2010	2009
	£	£
At 1 Apnl	**74,168,860**	92,056,164
Amortisation of discount	**229**	(3,994)
Redemptions	**(978,989)**	(17,098,387)
Impairment of commercial mortgage loans	**(795,282)**	(792,911)
At 31 March	**72,394,818**	74,168,860
The balance can be analysed as follows		
Non-current assets	**30,891,621**	68,748,141
Current assets	**41,503,197**	5,420,719
	72,394,818	74,168,860

The mortgage loans are due for repayment by October 2012 Interest on the mortgage loans are at fixed rates ranging from 5 39% to 6 42%

The mortgage 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, Deutsche Bank, AG London branch 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

The Servicer has confirmed that as at the report date the coverage and loan to value covenants have not been breached with the exception of three loan assets, Kashani Investments Limited Metropolitan Property & Finance Limited and Mondeal Limited which comprise 1 51%, 1 56%, 7 73 and 0 76% respectively of total loan assets The market value of the underlying properties had decreased during the year, and accordingly, with except for Holaw (420) Limited where market value of the underlying property is estimated to be above the carrying value, an impairment provision was made against these loans in the year totalling £795,282 (2009 £792,911)

7. TRADE AND OTHER RECEIVABLES

	2010	2009
	£	£
Other debtors	**26,056**	2,108
Prepayments and accrued income	**741,815**	795,971
	767,871	798,079

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

8. CASH AND CASH EQUIVALENTS

Withdrawals from the Company's bank account are restricted by the detailed priority of payments set out in the securitisation agreements

	2010	2009
	£	£
Cash and cash equivalents	**38,119**	38,871

The Company has deposits in bank accounts held in the Company'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

9. TOTAL EQUITY

There are 50,000 authorised ordinary shares of £1 each The issued share capital comprises two fully paid £1 shares, and 49,998 ordinary shares quarter called up and paid Wilmington Trust SP Services (London) Limited holds one fully paid £1 share under a declaration of trust for charitable purposes

DECO SERIES 2005–UK CONDUIT 1 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2010

10. INTEREST-BEARING LOANS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings For more information about the Company's exposure to interest rate risk, see note 12

	2010	2009
	£	£
At 1 April	74,961,771	92,056,164
Redemptions in period	(978,989)	(17,098,387)
Amortisation of discount	229	3,994
At 31 March	73,983,011	74,961,771

	2010	2009
Loan notes	£	£
Non-current liabilities	32,479,814	69,541,052
Current liabilities	41,503,197	5,420,719
	73,983,011	74,961,771

Current liabilities		
Loan notes	41,503,197	5,420,719
Interest payable on loan notes	226,119	393,338
	41,729,316	5,814,057

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

Interest-bearing loans and borrowings are repayable as follows

Year ended 31 March 2010

	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Liabilities	£	£	£	£	£
Loan notes	73,983,011	41,503,197	442,130	28,643,752	3,393,932
Interest payable	226,119	226,119	-	-	-
	74,209,130	41,729,316	442,130	28,643,752	3,393,932

Year ended 31 March 2009

	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Liabilities	£	£	£	£	£
Loan notes	74,961,771	5,420,719	41,488,116	24,799,533	3,253,403
Interest payable	393,338	393,338	-	-	-
	75,355,109	5,814,057	41,488,116	24,799,533	3,253,403

The loan notes are denominated in the following currency

	2010	2009
	£	£
Sterling	73,981,515	74,961,771

10. INTEREST-BEARING LOANS (contınued)

On 12 July 2005, the Company ıssued £195,215,000 Class A notes due July 2017, £14,785,000 Class B notes due July 2017, £12,400,000 Class C notes due July 2017, £10,750,000 Class D notes due July 2017 and £2,906,634 Class E notes due July 2017 Interest on the Class A notes ıs payable at a rate of 3 month LIBOR plus 0 23% Interest on the Class B notes ıs payable at a rate of 3 month LIBOR plus 0 40% Interest on the Class C notes ıs payable at a rate of 3 month LIBOR plus 0 57% Interest on the Class D notes ıs payable at a rate of 3 month LIBOR plus 0 80% Interest on the Class E notes ıs payable at a rate of 3 month LIBOR plus 1 25%

At the balance sheet date prıncıpal amount of £33,956,927 (2009 £34,954,638) ın respect of the Class A notes was outstandıng, £14,489,223 (2009 £14,489,223) ın respect of the Class B notes, £12,151,935 (2009 £12,151,935) ın respect of the Class C notes, £10,534,944 (2009 £10,534,944) ın respect of Class D notes and £2,848,486 (2009 £2,848,486) ın respect of the Class E notes was outstandıng The notes are secured by way of a fixed and floatıng charge over the assets of the Company The proceeds of the notes were used by the Company to acquıre the beneficıal ınterest ın the mortgage portfolıo from Deutsche Bank AG, London Branch ın accordance wıth the terms of the securıtısatıon documents

The undıscounted contractual cash flows for ınterest payable on the notes to maturıty as at 31 December ıs as follows

	Less than one year	**1 year – 5 years**	**Over 5 years**	**Total**
	£	**£**	**£**	**£**
31 March 2010	**3,701,156**	**3,334,318**	**94,019**	**7,129,493**
31 March 2009	4,277,685	5,938,924	273,680	10,490,289

11. TRADE AND OTHER PAYABLES

	2010	2009
Current liabılıtıes	**£**	£
Lıquıdıty facılıty drawn	-	30,274
Other credıtors	**812**	812
Accruals and deferred ıncome	**572,572**	406,184
	573,384	437,270

Current lıabılıtıes due wıthın one year are paıd when cash ıs avaılable after other commıtments have been fulfilled, ın order of prıorıty ın accordance wıth the Offerıng Cırcular

The dırectors consıder that the carryıng amount of trade and other payables approxımates to theır faır value

12. FINANCIAL RISK MANAGEMENT

The prıncıpal rısks and uncertaıntıes are set out ın the Dırectors' Report on page 2 to 4

The Company's financıal ınstruments, other than derıvatıves, comprıse mortgage loans, cash and lıquıd resources, ınterest-bearıng loan notes and varıous receıvables and payables that arıse dırectly from ıts operatıons The Company also enters ınto derıvatıve transactıons (prıncıpally ınterest rate swaps) The purpose of such transactıons ıs to manage the ınterest rate rısks arısıng from the Company's operatıons and ıts sources of finance

It ıs, and has been throughout the perıod under revıew, the Company's polıcy that no tradıng ın financıal ınstruments ıs undertaken

The dırectors have consıdered the financıal rısks affectıng the Company and have ıncluded the relevant dısclosures of ınterest rate, credıt, lıquıdıty and currency rısks ın the Dırectors' Report

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values

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

	Notes	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Assets					
Mortgage loans	6	72,394,818	46,432,369	74,168,860	44,184,990
Trade and other receivables	7	767,871	769,871	798,078	798,078
Cash and cash equivalents	8	38,119	38,119	38,871	38,871
		73,200,808	47,240,359	75,005,809	45,021,939
Liabilities					
Interest-bearing loans and borrowings	10	73,983,011	43,238,162	74,961,771	39,665,940
Interest payable	10	226,119	226,119	393,338	393,338
Derivative liability	13	3,194,207	3,194,207	4,519,049	4,519,049
Trade and other payables	11	573,384	573,384	437,270	437,270
		77,976,721	47,231,873	80,311,428	45,015,597

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

Interest rate risk profile of financial liabilities

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

Currency risk

All of the Company's assets and liabilities are denominated in pounds sterling therefore there is no foreign currency risk

Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 company consists of debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the balance sheet

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 during the year

Credit risk

Credit risk arises where the borrower is 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 most significant concentration of credit risk is considered to be the mortgage loans to CPI Retail Active Management, Commercial and Warehouse Properties and Holaw (420) Limited totalling £32,574,800 (2009 £32,574,800), £10,275,513(2009 £10,373,875) and £6,792,500 (2009 £7,362,500) respectively At 31 March 2010, the total amounts of mortgages outstanding were £73,981,515 (2009 £74,961,771) The maximum exposure to credit risk is represented by the carrying amount of the mortgage loans The mortgage loan portfolio consists of 12 loans (2009 12 loans) secured over 21 properties (2009 21 properties)

	31 March 2010	31 March 2009
	£	£
Neither past due nor impaired	**71,145,100**	73,278,860
Impaired	**2,837,911**	1,682,911
	73,983,011	74,961,771
Less allowance for impairment	**(1,588,193)**	(792,911)
	72,394,818	74,168,860

With regards to credit risk on derivatives, the directors monitor the credit rating of the swap provider and in the case of any downgrade may require the swap provider to provide sufficient collateral or transfer its obligations to another bank of the better credit rating

12. FINANCIAL RISK MANAGEMENT (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 Company being unable, on a temporary basis, to meet its financial commitments

At 31 March 2010, amount due to Calyon in respect of facility was £nil (2009 £30,274) The liquidity facility was renewed on 6 July 2010 to 5 July 2011 The Directors expect this facility to be renewed annually The undiscounted contractual cash flows for principal and interest have been disclosed in note 10

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 Company

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 2010	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	73,983,011	73,983,011	243,167	41,260,029	29,085,882	3,393,933
Interest payable on Notes	226,119	9,006,452	321,659	964,977	5,146,544	2,573,272
Total non-derivative financial instruments	74,209,130	82,989,463	564,826	42,225,006	34,232,426	5,967,205

As at 31 March 2009	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	74,961,771	74,961,771	231,692	695,076	3,707,072	70,327,931
Interest payable on Notes	393,338	17,981,152	561,911	1,685,733	8,990,576	6,742,932
Total non-derivative financial instruments	75,355,109	92,942,923	793,603	2,380,809	12,697,648	77,070,863

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 A Notes will be redeemed in priority to redemption of the remaining classes of Notes followed by Class B, C, D and E Interest payable on floating rate notes was estimated based on the floating rate amounts as at 31 March 2010

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at 31 March 2010 and the periods in which they reprice

Year ended 31 March 2010	**Effective interest rate**	**Total**	**1 to 3 months**	**Fixed rate**	**Non interest - bearing**
Assets	**(%)**	**£**	**£**	**£**	**£**
Mortgage loans	**6.09**	**73,188,604**	**-**	**73,188,604**	**-**
Trade and other receivables		**769,979**	**-**	**-**	**769,979**
Cash and cash equivalents		**38,119**	**38,119**	**-**	**-**
		73,996,702	**38,119**	**73,188,604**	**769,979**
Liabilities					
Derivative liability		**3,194,208**	**3,194,208**	**-**	**-**
Trade and other payables		**799,503**	**-**	**-**	**799,503**
Interest bearing loan notes	**1.32**	**73,981,515**	**73,981,515**	**-**	**-**
Total liabilities		**77,975,226**	**77,175,723**	**-**	**799,503**

Year ended 31 March 2009	**Effective interest rate**	**Total**	**1 to 3 months**	**Fixed rate**	**Non interest - bearing**
Assets	**(%)**	**£**	**£**	**£**	**£**
Mortgage loans	6 09	74,168,860		74,168,860	-
Trade and other receivables		798,078	-	-	789,002
Cash and cash equivalents		38,871	38,871	-	-
		75,005,809	38,871	74,168,860	789,002
Liabilities					
Derivative liability		4,519,049	4,519,049	-	-
Trade and other payables		830,608	-	-	830,608
Interest bearing loan notes	5 92	74,961,771	74,961,771	-	-
Total liabilities		80,311,428	79,480,820	-	830,608

13. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2010	2009
	£	£
Interest rate swaps and basis swaps liability	**(3,194,207)**	(4,519,049)

The interest rate swaps receive a floating rate based on 3 month LIBOR and pay a fixed rate ranging from 4 52% to 5 21% (2009 4 52% to 5 21%) The basis swaps receive a floating rate based on 3 month LIBOR and pay a fixed rate ranging from 4 65% to 4 99% (2009 4 65% to 4 99%) The interest rate cap limits 3 month LIBOR to 5 25%

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

In accordance with IAS 39 'Financial instruments Recognition and measurement', the Company 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 In relation to the floating rate notes the Company 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 Company 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 Company has effectively sold a put option on the mortgage loans exercisable on certain dates As this option is considered to be closely related to the underlying host contract, it does not require separation

14. 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 J Traynor Mr M H Filer, a director of the Company, 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 in the year ended 31 March 2010 amounted to £13,121 (2009 £12,758) At the end of the year, an amount of £2,353 (2009 £2,034) was outstanding and included within current liabilities trade and other payables

During the year, accounting services amounting to £4,632 (2009 £5,054) were charged by Wilmington Trust SP Services (London) Limited At 31 March 2010, an amount of £4,632 (2009 £4,534) was outstanding and disclosed within current liabilities trade and other payables

15. ULTIMATE PARENT UNDERTAKING

Deco Series 2005-UK Conduit 1 PLC is a company incorporated in Great Britain and registered in England and Wales

Deco Series 2005-UK Conduit 1 Holdings Limited holds 49,999 shares in the Company Wilmington Trust SP Services (London) Limited holds one share in Deco Series 2005-UK Conduit 1 PLC and the entire share capital in Deco Series 2005-UK Conduit 1 Holdings Limited under a declaration of trust for charitable purposes

The directors consider that Deco Series 2005-UK Conduit 1 Holdings Limited is the ultimate controlling entity of the Company by virtue of its shareholding in the Company Deco Series 2005-UK Conduit 1 Holdings is also the largest and smallest group into which the Company is consolidated

16. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events to report