Company Registration Number 5479512

DECO SERIES 2005–UK CONDUIT 1 PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

DECO SERIES 2005–UK CONDUIT 1 PLC

FOR THE YEAR ENDED 31 MARCH 2007

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DECO SERIES 2005–UK CONDUIT 1 PLC

COMPANY INFORMATION

The board of directors	Wilmington Trust SP Services (London) Limited Mr R G Baker Mr M H Filer
Company secretary	Wilmington Trust SP Services (London) Limited
Registered office	c/o Wilmington Trust SP Services (London) Limited Tower 42 (level 11) 25 Old Broad Street London EC2N 1HQ
Auditors	Deloitte & Touche LLP London

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

The directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 March 2007 The comparative figures are for the period from incorporation on 13 June 2005 to 31 March 2006

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 open accounts, 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

The key performance indicator of the business is considered to be the net interest margin In the year ended 31 March 2007, the Company achieved a net interest margin of 4 51% In the period from incorporation on 13 June 2005 to 31 March 2006, the Company achieved a net interest margin of 2 67% The profit after tax for the year ended 31 March 2007 was £4,014,183 (period from incorporation on 13 June 2005 to 31 March 2006 a loss of £852,170)

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 for the Company for the year after tax amounted to £4,014,183 (loss of £852,170 for the period ended 31 March 2006) The directors have not recommended a dividend

DIRECTORS AND THEIR INTERESTS

The directors who served the Company during the year, together with their beneficial interests in the shares of the Company, were as follows

Wilmington Trust SP Services (London) Limited
Mr M R G Baker
Mr M H Filer

	Ordinary shares of £1	
	At 31 March 2007	At 31 March 2006
Wilmington Trust SP Services (London) Limited	**1**	1

Wilmington Trust SP Services (London) Limited held one share in the Company under a declaration of trust for charitable purposes No other director had any beneficial interest in the shares of the Company during the year

FINANCIAL INSTRUMENTS

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

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

FINANCIAL INSTRUMENTS (CONTINUED)

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

Interest rate risk
Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times The 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 At 31 March 2007, the amount outstanding was £150,246,687 The maximum exposure to credit risk is represented by the carrying amount of the mortgage loans The mortgage loan portfolio consists of 28 loans secured over 59 properties

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 in June 2007 to July 2008 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 13

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 noteholders 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 & Touche 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 annual general meeting in accordance with section 385 of the Companies Act 1985

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved

• so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
• each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) 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 S234ZA of the Companies Act of 1985

Signed by order of the directors

Sunil Masson
Authorised Signatory

For and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Company Secretary
19 February 2008

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2007

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 The directors are required by the IAS Regulation to prepare the group financial statements under IFRSs (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs

However, directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- 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

The directors are responsible for keeping proper accounting records that 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 1985

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 2007 which comprise the income statement, the balance sheet, 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 section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider whether it is consistent with the audited financial statements We also consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
19 February 2008

DECO SERIES 2005–UK CONDUIT 1 PLC

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

Continuing operations	Notes	Year ended 31 March 2007 £	Period from 13 June 2005 to 31 March 2006 £
Interest income	2	**11,160,563**	9,721,294
Interest expense	3	**(10,657,108)**	(9,462,185)
Net interest income		**503,455**	259,109
Fair value gain/(loss) on derivative financial instruments	13	**4,901,872**	(1,053,460)
Operating expenses	4	**(449,873)**	(257,711)
Profit/(loss) before tax for the year/period		**4,955,454**	(1,052,062)
Tax (charge)/credit	5	**(941,271)**	199,892
Profit/(loss) after tax for the year/period attributable to equity holders	10	**4,014,183**	(852,170)

The notes on pages 10 to 21 form part of these financial statements

DECO SERIES 2005–UK CONDUIT 1 PLC

BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 £	2006 £
Assets			
Non-current assets			
Mortgage loans	7	**140,373,280**	157,431,588
Current assets			
Deferred tax asset	6	-	200,158
Mortgage loan	7	**9,838,369**	58,288,215
Trade and other receivables	8	**1,760,268**	2,230,756
Derivative financial instruments	14	**3,848,412**	-
Cash and cash equivalents	9	**67,808**	356,902
		15,514,857	61,076,031
Total assets		**155,888,137**	218,507,619
Equity			
Share capital	10	**12,502**	12,502
Retained profit/(loss)	10	**3,162,013**	(852,170)
Total equity	10	**3,174,515**	(839,668)
Liabilities			
Non-current liabilities			
Interest-bearing loans	11	**140,373,280**	157,693,472
Total non-current liabilities		**140,373,280**	157,693,472
Current liabilities			
Interest-bearing loans	11	**11,333,380**	60,114,110
Trade and other payables	12	**265,583**	485,979
Current tax liability	5	**10,181**	266
Deferred tax liability	6	**731,198**	-
Derivative financial instruments	14	-	1,053,460
Total current liabilities		**12,340,342**	61,653,815
Total liabilities		**152,713,622**	219,347,287
Total equity and liabilities		**155,888,137**	218,507,619

The financial statements were approved and authorised for issue by the board of directors on 19 February 2008 and they were signed on their behalf by

Sunil Masson
Authorised Signatory

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

The notes on pages 10 to 21 form part of these financial statements

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 £	2006 £
At 1 April 2006		**(839,668)**	-
Profit/(loss) for the year/period	**10**	**4,014,183**	(852,170)
Issue of share capital		-	12,502
Closing equity at 31 March 2007		**3,174,515**	(839,668)

The notes on pages 10 to 21 form part of these financial statements

DECO SERIES 2005–UK CONDUIT 1 PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £	2006 £
Cash flows from operating activities			
Profit/(loss) before tax for the year/period		**4,955,454**	(1,052,062)
Adjustments for			
Fair value movement on derivative financial instruments		**(4,901,872)**	1,053,460
Bank interest receivable	**2**	**(71,994)**	(553,285)
Bank interest payable	**3**	**51**	458
Decrease/(increase) in trade and other receivables	**8**	**470,488**	(2,230,756)
(Decrease)/increase in trade and other payables	**12**	**(551,280)**	2,311,874
Net cash (used) / from operating activities		**(99,152)**	(470,311)
Investing activities			
Acquisition of beneficial interest in mortgage portfolio	**7**	**-**	(231,346,434)
Repayments during period	**7**	**65,523,522**	15,576,225
Bank interest received	**2**	**71,994**	553,285
Net cash generated from / (used) in investing activities		**65,595,516**	(215,216,924)
Financing activities			
Proceeds on issue of shares	**10**	**-**	12,502
Proceeds on issue of loan notes	**11**	**-**	236,056,634
Redemption of loan notes during the year	**11**	**(65,785,407)**	(20,024,541)
Bank interest payable	**3**	**(51)**	(458)
Net cash (used in) / generated from financing activities		**(65,785,458)**	216,044,137
Net (decrease)/increase in cash and cash equivalents		**(289,094)**	356,902
Cash and cash equivalents at beginning of year		**356,902**	-
Cash and cash equivalents at 31 March 2007	**9**	**67,808**	356,902

(As explained in the accounting policies on page 11, the cash is not freely available to be used)

1. SIGNIFICANT ACCOUNTING POLICIES

Deco Series 2005-UK Conduit 1 PLC is a Company incorporated in the United Kingdom under the Companies Act 1985 and domiciled in England The address of the registered office is given on page 1

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 2007, and for the previous financial period

Basis of preparation
The financial statements are presented in Pound Sterling The financial statements have been prepared on the historical cost basis as modified for the revaluation of certain financial instruments, and on a going concern basis

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 income statement

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 these financial instruments 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

Mortgage loans
The acquisition in the beneficial interest of 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred consideration
Deferred purchase consideration represents further amounts payable on the acquisition of commercial mortgage loans from Deutsche Bank AG, London Branch Provision is made for the deferred purchase consideration as amounts become payable as a result of the performance of the acquired commercial mortgage loans and is included in the income statement as an expense

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

Derivative financial instruments and hedging activities
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

IAS 39 requires all financial assets and liabilities to be recognised initially at fair value on the balance sheet All derivatives have been designated at fair value through profit and loss Hence, subsequent to initial recognition, any changes in fair value of the derivatives held are recognised in the income statement

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 income statement

Interest-bearing loans
Interest-bearing loans are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing loans are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement 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 income statement 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

DECO SERIES 2005–UK CONDUIT 1 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax expense
Income tax on profit or loss for the year comprises current and deferred tax Income tax is recognised in the income statement 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

Under special rules issued by the HMRC for securitisation companies, the company's charge for taxation is based on its taxable profits calculated on a UK GAAP basis but is disclosed in accordance with IAS 12

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 year financial statements

IAS 39 Financial Instruments Recognition and Measurement – amendment to financial guarantee contracts and amendment to the fair value option and cash flow hedging

IAS 1 Presentation of Financial Statements – amendment on Capital Management

IFRS 4 Insurance Contracts (Amendment to IAS 39 and IFRS 4 – Financial Guarantee Contracts)

IFRS 7 Financial Instruments Disclosures

The directors do not anticipate the adoption of these standards and interpretations will have a material impact on the Company's financial statements in the period of initial application

Upon the adoption of IFRS 7, the company will have to disclose additional information about its financial instruments, their significance and the nature and extent of the risks that they give to rise More specifically the Company will need to disclose the fair value of its financial instruments and its risks in greater detail There will be no effect on reported income or net assets

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 2007	Period from 13 June 2005 to 31 March 2006
		£
Income from mortgage loans	**10,988,402**	9,164,370
Net swap interest receivable	**84,799**	-
Amortisation of discount on acquisition of mortgage portfolio	**15,368**	3,639
Bank interest received	**71,994**	553,285
	11,160,563	9,721,294

All income is derived from the United Kingdom.

3. INTEREST EXPENSE

	Year ended 31 March 2007	Period from 13 June 2005 to 31 March 2006
	£	£
Interest on loan notes	**9,630,245**	8,096,321
Net swap interest payable	**-**	398,812
Amortisation of discount on floating rate notes	**15,368**	3,639
Deferred consideration	**1,011,444**	962,955
Bank interest paid	**51**	458
	10,567,108	9,462,185

4. OPERATING EXPENSES

	Year ended 31 March 2007	Period from 13 June 2005 to 31 March 2006
	£	£
Administration and cash management fees	**415,016**	219,667
Audit fees for the audit of the Company's accounts	**25,909**	25,850
Corporate services fees	**8,948**	12,194
	449,873	257,711

Other than the fees received for the provision of corporate services as detailed in note 15, the directors received no emoluments for their services as directors to the Company during the year (2006 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 (2006 nil)

DECO SERIES 2005–UK CONDUIT 1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

5. INCOME TAX EXPENSE

	Year ended 31 March 2007	Period from 13 June 2005 to 31 March 2006
Current tax:	**£**	£
Corporation tax charge for the period at a rate of 19%	**10,181**	266
Adjustment to prior period charge	**(266)**	-
Deferred tax:		
Deferred tax charge/(credit) for the period at a rate of 19%	**931,356**	(200,158)
Total income tax charge/(credit) in income statement	**941,271**	(199,892)

	2007	2006
Reconciliation of total tax charge	**£**	£
The tax assessed for the period is at the small companies rate of corporation tax in the UK of 19%		
Profit/(loss) before tax	**4,955,454**	(1,052,062)
Profit/loss before tax multiplied by the standard rate of corporation tax in the UK of 19%	**941,537**	(199,892)
Adjustment to prior years' charge	**(266)**	-
	941,271	(199,892)

6. DEFERRED TAX

	2007	2006
Deferred tax (liability)/asset	**£**	£
Deferred tax asset at 1 April 2006	**200,158**	-
(Charge)/credit to the income statement for the year/period	**(931,356)**	200,158
Deferred tax (liability)/asset at 31 March 2007	**(731,198)**	200,158

The deferred tax liability of £731,198 represents the amount of deferred tax payable in respect of the fair value on the derivative financial instruments

7. MORTGAGE LOANS

	2007	2006	Total
	£	£	**£**
B/fwd	**215,719,803**	-	**-**
Originations	**-**	231,346,434	**231,346,434**
Discount on issue	**-**	(54,045)	**(54,045)**
Amortisation of discount	**15,368**	3,639	**19,007**
Redemptions	**(65,533,522)**	(15,576,225)	**(81,099,747)**
C/fwd	**150,211,649**	215,719,803	**150,211,649**

	2007	2006
	£	£
The balance can be analysed as follows		
Non-current assets	**140,373,280**	157,431,588
Current assets	**9,838,369**	58,288,215
	150,211,649	215,719,803

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 of Borrower Security Trustee on behalf of the Company

8. TRADE AND OTHER RECEIVABLES

	2007	2006
	£	£
Prepayments and accrued income	1,760,268	2,230,756

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

9. 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

	2007	2006
	£	£
Cash and cash equivalents	67,808	356,902

The directors consider that the carrying value of cash and cash equivalents approximates their fair value

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

10. TOTAL EQUITY

	Issued share capital	Retained profit	Total
	£	£	£
At 1 April 2006	12,502	(852,170)	(839,668)
Profit for the year	-	4,014,183	4,014,183
Balance at 31 March 2007	12,502	3,162,013	3,174,515

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

11. 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 13

	2007 £	2006 £	Total £
B/fwd	215,981,687	-	-
Loan notes issued	-	236,056,634	236,056,634
Redemptions in period	(65,785,407)	(20,024,541)	(65,785,407)
Discount	-	(54,045)	(54,045)
Amortisation of discount	15,368	3,639	19,007
C/Fwd	150,211,649	215,981,687	150,211,649

	2007 £	2006 £
Non-current liabilities		
Loan notes	140,373,280	157,693,472
Current liabilities		
Loan notes	9,838,369	58,288,215
Interest payable on loan notes	1,495,011	1,825,895
	11,333,380	60,114,110

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 2007

Liabilities	Total £	Less than 1 year £	1-2 years £	2-5 years £	More than 5 years £
Loans notes	150,211,649	9,838,369	1,239,369	94,963,639	44,170,272
Interest payable	1,495,011	1,495,011	-	-	-
	151,706,660	11,333,380	1,239,369	94,963,639	44,170,272

Period ended 31 March 2006

Liabilities	Total £	Less than 1 year £	1-2 years £	2-5 years £	More than 5 years £
Loans notes	215,981,687	58,288,215	1,585,069	99,797,327	56,311,076
Interest payable	1,825,895	1,825,895	-	-	-
	217,807,582	60,114,110	1,585,069	99,797,327	56,311,076

11. INTEREST-BEARING LOANS (CONTINUED)

The loan notes are denominated in the following currency

	2007	2006
	£	£
Sterling	150,211,649	215,981,687

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 £110,222,099 (2006 £176,007,505) in respect of the Class A notes was outstanding, £14,489,223 (2006 £14,489,223) in respect of the Class B notes, £12,151,935 (2006 £12,151,935) in respect of the Class C notes, £10,534,944 (2006 £10,534,944) in respect of Class D notes and £2,848,486 (2006 £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

12. TRADE AND OTHER PAYABLES

	2007	2006
Current liabilities	£	£
Other creditors	812	49,606
Accruals and deferred income	264,771	436,373
	265,583	485,979

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

13. 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

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

Credit risk
Credit risk on the mortgage loans arises where the mortgage loans are secured on underlying commercial properties The most significant concentration of credit risk is considered to be Tofty Associated S A £44,369,806 (2006 £44,369,806) At 31 March 2007, the total amount outstanding on the mortgage loans was £150,246,687 The maximum exposure to credit risk is represented by the carrying amount of the mortgage loans The directors consider that the Company's beneficial interest in the commercial properties granted as security will be sufficient to recover the full amount of these loans

13. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

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 Various interest rate and basis swaps have been entered into with Deutsche Bank AG, London Branch to manage the Company's exposure to interest rate risk associated with the mortgage loans This is to reduce interest rate risk as a result of the possible variance between the fixed rates of interest receivable on the mortgage loans and the variable rate of interest payable on the floating rate loan notes

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 2007, no amounts were drawn on this facility (2006 £nil) The liquidity facility was renewed in June 2007 to July 2008 The Directors expect this facility to be renewed annually

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 2007 and the periods in which they reprice

Year ended 31 March 2007	Effective interest rate (%)	Total £	6 months or less £	More than 5 years £	Non interest - bearing £
Assets					
Mortgage loans	5.96	150,211,649	-	150,211,649	-
Derivative asset		3,848,412	-	-	3,848,412
Trade and other receivables		1,760,268	-	-	1,760,268
Cash and cash equivalents	4.51	67,808	67,808	-	-
		155,888,137	67,808	150,211,649	5,608,680
Liabilities					
Loan notes – Class A	LIBOR + 0 23%	110,222,099	110,222,099	-	-
Loan notes – Class B	LIBOR + 0 40%	14,489,223	14,489,223	-	-
Loan notes – Class C	LIBOR + 0 57%	12,151,935	12,151,935	-	-
Loan notes – Class D	LIBOR + 0 80%	10,534,944	10,534,944	-	-
Loan notes – Class E	LIBOR + 1 25%	2,848,486	2,848,486	-	-
Unamortised discount		(35,038)	-	-	(35,038)
Interest payable		1,495,011	-	-	1,495,011
Trade and other payables		265,583	-	-	265,583
Current tax liability		10,181	-	-	10,181
Deferred tax liability		731,198	-	-	731,198
		152,713,622	150,246,687	-	2,466,935

13. FINANCIAL INSTRUMENTS (CONTINUED)

Period ended 31 March 2006	Effective interest rate	Total	6 months or less	More than 5 years	Non interest -bearing
Assets	(%)	£	£	£	£
Mortgage loans	5 84	215,719,803	-	215,719,803	-
Deferred tax asset		200,158	-	-	200,158
Trade and other receivables		2,230,756	-	-	2,230,756
Cash and cash equivalents	4 13	356,902	356,902	-	-
		218,507,619	356,902	215,719,803	2,430,914
Liabilities					
Loan notes – Class A	LIBOR + 0 23%	176,007,505	176,007,505	-	-
Loan notes – Class B	LIBOR + 0 40%	14,489,223	14,489,223	-	-
Loan notes – Class C	LIBOR + 0 57%	12,151,935	12,151,935	-	-
Loan notes – Class D	LIBOR + 0 80%	10,534,944	10,534,944	-	-
Loan notes – Class E	LIBOR + 1 25%	2,848,486	2,848,486	-	-
Unamortised discount		(50,406)	-	-	(50,406)
Interest payable		1,825,895	-	-	1,825,895
Trade and other payables		485,979	-	-	485,979
Current tax liability		266	-	-	266
Derivative liability		1,053,460	-	-	1,053,460
		219,347,287	216,032,093	-	3,315,194

Fair values

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

	Note	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Mortgage loans	7	150,211,649	147,168,043	215,719,803	216,748,994
Deferred tax asset	6	-	-	200,158	200,158
Derivative asset	14	3,848,412	3,848,412	-	-
Trade and other receivables	8	1,760,268	1,760,268	2,230,756	2,230,756
Cash and cash equivalents	9	67,808	67,808	356,902	356,902
Interest-bearing loans and borrowings	11	(150,211,649)	(150,172,642)	(215,981,687)	(215,957,418)
Interest payable	11	(1,495,011)	(1,495,011)	(1,825,895)	(1,825,895)
Trade and other payables	12	(265,583)	(265,583)	(485,979)	(485,979)
Current tax liability	5	(10,181)	(10,181)	(266)	(266)
Derivative liability	14	-	-	(1,053,460)	(1,053,460)
Deferred tax liability	6	(731,198)	(731,198)	-	-
		3,174,515	169,916	(839,668)	213,792

The interest rate swaps and basis swaps have a notional value of £147,044,032 as at 31 March 2007 (2006 £199,336,066) 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% The basis swaps receive a floating rate based on 3 month LIBOR and pay a fixed rate ranging from 4 65% to 4 99% The interest rate cap limits 3 month LIBOR to 5 25%

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13. FINANCIAL INSTRUMENTS (CONTINUED)

Estimation of fair values

The Company has interest rate and basis swaps hedging the income stream from the mortgage loans with the payment on the floating rate loan notes

The following comments summarise the main methods and assumptions used in estimating the fair value of financial instruments that are reflected in the table above

The fair value of the mortgage loans has been calculated using a discounted cash flow analysis Cash and cash equivalents and interest bearing loans and borrowings have been calculated using a discounted cash flow analysis For other receivables and other payables, no calculation of fair value is prepared as their carrying amount is viewed as a reasonable approximation of fair value

The fair value of the interest rate swaps and basis swaps between the Company and Deutsche Bank AG, London Branch are reflected as a derivative liability in the balance sheet of the Company as at 31 March 2007 The fair value of the interest rate swaps are determined by using a discounted cash flow analysis model that is consistent with commonly used market techniques All inputs into valuation models adopted by the entity, including the sterling zero coupon yield curve used as the discount rate on the swap, are obtained from observable market data The change in fair value estimated using this valuation technique and recognised in the Income Statement for the year ended 31 March 2007 amounts to a gain of £4,901,872 The underlying cash flows are the relevant interest payments up to the maturity of the floating rate notes in 2017

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2007	2006
	£	£
Interest rate swaps and basis swaps asset/(liability)	3,848,412	(1,053,460)

The notional principal amount of the outstanding interest rate and basis swaps as at 31 March 2007 was £147,044,032 (2006 £199,336,066)

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

In relation to the repayment of the floating rate notes, the Company has identified a hybrid instrument consisting of a debt contract and a credit derivative embedded in the debt contract This arises because repayment of the floating rate notes is dependant on repayment of the mortgage loans, which in turn depends upon the lease payments and property sale proceeds arising from the property portfolio held by the chargors However, the credit derivatives are regarded as closely related to the host contract and therefore do not require separation A similar hybrid instrument consisting of a debt contract and a credit derivative embedded in the debt contract arises on the repayment of the mortgage loans and, again, does not require separation

15. 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 R G Baker and Mr M H Filer 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 2007 amounted to £8,948 (2006 £12,194) At the end of the year, an amount of £2,036 (2006 £4,994) was outstanding and included within current liabilities trade and other payables

16. 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 that the company is consolidated into