Company Registration Number 5479512

DECO SERIES 2005–UK CONDUIT 1 PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 13 JUNE 2005 TO 31 MARCH 2006

DECO SERIES 2005–UK CONDUIT 1 PLC

FOR THE PERIOD FROM INCORPORATION ON 13 JUNE 2005 TO 31 MARCH 2006

CONTENTS **PAGE**

DECO SERIES 2005–UK CONDUIT 1 PLC

COMPANY INFORMATION

The board of directors	Wilmington Trust SP Services (London) Limited (previously named SPV Management 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 PERIOD FROM INCORPORATION ON 13 JUNE 2005 TO 31 MARCH 2006

The directors have pleasure in presenting their report and the financial statements of the Company for the period from incorporation on 13 June 2005 to 31 March 2006. Consequently there are no comparative figures.

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. During 2006, the Company achieved a net interest margin of 2.67%. At the period end, the Company had net liabilities of £839,668 due to the fair value of the derivatives.

RESULTS AND DIVIDENDS
The trading results for the period and the Company's financial position at the end of the period are shown in the attached financial statements.

The loss of the Company for the period after tax amounted to £852,170. The directors have not recommended a dividend.

The key performance indicator of the business is considered to be the net interest margin. During 2006, the Company achieved a net interest margin of 2.67%. At the period end, the Company had net liabilities of £839,668 due to the fair value of the derivatives.

DIRECTORS AND THEIR INTERESTS
The directors who served the Company during the period, together with their beneficial interests in the shares of the Company, were as follows:

Wilmington Trust SP Services (London) Limited (previously named SPV Management Limited)	(appointed 13 June 2005)
Mr M R G Baker	(appointed 13 June 2005)
Mr M H Filer	(appointed 13 June 2005)

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

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 these financial instruments 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.

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 2006, the amount outstanding was £215,716,164. The maximum exposure to credit risk is represented by the carrying amount of the mortgage loan.

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.
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 were appointed as the first auditors of the Company. A resolution to re-appoint Deloitte & Touche LLP 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.

Signed by order of the directors

Sunil Masson

For and on behalf of
WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Company Secretary
7 December 2006

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE PERIOD FROM INCORPORATION ON 13 JUNE 2005 TO 31 MARCH 2006

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company in accordance with International Financial Reporting Standards (IFRSs). Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards, 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 International Financial Reporting Standards.

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;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is 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
- prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

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 period from 13 June 2005 to 31 March 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and the related notes 1 to 17. 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 use in 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 judgments 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 those IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 31 March 2006 and of its loss for the period 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

7 December 2006

INCOME STATEMENT

FOR THE PERIOD FROM INCORPORATION ON 13 JUNE 2005 TO 31 MARCH 2006

Continuing Operations	**Notes**	**2006 £**
Interest income	2	9,721,294
Interest expense	3	(9,462,185)
Net interest income		259,109
Fair value loss on derivative financial instruments		(1,053,460)
Operating expenses	4	(257,711)
Loss before tax for the period		(1,052,062)
Income tax credit	5	199,892
Loss after tax for the period attributable to equity holders	10	(852,170)

The notes on pages 10 to 19 form part of these financial statements.

DECO SERIES 2005–UK CONDUIT 1 PLC

BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	2006 £
Assets		
Non-current assets		
Mortgage loans	7	157,431,588
Current assets		
Deferred tax asset	6	200,158
Mortgage loan	7	58,288,215
Trade and other receivables	8	2,230,756
Cash and cash equivalents	9	356,902
		61,076,031
Total assets		218,507,619
Equity		
Share capital	10	12,502
Retained loss	10	(852,170)
Total equity	10	(839,668)
Non-current liabilities		
Interest-bearing loans	11	157,693,472
Total non-current liabilities		157,693,201
Current liabilities		
Interest-bearing loans	11	60,114,110
Trade and other payables	12	485,979
Current tax liability		266
Derivative financial instruments	14	1,053,460
Total current liabilities		61,653,815
Total liabilities		219,347,287
Total equity and liabilities		218,507,619

These financial statements on pages 6 to 19 were approved by the directors on 7 December 2006 and are signed on their behalf by:

Sunil Masson

For and on behalf of

WILMINGTON TRUST SP SERVICES (LONDON) LIMITED

Director

The notes on pages 10 to 19 form part of these financial statements.

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM INCORPORATION ON 13 JUNE 2005 TO 31 MARCH 2006

	Note	2006 £
At start of period 13 June 2006		-
Loss for the period	10	(852,170)
Total recognised income and expense for the period		(852,170)
Issue of share capital		12,502
Closing equity at 31 March 2006		(839,668)

The notes on pages 10 to 19 form part of these financial statements.

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCORPORATION ON 13 JUNE 2005 TO 31 MARCH 2006

	Notes	2006 £
Cash flows from operating activities		
Loss before tax for the period		**(1,052,062)**
Adjustments for:		
Fair value movement on derivative financial instruments		**1,053,460**
Bank interest receivable	**2**	**(553,285)**
Bank interest payable	**3**	**458**
Increase in trade and other receivables	**8**	**(2,230,756)**
Increase in trade and other payables	**11,12**	**2,311,874**
Net cash from operating activities		**(470,311)**
Investing activities		
Acquisition of beneficial interest in mortgage portfolio	**7**	**(231,346,434)**
Repayments during period	**7**	**15,576,225**
Bank interest received	**2**	**553,285**
Net cash used in investing activities		**(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 period	**11**	**(20,024,541)**
Bank interest payable	**3**	**(458)**
Net cash from financing activities		**216,044,137**
Net increase in cash and cash equivalents		**356,902**
Cash and cash equivalents at beginning of period		**-**
Cash and cash equivalents at 31 March 2006	**9**	**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. The financial statements were authorised for issue by the directors on 6 December 2006.

Statement of compliance
The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as they apply to the financial statements of the Company for the period ended 31 March 2006.
The accounting policies set out below have been applied in respect of the financial period ended 31 March 2006.

Basis of preparation
The financial statements are presented in Pound Sterling. The financial statements cover a period of less than a year as this is the first period of account. The financial statements have been prepared on the historical cost basis as modified for the evaluation of certain financial instruments and on a going concern basis despite the net liability on the balance sheet at the period end. The deficit arises from the fair value of the interest rate swaps and basis swaps following first time adoption of IAS 39. As the deficit arises from an accounting treatment, and the fair value is expected to unwind over the terms of the interest rate swap and basis swap agreements and has no impact on cash, the directors consider that the Company will have sufficient cash to continue in existence and therefore the going concern basis is appropriate.

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. 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Financial instruments
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)

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.

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.

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. However, derivatives that do not qualify for hedge accounting 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 profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

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 hybrid instrument is not measured at fair value, the embedded derivative is separated from the host instrument with changes in fair value of the embedded derivative recognised in the 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax expense
Income tax on the profit and loss for the period 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 Inland Revenue 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 are not intended to be adopted in the current period 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.

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

	2006
	£
Income from mortgage loans	9,164,370
Amortisation of discount on acquisition of Mortgage portfolio	3,639
Bank interest received	553,285
	9,721,294

3. INTEREST EXPENSE

	2006
	£
Interest on loan notes	8,096,321
Net swap interest payable	398,812
Amortisation of discount on floating rate notes	3,639
Deferred consideration	962,955
Bank interest paid	458
	9,462,185

4. OPERATING EXPENSES

	2006
	£
Administration and cash management fees	219,667
Audit fees	25,850
Corporate services fees	12,194
	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 period. The directors had no any 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 period.

5. INCOME TAX EXPENSE

	2006
Current tax:	£
Corporation tax charge for the period at a rate of 19%	266
Deferred tax:	
Deferred tax credit for the period at a rate of 19%	(200,158)
Total income tax credit in income statement	(199,892)

	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%	
Loss before tax	(1,052,062)
Loss before tax multiplied by the standard rate of corporation tax in the UK	(199,892)

6. DEFERRED TAX

	2006
Deferred tax asset	**£**
At 13 June 2005	-
Credit to income for the period	200,158
Balance carried forward at 31 March 2006	200,158

The deferred tax asset of £200,158 represents the amount of deferred tax receivable in respect of the fair value on the derivative financial instruments.

7. MORTGAGE LOANS

	£
At 13 June 2005	-
Originations	231,346,434
Discount on issue	(54,045)
Amortisation of discount	3,639
Redemptions	(15,576,225)
At 31 March 2006	215,719,803
The balance can be analysed as follows:	
Non-current assets	157,431,588
Current assets	58,288,215
	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

	2006
	£
Prepayments and accrued income	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.

	2006
	£
Cash and cash equivalents	356,902

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

10. TOTAL EQUITY

	Issued share capital	Retained loss	Total
	£	£	£
Issued share capital	12,502	-	12,502
Reserves	-	(852,170)	(852,170)
Balance at 31 March 2006	12,502	(852,170)	(839,668)

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.

	2006
	£
Loan notes issued	236,056,634
Redemptions in period	(20,024,541)
Discount	(54,045)
Amortisation of discount	3,639
	215,981,687
Non-current liabilities	
Loan notes	157,693,472
Current liabilities	
Loan notes	58,288,215
Interest payable on loan notes	1,825,895
	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.

On 12 July 2005 an agreement was entered into with Calyon (London Branch) for the provision of a liquidity facility for the Company. The facility is in place to allow the Company to meet its obligations should there be a shortfall in the revenue or principal received from the mortgage loans. At the balance sheet date, the limit on this facility was £12,000,000. A fee is charged on the undrawn balance, currently set out at 0.15% per annum. This fee would increase on any drawn balance. No amounts have been drawn under the facility since inception. The liquidity facility is secured by way of fixed and floating charges over the Company's assets.

Interest-bearing loans and borrowings are repayable as follows:

	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Liabilities	£	£	£	£	£
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

The loan notes are denominated in the following currencies:

	2006
	£
Sterling	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%.

11. INTEREST-BEARING LOANS (continued)

At the balance sheet date £176,007,505 in respect of the Class A notes was outstanding, £14,489,223 in respect of the Class B notes, £12,151,935 in respect of the Class C notes, £10,534,944 in respect of Class D notes and £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

	2006
Current liabilities	**£**
Other creditors	49,606
Accruals and deferred income	436,373
	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 the £231,346,434 mortgage loans. At 31 March 2006, the amount outstanding on the mortgage loans was £215,770,209. 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 property granted as security will be sufficient to recover the full amount of this loan.

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 loan. This is to reduce interest rate risk as a result of the possible variance between the fixed rates of interest receivable on the mortgage loan 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 2006 this facility was not required, and has not been used during the period.

13. FINANCIAL INSTRUMENTS (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 2006 and the periods in which they reprice.

	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	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 2006	Fair value 2006
		£	£
Mortgage loans	7	215,719,803	216,748,994
Deferred tax asset	6	200,158	200,158
Trade and other receivables	8	2,230,756	2,230,756
Cash and cash equivalents	9	356,902	356,902
Interest-bearing loans and borrowings	11	(215,981,687)	(215,957,418)
Interest payable	11	(1,825,895)	(1,825,895)
Trade and other payables	12	(485,979)	(485,979)
Current tax liability	5	(266)	(266)
Derivative liability		(1,053,460)	(1,053,460)
		(839,668)	213,792

The interest rate swaps and basis swaps have a notional value of £199,336,066 as at 31 March 2006. 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%.

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.

13. FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of the mortgage loans has been approximated by using the combined fair values of the derivatives and the floating rate notes. 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 2006. 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. The fair value calculated using this technique is regularly compared with prices of similar instruments obtained in actual market transactions to ensure reliability. 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 that has been estimated using this valuation technique and has been recognised in the Income Statement for the period ended 31 March 2006 amounts to £1,053,460. 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:

	2006
	£
Interest rate swaps and basis swaps	1,053,460

The notional principal amount of the outstanding interest rate and basis swaps as at 31 March 2006 was £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 period to 31 March 2006 amounted to £12,194. At the end of the period, an amount of £4,994 was outstanding and included within Other payables: Accruals and deferred income.

16. POST BALANCE SHEET EVENTS

On 29 September 2006 and 27 October 2006, Deutsche Bank AG, London Branch, as master servicer, issued special notices to the investors to advise them that the London and Edinburgh Swallow Group had entered into an administration process. The notice provided the investors with the respective asset management plans and loan payment updates of the borrowers that were affected by this administration process.

One of the mortgage loans, Kashani Investments Ltd, £2,099,683 at the balance sheet date, did not make the required interest and principal payments due on the October 2006 loan interest payment date and the master servicer, in recognition of the fact that that the properties secured by the mortgage loan are still being controlled by the administration, Ernst & Young, allowed the borrower a 45 day period to cure the non payment. No payment has however been made and the properties are still controlled by the administrator.

The non-payment of the principal and interest due is deemed to be a Special Servicing Transfer Event therefore the master servicer has decided after consideration of the current status of the mortgage loan, to transfer it to Hatfield Philips International LLC, as special servicer, with effect from 5 December 2006. The special servicer will undertake the daily management of the loan and inform the master servicer of progress made on the loan.

17. ULTIMATE PARENT UNDERTAKING

Deco Series 2005-UK Conduit 1 Plc is a company 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.