Company Registration Number 5479512

DECO SERIES 2005–UK CONDUIT 1 PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

DECO SERIES 2005–UK CONDUIT 1 PLC

FOR THE YEAR ENDED 31 MARCH 2012

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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 Arm Yard London EC2R 7AF
Auditor	Deloitte LLP London

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

The directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 March 2012

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 2012, the Company achieved a net interest margin (net interest income divided by interest income) of 3 49% (2011 20 49%) At the year end, the Company had net liabilities of £2,760,055 (2011 net liabilities of £4,701,742) 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 2012 was £1,941,687 (2011 £74,171) due to the fair value movement on derivatives and the reversal of impairment charges on the mortgage loans The directors have not recommended a dividend (2011 £nil)

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

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

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 mortgage loan portfolio consists of 8 loans (2011 9 loans) secured over 14 properties (2011 15 properties) At 31 March 2012, the carrying amount of mortgages outstanding was £59,712,821 (2011 £63,389,342) 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 £30,022,485 (2011 £32,035,368), £10,046,746 (2011 £10,166,645) and £3,653,984 (2011 £5,533,531) respectively, which together constitute approximately 84% of the total loan portfolio The maximum exposure to credit risk is represented by the carrying amount of the mortgage loans

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, E, to the highest class of note A1

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, Deutsche Bank AG, London Branch, has confirmed that as at the balance sheet date the loan covenants on the loans have not been breached with the exception of the loans to Holaw (420) Limited and CPI Retail which comprise 6 12% and 50 27% respectively of total loan assets For Holaw (420) Limited, the market value of the underlying property is estimated to be above the carrying value and therefore no impairment was provided as at 31 March 2012 The Holaw loan was due to mature in October 2011 but could not repay on maturity and consequently was transferred to special servicing For CPI Retail the market value of the underlying property (based on indexation) is estimated to have improved and is now above carrying value therefore the impairment provision of £1,231,839 made in the previous year has been reversed, as such, no impairment provision was held against this loan at year end The maturity date of the Sandfile loan, with an outstanding balance of £3,832,693, was extended in the prior year from January 2011 to April 2012 As it stands it has not been paid on maturity and has been transferred to the special servicer Based on management's estimate of the market value of the underlying property, (based on indexation), no impairment has been recognised on this loan In addition, since year end, on 23 April 2012, Sandfile Limited and on 23 July 2012, two loans (Commercial and Warehouse Properties Limited and Heathvale Estates Limited) have defaulted to repay on maturity, consequently they have been transferred to the special servicers

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 28 May 2012 to 4 July 2013 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)

GOING CONCERN
The financial statements have been prepared on the going concern basis as described in note 1

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

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 taken 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

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

DECO SERIES 2005–UK CONDUIT 1 PLC

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 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 2012 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 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

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 auditor
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 Auditor

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 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 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 Company's affairs as at 31 March 2012 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

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

Company Registration Number 5479512

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

Continuing operations	Notes	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Interest income	2	2,230,482	3,249,672
Interest expense	3	(2,154,092)	(2,583,965)
Net interest income		76,390	665,707
Write offs and impairment reversal/(charge) of commercial mortgage loans	6	1,231,839	(1,760,338)
Fair value gain on derivative financial instruments		709,605	1,834,188
Operating expenses	4	(76,166)	(665,402)
Profit before tax for the year		1,941,668	74,155
Tax credit	5	19	16
Profit after tax for the year attributable to equity holders		1,941,687	74,171
Other comprehensive income		-	-
Total comprehensive income for the year attributable to equity holders		1,941,687	74,171

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 2012

	Notes	2012 £	2011 £
Assets			
Non-current assets			
Mortgage loans	6	**2,294,752**	24,893,556
Current assets			
Mortgage loan	6	**57,418,069**	38,495,786
Trade and other receivables	7	**412,272**	401,222
Cash and cash equivalents	8	**41,287**	41,494
		57,871,628	38,938,502
Total assets		**60,166,380**	63,832,058
Equity			
Share capital	9	**12,502**	12,502
Retained loss		**(2,772,557)**	(4,714,244)
Total deficit		**(2,760,055)**	(4,701,742)
Liabilities			
Non-current liabilities			
Interest-bearing loans	10	**4,411,444**	28,242,087
Total non-current liabilities		**4,411,144**	28,242,087
Current liabilities			
Interest-bearing loans	10	**57,418,069**	38,495,786
Accrued interest	10	**325,683**	173,118
Trade and other payables	11	**120,825**	262,790
Derivative financial instruments	13	**650,414**	1,360,019
Total current liabilities		**58,514,991**	40,291,713
Total liabilities		**62,926,435**	68,533,800
Total equity and liabilities		**60,166,380**	63,832,058

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 26 September 2012 and they were signed on their behalf by

Mignon Clarke
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 2012

	Share Capital	Retained loss	Total equity
	£	£	£
Balance at 1 April 2010	12,502	(4,788,415)	(4,775,913)
Profit for the year	-	74,171	74,171
Other comprehensive income	-	-	-
Balance at 31March 2011	12,502	(4,714,244)	(4,701,742)

	Share capital	**Retained loss**	**Total equity**
	£	**£**	**£**
Balance at 1 April 2011	**12,502**	**(4,714,244)**	**(4,701,742)**
Profit for the year	**-**	**1,941,687**	**1,941,687**
Other comprehensive income	**-**	**-**	**-**
Balance at 31 March 2012	**12,502**	**(2,772,557)**	**(2,760,055)**

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 2012

	Notes	2012 £	2011 £
Cash flows from operating activities			
Profit before tax for the year		**1,941,668**	74,155
Adjustments for			
Write offs and impairment reversal/(provision) of commercial mortgage loans		**(1,231,839)**	1,760,338
Fair value movement on derivative financial instruments	**13**	**(709,605)**	(1,834,188)
Bank interest receivable	**2**	**(706)**	(199)
(Increase)/decrease in trade and other receivables	**7**	**(11,050)**	366,720
Increase/(decrease) in trade and other payables	**10, 11**	**10,600**	(363,594)
Net cash from operating activities		**(932)**	3,232
Tax refunded /(paid)		**19**	(56)
		(913)	3,176
Investing activities			
Repayments during period	**6**	**4,909,507**	7,246,830
Bank interest received	**2**	**706**	199
Net cash from investing activities		**4,910,213**	7,247,029
Financing activities			
Redemption of loan notes during the year	**10**	**(4,909,507)**	(7,246,830)
Net cash used in financing activities		**(4,909,507)**	(7,246,830)
Net (decrease)/increase in cash and cash equivalents		**(207)**	3,375
Cash and cash equivalents at beginning of year		**41,494**	38,119
Cash and cash equivalents at 31 March 2012	**8**	**41,287**	41,494

Actual cash received and paid as interest income and interest expense during the year was £2,217,598 (2011 £3,614,500) and £813,190 (2011 £1,026,632) respectively

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 2012

1 SIGNIFICANT ACCOUNTING POLICIES

Deco Series 2005-UK Conduit 1 PLC is a Company incorporated in Great Britain under the Companies Act 2006

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 2012, 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 to 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 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

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

The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company 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 Company 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The directors are currently considering the potential impact of the adoption of IFRS 9 on the financial statements of the Company, but the Company 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 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 2012	Year ended 31 March 2011
	£	£
Income from mortgage loans	**2,228,629**	3,247,780
Amortisation of discount on acquisition of mortgage portfolio	**1,147**	1,693
Bank interest received	**706**	199
	2,230,482	3,249,672

All income is derived from the United Kingdom in the current year and prior year

3. INTEREST EXPENSE

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
Interest on loan notes	**965,756**	758,392
Amortisation of discount on floating rate notes	**1,147**	1,693
Net swap interest payable	**894,782**	1,857,023
Deferred consideration	**292,407**	(33,143)
	2,154,092	2,583,965

4. OPERATING EXPENSES

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
Administration and cash management fees	**21,601**	613,250
Audit fees for the audit of the Company's accounts	**31,200**	28,858
Fee payable to Company's auditor for non-audit tax services	**9,360**	9,575
Corporate services fees	**14,005**	13,719
	76,166	665,402

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 (2011 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 (2011 £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 2012	Year ended 31 March 2011
Current tax:	**£**	£
Corporation tax charge for the year at a rate of 20%	**45**	64
Over provision in previous years	**(64)**	(80)
Total income tax credit in statement of comprehensive income	**(19)**	(16)

	2012	2011
Reconciliation of total tax charge	**£**	£
The tax assessed for the period is at the small company rate of corporation tax in the UK of 20% (2011 21%)		
Profit before tax	**1,941,667**	74,155
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20%	**388,333**	15,572
Amendment to prior period	**64**	80
Adjustment for Taxation of Securitisation Companies Regulations 2006	**(388,378)**	(15,636)
Total income tax credit in statement of comprehensive income	**19**	16

6. MORTGAGE LOANS

	2012	2011
	£	£
At 1 April	**63,389,342**	72,394,818
Amortisation of discount	**1,147**	1,692
Redemptions	**(4,909,507)**	(7,246,830)
Write offs and impairment reversal/(charge) of commercial mortgage loans	**1,231,839**	(1,760,338)
At 31 March	**59,712,821**	63,389,342
The balance can be analysed as follows		
Non-current assets	**2,294,752**	24,893,556
Current assets	**57,418,069**	38,495,786
	59,712,821	63,389,342

Provision for impairment

At 1 April	**(1,231,839)**	(1,588,192)
Impairment reversal/(charge) during the year	**1,231,839**	356,353
At 31 March	**-**	(1,231,839)

6. MORTGAGE LOANS (CONTINUED)

The mortgage loans are due for repayment by July 2015 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, Deutsche Bank AG, London Branch, has confirmed that as at the balance sheet date the loan covenants on the loans have not been breached with the exception of the loans to Holaw (420) Limited and CPI Retail which comprise 6 12% and 50 27% respectively of total loan assets For Holaw (420) limited, the market value of the underlying property is estimated to be above the carrying value and therefore no impairment was provided as at 31 March 2012 The Holaw loan was due to mature in October 2011 but could not repay on maturity and consequently, transferred to the special servicer For CPI Retail the market value of the underlying property is estimated to have improved since the prior year above principal value and therefore the impairment provision of £1,231,839 made last year has been reversed As such, no impairment provision was held against this loan at year end
The maturity date of the Sandfile loan, with an outstanding balance of £3,832,693, was extended in the prior year from January 2011 to April 2012 As it stands it has not been paid on maturity and has been transferred to the special servicer Based on management's estimate of the market value of the underlying property (based on the indexation) no impairment has been recognised on this loan at year end In addition, since year end, on 23 April 2012, Sandfile Limited and on 23 July 2012, two loans (Commerical and Warehouse Properties Limited and Heathvale Estates Limited) have defaulted to repay on maturity consequently they have been transferred to the special servicers

7. TRADE AND OTHER RECEIVABLES

	2012	2011
	£	£
Other debtors	2,109	2,109
Corporation tax debtor	24,039	24,019
Prepayments and accrued income	386,124	375,094
	412,272	401,222

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

	2012	2011
	£	£
Cash and cash equivalents	41,287	41,494

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

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

	2012	2011
	£	£
At 1 April	**66,737,873**	73,983,011
Redemptions in period	**(4,909,507)**	(7,246,830)
Amortisation of discount	**1,147**	1,692
At 31 March	**61,829,513**	66,737,873

	2012	2011
Loan notes	**£**	£
Non-current liabilities	**4,411,444**	28,242,087
Current liabilities	**57,418,069**	38,495,786
	61,829,513	66,737,873

Current liabilities		
Loan notes	**57,418,069**	38,495,786
Interest payable on loan notes	**325,683**	173,119
	57,743,752	38,668,905

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 2012

	Total	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Liabilities	**£**	**£**	**£**	**£**	**£**
Loan notes	**61,829,513**	**57,418,069**	**45,270**	**4,366,174**	-
Interest payable	**325,683**	**325,683**	-	-	-
	62,155,196	**57,743,752**	**45,270**	**4,366,174**	-

Year ended 31 March 2011

	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Liabilities	£	£	£	£	£
Loan notes	66,737,873	38,495,786	23,785,771	4,456,316	-
Interest payable	173,119	173,119	-	-	-
	66,910,992	38,668,905	23,785,771	4,456,316	-

The loan notes are denominated in the following currency

	2012	2011
	£	£
Sterling	**61,829,513**	66,737,873

10. INTEREST-BEARING LOANS (continued)

On 12 July 2005, the Company issued £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 is payable at a rate of 3 month LIBOR plus 0 23% Interest on the Class B notes is payable at a rate of 3 month LIBOR plus 0 40% Interest on the Class C notes is payable at a rate of 3 month LIBOR plus 0 57% Interest on the Class D notes is payable at a rate of 3 month LIBOR plus 0 80% Interest on the Class E notes is payable at a rate of 3 month LIBOR plus 1 25%

At the balance sheet date principal amount of £21,819,311 (2011 £26,728,818) in respect of the Class A notes was outstanding, £14,489,223 (2011 £14,489,223) in respect of the Class B notes, £12,151,935 (2011 £12,151,935) in respect of the Class C notes, £10,534,944 (2011 £10,534,944) in respect of Class D notes and £2,848,486 (2011 £2,848,486) in respect of the Class E notes was outstanding 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 beneficial interest in the mortgage portfolio from Deutsche Bank AG, London Branch in accordance with the terms of the securitisation documents

11 TRADE AND OTHER PAYABLES

	2012	2011
Current liabilities	**£**	£
Liquidity facility drawn	-	225,234
Other creditors	**812**	812
Accruals and deferred income	**120,013**	36,744
	120,825	262,790

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

12. FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties are set out in the Directors' Report on page 2 to 4

The Company's financial instruments, other than derivatives, comprise mortgage loans, cash and liquid resources, interest-bearing loan notes and various receivables and payables that arise directly from its operations The Company also enters into derivative transactions (principally interest rate swaps). The purpose of such transactions is to manage the interest rate risks 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 directors have considered the financial risks affecting the Company and have included the relevant disclosures of interest rate, credit, liquidity and currency risks in the Directors' 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 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
Assets					
Mortgage loans	6	**59,712,821**	**42,041,283**	63,389,342	45,753,764
Trade and other receivables	7	**412,272**	**412,272**	401,222	401,222
Cash and cash equivalents	8	**41,495**	**41,495**	41,494	41,494
		60,166,588	**42,495,050**	63,832,058	46,196,480
Liabilities					
Interest-bearing loans and borrowings	10	**61,829,513**	**41,390,869**	66,737,873	44,393,745
Interest payable	10	**325,683**	**325,683**	173,119	173,119
Derivative liability	13	**650,414**	**650,414**	1,360,019	1,360,019
Trade and other payables	11	**120,825**	**120,825**	262,790	262,790
		62,926,435	**42,487,791**	68,533,801	46,189,673

The fair value of the interest bearing loans is based on broker quotes Mortgage loans, derivative instruments and loan notes have similar terms, therefore fair value of the mortgage assets has 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

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

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 mortgage loan portfolio consists of 8 loans (2011 9 loans) secured over 14 properties (2011 15 properties) At 31 March 2012, the carrying amount of mortgages outstanding was £59,712,821 (2011 £63,389,342) 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 £30,022,485 (2011 £32,035,368), £10,046,746 (2011 £10,166,645) and £3,653,984 (2011 £5,533,531) respectively, which constitute approximately 84% of the total loan portfolio The maximum exposure to credit risk is represented by the carrying amount of the mortgage loans

	31 March 2012	31 March 2011
	£	£
Neither past due nor impaired	**26,036,352**	30,398,973
Past due but not impaired	**33,676,469**	34,222,208
	59,712,821	64,621,181
Less allowance for impairment	**-**	(1,231,839)
	59,712,821	63,389,342

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 a 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 2012, amount due to Calyon in respect of facility was £nil (2011 £225,234) During the year the Company repaid £225,234 in respect of liability outstanding at 31 March 2011 The liquidity facility was renewed on 28 May 2012 to 4 July 2013 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 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 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	**61,829,513**	**61,829,513**	**498,951**	**56,919,118**	**4,411,444**	**-**
Interest payable on notes	**325,683**	**553,616**	**195,499**	**220,269**	**137,848**	**-**
Liquidity drawdown	**-**	**-**	**-**	**-**	**-**	**-**
Total non-derivative financial instruments	**62,155,196**	**62,383,129**	**694,450**	**57,139,387**	**4,549,292**	**-**

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	66,737,873	66,737,873	800,533	37,695,253	28,242,087	-
Interest payable on notes	173,119	856,434	188,036	366,391	302,007	-
Liquidity drawdown	225,234	225,234	225,234	-	-	-
Total non-derivative financial instruments	67,136,226	75,969,559	1,213,803	38,061,644	28,544,093	-

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 2012

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 2012 and the periods in which they reprice

Year ended 31 March 2012	Effective interest rate	Total	Floating rate	Fixed rate	Non interest - bearing
Assets	(%)	£	£	£	£
Mortgage loans	3.44	59,712,821	-	59,712,821	-
Trade and other receivables		412,272	-	-	412,272
Cash and cash equivalents		41,287	41,287	-	-
		60,166,380	41,287	59,712,821	401,222
Liabilities					
Derivative liability		650,414	650,414	-	-
Trade and other payables		120,825	-	-	120,825
Loan note interest		325,683	325,683	-	-
Interest bearing loan notes	1.26	61,829,513	61,829,513	-	-
Total liabilities		62,926,435	62,805,610	-	120,825

Year ended 31 March 2011	Effective interest rate	Total	Floating rate	Fixed rate	Non interest - bearing
Assets	(%)	£	£	£	£
Mortgage loans	5 44	63,389,342	-	63,389,342	-
Trade and other receivables		401,222	-	-	401,222
Cash and cash equivalents		41,494	41,494	-	-
		63,832,058	41,494	63,389,342	401,222
Liabilities					
Derivative liability		1,360,019	1,360,019	-	-
Trade and other payables		210,575	-	-	210,575
Liquidity draw down		225,334	225,334	-	-
Interest bearing loan notes	1 19	66,737,873	66,737,873	-	-
Total liabilities		68,533,801	68,323,226	-	210,575

13. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2012	2011
	£	£
Interest rate swaps, basis swaps and interest rate cap liability	(650,414)	(1,360,019)

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% (2011 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% (2011 4 65% to 4 99%) The interest rate cap limits 3 month LIBOR to 5 25%

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

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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**
	£	**£**	**£**	**£**	**£**
	650,414	**673,829**	**50,026**	**405,863**	**217,940**

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
	£	£	£	£	£
	1,360,019	1,242,281	50,915	699,230	492,136

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 2012 amounted to £14,005 (2011 £13,578) At the end of the year, an amount of £2,493 (2011 £2,482) was outstanding and included within current liabilities trade and other payables

During the year, accounting services amounting to £4,730 (2011 £4,742) were charged by Wilmington Trust SP Services (London) Limited At 31 March 2012, an amount of £4,730 (2011 £4,113) 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

Post year end, maturities of three loans (Sandfile Limited, Commercial and Warehouse Properties Limited and Heathvale Estates Limited) have fallen due, however none of them have repaid the outstanding loan on maturity As a consequence, all the three loans have been transferred to the special servicers