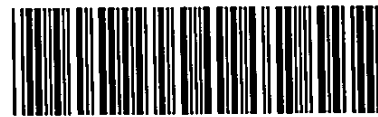


Company Registration Number 5578205

**DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

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## **DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**

### **FOR THE YEAR ENDED 31 MARCH 2011**

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## **DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**

### **COMPANY INFORMATION**

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

## **DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2011**

The directors have pleasure in presenting their report and the financial statements of the Group which comprise the results of the Company and its subsidiary, Deco 6 – UK Large Loan 2 Plc, for the year ended 31 March 2011

#### **PRINCIPAL ACTIVITIES AND ENHANCED BUSINESS REVIEW**

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

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

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

The key performance indicators of the business are considered to be the net interest margin and impairments At the year-end, the Group achieved a net interest margin (net interest income divided by interest income) of 2.80% (2010 2.02%) At year-end, there were no impairments against the mortgage loans (2010 £nil) At the year end, the Group had net liabilities of £26,931,972 (2010 £36,343,382) due to the fair value movement of the derivatives

#### **RESULTS AND DIVIDENDS**

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

The profit of the Group after tax amounted to £9,411,410 (2010 loss £605,622) The profit for the year was due to fair value movement on derivatives The directors have not recommended a dividend (2010 £nil)

#### **FUTURE DEVELOPMENTS**

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

#### **CREDITOR PAYMENT POLICY**

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

#### **FINANCIAL INSTRUMENTS**

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

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

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

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

## **DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 MARCH 2011**

##### **FINANCIAL INSTRUMENTS (CONTINUED)**

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

###### **Currency risk**

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

###### **Interest rate risk**

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

###### **Credit risk**

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

The most significant concentration of credit risk is considered to be the mortgage loans. The mortgage loan portfolio consists of 3 loans secured over 22 properties. At 31 March 2011, the loan amount outstanding was £367,752,608 (2010 £368,471,580). The maximum single exposure to credit risk is the loan to Mapeley totalling £170,907,800 (2010 £170,907,800) which equals 46.5% of the total loan portfolio

###### **Refinancing risk**

The ability of a borrower to make timely payment of principal due on any loan on the relevant loan maturity date may be dependent upon that borrower's ability to refinance the loan. In the event a borrower cannot refinance before or at the loan maturity date, repayment may be delayed and in some circumstances the collateral which would be enforced and sold, or in the case that the charged property is sold at a value below the then outstanding principal of the loan, repayment of the loan may be made at below par. In such circumstances, the Group would be unable to repay certain classes of notes in full

If in the event of the loans not being able to be repaid, the notes would be written down starting from the lowest class of note, D, to the highest class of note, A1

###### **Impairment**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset. No impairment was recognised in the year (2010 £nil)

###### **Liquidity risk**

A facility provided by Calyon (London Branch) has been established which will be available, subject to certain criteria and circumstances, in the event of the Company being unable, on a temporary basis, to meet its financial commitments. The liquidity facility was renewed on 26 October 2010 to expire on 29 November 2011. The directors expect this facility to be renewed annually. Further discussion of the Company's approach to financial instruments is set out in note 1 (significant accounting policies) and in note 12

##### **GOING CONCERN**

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

##### **DIRECTORS**

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

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

**DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2011**

**AUDITOR**

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

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR**

The directors confirm that

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

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

Signed by order of the directors



For and on behalf of  
**WILMINGTON TRUST SP SERVICES (LONDON) LIMITED**  
Mignon Clark  
15 December 2011

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## **DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

#### **FOR THE YEAR ENDED 31 MARCH 2011**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

We have audited the financial statements of Deco 6 – UK Large Loan 2 Holding Limited for the year ended 31 March 2011 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

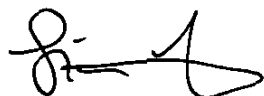
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Simon Stephens, ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
15 December 2011



**DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2011**

<b>Continuing operations</b>	<b>Notes</b>	<b>2011 £</b>	<b>2010 £</b>
Interest income	2	21,325,789	21,295,924
Interest expense	3	<u>(20,727,283)</u>	<u>(20,866,227)</u>
<b>Net interest income</b>		<b>598,506</b>	<b>429,697</b>
Fair value gain/(loss) on derivative financial instruments		9,404,236	(620,090)
Other operating expenses	4	<u>(596,372)</u>	<u>(427,366)</u>
<b>Profit /(loss) before tax for the year</b>		<b>9,406,370</b>	<b>(617,759)</b>
Income tax credit	5	<u>5,040</u>	<u>12,137</u>
<b>Profit/(loss) after tax for the year</b>		<b>9,411,410</b>	<b>(605,622)</b>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income/(loss) for the year</b>		<b><u>9,411,410</u></b>	<b><u>(605,622)</u></b>

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


**DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 MARCH 2011**

	Notes	2011 £	2010 £
<b>Assets</b>			
<b>Non-current assets</b>			
Mortgage loan	7	<u>366,968,276</u>	<u>367,948,693</u>
<b>Current assets</b>			
Mortgage loan	7	784,332	522,888
Trade and other receivables	8	3,819,325	3,806,483
Cash and cash equivalents	9	<u>306,061</u>	<u>300,229</u>
		<u>4,909,718</u>	<u>4,629,600</u>
<b>Total assets</b>		<u><b>371,877,994</b></u>	<u><b>372,578,293</b></u>
<b>Equity</b>			
Share capital	10	1	1
Retained losses	10	<u>(26,931,973)</u>	<u>(36,343,383)</u>
<b>Total deficit</b>		<u><b>(26,931,972)</b></u>	<u><b>(36,343,382)</b></u>
<b>Non-current liabilities</b>			
Interest-bearing loan notes	11	<u>366,968,276</u>	367,948,692
Non interest-bearing loans	12	<u>12,501</u>	<u>12,501</u>
<b>Total non-current liabilities</b>		<u><b>366,980,777</b></u>	<u><b>367,961,193</b></u>
<b>Current liabilities</b>			
Interest-bearing loan notes	11	784,332	522,888
Accrued interest	11	743,254	639,928
Trade and other payables	13	3,097,309	3,184,207
Current tax liability		784	5,713
Derivative financial instruments	15	<u>27,203,510</u>	<u>36,607,746</u>
<b>Total current liabilities</b>		<u><b>31,829,189</b></u>	<u><b>40,960,482</b></u>
<b>Total liabilities</b>		<u><b>398,809,966</b></u>	<u><b>408,921,675</b></u>
<b>Total equity and liabilities</b>		<u><b>371,877,994</b></u>	<u><b>372,578,293</b></u>

These financial statements of Deco 6 – UK Large Loan 2 Holding Limited, company registration number 5578205 on pages 7 to 27 were approved and authorised for issue by the directors on 15 December 2011 and are signed on their behalf by

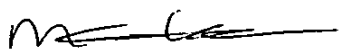
  
 Mignon Clarke for and on behalf of  
**WILMINGTON TRUST SP SERVICES (LONDON) LIMITED**  
 Director

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

**DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2011**

	Notes	2011 £	2010 £
<b>Non-current assets</b>			
Investment in subsidiary	6	<u>12,501</u>	<u>12,501</u>
<b>Current assets</b>			
Cash and cash equivalents	9	<u>1</u>	<u>1</u>
<b>Total assets</b>		<u><b>12,502</b></u>	<u><b>12,502</b></u>
<b>Equity</b>			
Share capital	10	1	1
Retained earnings	10	-	-
<b>Total equity</b>		<u><b>1</b></u>	<u><b>1</b></u>
<b>Non-current liabilities</b>			
Non interest-bearing loans	12	<u>12,501</u>	<u>12,501</u>
<b>Total non-current liabilities</b>		<u><b>12,501</b></u>	<u><b>12,501</b></u>
<b>Total liabilities</b>		<u><b>12,501</b></u>	<u><b>12,501</b></u>
<b>Total equity and liabilities</b>		<u><b>12,502</b></u>	<u><b>12,502</b></u>

These financial statements of Deco 6 – UK Large Loan 2 Holding Limited, company registration number 5578205 on pages 7 to 27 were approved and authorised for issue by the directors on 15 December 2011 and are signed on their behalf by



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

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

**DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 MARCH 2011**

	Share capital £	Retained loss £	Total equity £
At 1 April 2009	1	(35,737,761)	(35,737,760)
Loss for the year 31 <sup>st</sup> March 2010	-	(605,622)	(605,622)
Other comprehensive income for the year 31 March 2010	-	-	-
Balance at 31 March 2010	<u>1</u>	<u>(36,343,383)</u>	<u>(36,343,382)</u>
	Share capital £	Retained earnings/(loss) £	Total equity £
At 1 April 2010	1	(36,343,383)	(36,343,382)
Profit for the year 31 <sup>st</sup> March 2011	-	9,411,410	9,411,410
Other comprehensive income for the year 31 March 2011	-	-	-
Balance at 31 March 2011	<u>1</u>	<u>(26,931,973)</u>	<u>(26,991,972)</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 MARCH 2011**

	Share capital £	Retained earnings £	Total equity £
Balance at 1 April 2009	1	-	1
Loss for the year	-	-	-
Other comprehensive income for the year 31 March 2010	-	-	-
Balance at 31 March 2010	<u>1</u>	<u>-</u>	<u>1</u>
	Share capital £	Retained earnings/(loss) £	Total equity £
Balance at 1 April 2010	1	-	1
Loss for the year	-	-	-
Other comprehensive income for the year 31 March 2011	-	-	-
Balance at 31 March 2011	<u>1</u>	<u>-</u>	<u>1</u>

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

**DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011	2010
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax for the year		9,406,370	(617,759)
<i>Adjustments for</i>			
Fair value movement on derivative financial instrument		(9,404,236)	620,090
Bank interest receivable	2	(510)	(201)
Increase in trade and other receivables	8	(12,842)	43,924
Increase in trade and other payables	11,13	<u>16,429</u>	<u>(14,695)</u>
<b>Net cash from operating activities</b>		<b>5,211</b>	<b>31,359</b>
Taxation credit		<u>111</u>	<u>5,750</u>
		<u>5,322</u>	<u>37,109</u>
<b>Investing activities</b>			
Repayments during year	7	718,971	522,888
Bank interest received	2	<u>510</u>	<u>201</u>
<b>Net cash from investing activities</b>		<u>719,481</u>	<u>523,089</u>
<b>Financing activities</b>			
Redemption of loan notes during the year	11	<u>(718,971)</u>	<u>(522,888)</u>
<b>Net cash used in financing activities</b>		<u>(718,971)</u>	<u>(522,888)</u>
<b>Net increase in cash and cash equivalents</b>		<b>5,832</b>	<b>37,310</b>
Cash and cash equivalents at beginning of year		<u>300,229</u>	<u>262,919</u>
<b>Cash and cash equivalents at 31 March</b>	<b>9</b>	<u>306,061</u>	<u>300,229</u>

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

**DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**  
**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £	2010 £
<b>Cash flows from operating activities</b>			
Profit before tax for the year		—	—
<b>Net cash from operating activities</b>		—	—
Cash and cash equivalents at beginning of year		1	1
<b>Cash and cash equivalents at 31 March</b>	<b>10</b>	<u>1</u>	<u>1</u>

# DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2011

#### 1. SIGNIFICANT ACCOUNTING POLICIES

Deco 6 – UK Large Loan 2 Holding Limited is a Company incorporated in the UK under the Companies Act 2006 and domiciled in England

##### Statement of compliance

The Group'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 in respect of the financial year ended 31 March 2011, and for the previous period

##### Basis of preparation

The financial statements are presented in Pounds Sterling

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

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

##### Basis of preparation – going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the Directors Report on pages 2 and 3. In addition, note 14 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

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

A liquidity facility provided by Calyon (London Branch) has been established which will be available, subject to certain criteria and circumstances, in the event of the Company being unable, on a temporary basis, to meet its financial commitments. The liquidity facility was renewed on 26 October 2010 to expire on 29 November 2011. The directors expect this facility to be renewed annually

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

##### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (the Subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation

##### - Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities

##### - Transactions eliminated on consolidation

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

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2011

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

###### **Business combinations**

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

###### **Critical accounting judgements and key sources of estimation uncertainty**

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

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

###### **Financial instruments**

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

###### **Mortgage loans**

The mortgage loans and interest receivable thereon are classified as loans and receivables and are initially measured at fair value with subsequent measurement being at amortised cost using the effective interest method.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

###### **Derecognition of financial assets**

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

###### **Deferred consideration**

A deferred consideration charge is included in interest expense. Deferred consideration is payable to the Class X certificate holders dependent on the extent to which the surplus income, in excess of the agreed margin, generated by the mortgage loans in which the Group has purchased an interest, exceeds the administration costs of the mortgage loans. Deferred consideration is recognised on an accruals basis.



## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2011

##### 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. Cash and cash equivalents are classified as loans and receivables.

###### **Derivative financial instruments and hedging activities**

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

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

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

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

###### **Interest-bearing loans**

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

###### **Embedded derivatives**

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

###### **Interest income and expense**

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

###### **Value added tax**

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

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2011

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

###### Income tax expense

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

###### Standards issued but not adopted

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

Name of new Standards/amendments	Effective date
Amendments to IAS 1 (June 2011) - Presentation of Items of Other Comprehensive Income	Accounting periods beginning on or after 1 July 2012
IAS 24 (Amendment) - Related Party Disclosures	Accounting periods beginning on or after 1 January 2011
Improvements to IFRSs 2010 (May 2010)	Accounting periods beginning on or after 1 January 2011
IFRS 9 - Financial Instruments	Accounting periods beginning on or after 1 January 2013
IFRS 13 - Fair Value Measurement	Accounting periods beginning on or after 1 January 2013

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

###### Segmental reporting

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

###### Company statement of comprehensive income

As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements. The Company's result for the financial year was £nil (2010: £nil)

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2011

#### 2. INTEREST INCOME

	2011 Group £	2010 Group £
Income from mortgage loans	21,325,279	21,295,723
Bank interest received	<u>510</u>	<u>201</u>
	<u>21,325,789</u>	<u>21,295,924</u>

#### 3. INTEREST EXPENSE

	2011 Group £	2010 Group £
Interest on loan notes	3,971,204	5,130,098
Deferred consideration	961,408	1,032,163
Net swap interest payable	<u>15,794,671</u>	<u>14,703,966</u>
	<u>20,727,283</u>	<u>20,866,227</u>

#### 4. OTHER OPERATING EXPENSES

	2011 Group £	2010 Group £
Administration and cash management fees	544,789	379,709
Audit fees for the audit of the Group's accounts		
Parent company	6,000	5,875
Subsidiaries	19,504	17,625
Tax fees	15,560	13,950
Corporate services fees	<u>10,519</u>	<u>10,207</u>
	<u>596,372</u>	<u>427,366</u>

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

#### 5. INCOME TAX EXPENSE

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

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

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

<u>Group</u>	2011	2010
<b>Current tax:</b>	£	£
Corporation tax charge for the year at a rate of 21%	448	489
Adjustment to prior year's charge	<u>(5,488)</u>	<u>(12,626)</u>
Total income tax credit in the statement of comprehensive income	<u>(5,040)</u>	<u>(12,137)</u>

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2011

##### 5. INCOME TAX EXPENSE (continued)

<u>Group</u>	2011	2010
	£	£
<b>Reconciliation of total tax credit</b>		
The tax assessed for the period is at the standard rate of corporation tax in the UK of 21% (2010: 21%)		
Profit/(loss) before tax	<u>9,406,370</u>	<u>(617,759)</u>
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 21% (2010: 21%)	1,975,337	(129,729)
Permanent differences relating to application of Taxation of Securitisation Companies Regulations 2006	(1,974,889)	130,218
Adjustment in respect of the prior year	<u>(5,488)</u>	<u>(12,626)</u>
Total tax (credit) reported in the statement of comprehensive income	<u>(5,040)</u>	<u>(12,137)</u>
 <b>Company</b>	 2011	 2010
	£	£
<b>Current tax:</b>		
Corporation tax charge for the period at a rate of 21%	-	-
Total income tax expense in statement of comprehensive income	-	-
	2011	2010
	£	£
<b>Reconciliation of total tax charge</b>		
The tax assessed for the period is at the small companies' rate of corporation tax in the UK of 21% (2010: 21%)		
Profit before tax	-	-
Profit before tax multiplied by the small companies' rate of corporation tax in the UK of 21% (2010: 21%)	-	-
Total income tax expense in statement of comprehensive income	-	-

##### 6. INVESTMENT IN SUBSIDIARY

<u>Company</u>	2011	2010
	£	£
At 1 April 2010 and 31 March 2011	<u>12,501</u>	<u>12,501</u>

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

##### Shares in group undertakings

The Company has the following interests in group undertakings

Subsidiary undertakings	Country of incorporation	Class of shares	Holding (%)
Deco 6 – UK Large Loan 2 Plc	Great Britain	Ordinary	99.98

##### Principal activities

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

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2011

##### 7. MORTGAGE LOAN

	2011	2010
Group	£	£
At 1 April	368,471,580	368,994,469
Redemptions in year	<u>(718,972)</u>	<u>(522,889)</u>
At 31 March	<u>367,752,608</u>	<u>368,471,580</u>
The balance can be analysed as follows		
Non-current assets	366,968,276	367,948,692
Current assets	<u>784,332</u>	<u>522,888</u>
	<u>367,752,608</u>	<u>368,471,580</u>

The mortgage loans are due for repayment by July 2015. At 31 March 2011, £367,752,608 (2010 £368,471,580) was outstanding. At 31 March 2011, interest on £95,000,000 (2010 £95,000,000) of the outstanding principal was at a fixed rate of 5.53%, interest on £101,844,809 (2010 £102,563,780) was at a fixed rate of 6.24% and interest on the remaining £170,907,800 (2010 £170,907,800) was at a fixed rate of 5.70%. The loans are secured over commercial properties held by Deutsche Bank AG, London Branch in its capacity Borrower Security Trustee on behalf of the Company.

The Servicer is responsible for monitoring compliance with the loan to value and coverage covenants in accordance with the servicing agreement dated 4 October 2005. At its sole discretion it has the ability to call for a revaluation of the mortgage property. The Servicer has confirmed that as at the report date the coverage and loan to value covenants have not been breached.

##### 8. TRADE AND OTHER RECEIVABLES

	2011	2011	2010	2010
	Group	Company	Group	Company
	£	£	£	£
Other debtors	1,085	-	1,085	-
Prepayments and accrued income	<u>3,818,240</u>	-	<u>3,805,398</u>	-
	<u>3,819,325</u>	-	<u>3,806,483</u>	-

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

##### 9. CASH AND CASH EQUIVALENTS

	2011	2011	2010	2010
	Group	Company	Group	Company
	£	£	£	£
Cash and cash equivalents	<u>306,061</u>	<u>1</u>	<u>300,229</u>	<u>1</u>

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

# DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2011

#### 10. TOTAL EQUITY

	Issued capital	Retained losses	Total
Group	£	£	£
At 1 April	1	(36,343,382)	(36,343,381)
Profit (Loss) for the year	-	9,411,409	9,411,409
Balance at 31 March	<u>1</u>	<u>(26,931,973)</u>	<u>(26,931,972)</u>

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

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

#### 11. INTEREST-BEARING LOANS

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

Group	2011	2010
	£	£
At 1 April	368,471,580	368,994,469
Redemptions	<u>(718,972)</u>	<u>(522,889)</u>
	<u>367,752,608</u>	<u>368,471,580</u>
<b>Non-current liabilities</b>		
Loan notes	<u>366,968,276</u>	<u>367,948,692</u>
	<u>366,968,276</u>	<u>367,948,692</u>
<b>Current liabilities</b>		
Loan notes	784,332	522,888
Interest payable on loan notes	<u>743,254</u>	<u>639,928</u>
	<u>1,527,586</u>	<u>1,162,816</u>

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

On 6 December 2005 an agreement was entered into with Calyon (London Branch) for the provision of a liquidity facility for the Group. The facility is in place to allow the Group to meet its obligations should there be a shortfall in the revenue or principal received from the mortgage loan. At the balance sheet date, the limit on this facility was £28,000,000 (2010: £28,000,000). A fee is charged on the undrawn balance, currently set out at 0.15% per annum. This fee would increase on any drawn balance. No amounts have been drawn under the facility since inception. The liquidity facility is secured by way of fixed and floating charges over the Group's assets including the mortgage loans.

Interest-bearing loans and borrowings are repayable as follows:

#### Year ended 31 March 2011

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

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2011

#### 11. INTEREST-BEARING LOANS (continued)

##### Year ended 31 March 2010

Group	Total £	Less than 1 year £	1-2 years £	2-5 years £	More than 5 years £
Liabilities					
Floating rate notes due 2017	368,471,580	522,888	522,888	196,518,004	170,907,800
Interest payable	<u>639,928</u>	<u>639,928</u>	-	-	-
	<u>369,111,508</u>	<u>1,162,816</u>	<u>522,888</u>	<u>196,518,004</u>	<u>170,907,800</u>

The loan notes are denominated in the following currencies

Group	2011 £	2010 £
Sterling	<u>367,752,608</u>	<u>368,471,580</u>

On 6 December 2005, the Group issued £173,000,000 Class A1 notes due July 2017, £259,900,000 Class A2 notes due July 2017, £43,000,000 Class B notes due July 2017, £49,100,000 Class C notes due July 2017 and £30,119,911 Class D notes due July 2019. Interest on the Class A1 notes is payable at a rate of 3 month LIBOR plus 0.20%. Interest on the Class A2 notes is payable at a rate of 3 month LIBOR plus 0.25%. Interest on the Class B notes is payable at a rate of 3 month LIBOR plus 0.44%. Interest on the Class C notes is payable at a rate of 3 month LIBOR plus 0.70%. Interest on the Class D notes is payable at a rate of 3 month LIBOR plus 1.05%.

At the balance sheet date £61,882,057 (2010 £62,601,028) in respect of the Class A1 notes was outstanding, £208,038,771 (2010 £208,038,771) in respect of Class A2 notes, £34,419,650 (2010 £34,419,650) in respect of Class B notes, £39,302,438 (2010 £39,302,438) in respect of Class C notes, and £24,109,693 (2010 £24,109,693) in respect of the Class D notes. The notes are secured by way of a fixed and floating charge over the assets of the Company. The proceeds of the notes were used by the Company to acquire the mortgage loans from Deutsche Bank AG in accordance with the terms of the securitisation documents.

#### 12. NON INTEREST-BEARING LOANS

	2011 Group £	2011 Company £	2010 Group £	2010 Company £
Non-current liabilities				
Other loans	<u>12,501</u>	<u>12,501</u>	<u>12,501</u>	<u>12,501</u>

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

Non interest-bearing loans and borrowings are repayable as follows

	2011 Group £	2011 Company £	2010 Group £	2010 Company £
In more than five years				
Other loans	<u>12,501</u>	<u>12,501</u>	<u>12,501</u>	<u>12,501</u>

Non interest-bearing loans are denominated in Sterling

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2011

##### 13. TRADE AND OTHER PAYABLES

	2011 Group £	2010 Group £
Current liabilities		
Accruals and deferred income	<u>3,097,309</u>	<u>3,184,207</u>

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

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

##### 14 PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties are set out in the Directors' Report on page 3

###### Financial instruments

The Group's financial instruments, other than derivatives, comprise a portfolio of commercial mortgage loans, cash and liquid resources, interest-bearing borrowings and various receivables and payables that arise directly from its operations. The Group also enters into derivative transactions (principally interest rate swaps). The purpose of such transactions is to manage the interest rate risks arising from the Company's operations and its sources of finance.

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

###### 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 Group minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar. Interest rate swaps have been entered into with Deutsche Bank AG to manage the Group'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 rate of interest receivable on the mortgage loans and the variable rate of interest payable on the floating rate loan notes.

###### Interest rate sensitivity

The sensitivity of the Group to interest rate changes, and the resulting changes in net assets attributable to equity shareholders, is limited as the Group uses interest rate swaps to mitigate the risk and only retains 0.01% of available revenue receipts from the beneficial interest in the mortgage portfolio.

###### Credit risk

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

The mortgage loan portfolio consists of 3 loans secured over 22 properties. At 31 March 2011, the loan amount outstanding was £367,752,608 (2010 £368,471,580). The maximum single exposure to credit risk is the loan to Mapeley totalling £170,907,800 (2010 £170,907,800) which equals 46.5% of the total loan portfolio.

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

	31 March 2011 £	31 March 2010 £
Neither past due nor impaired	<u>367,752,608</u>	<u>368,471,580</u>

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



## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2011

#### 14. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

##### Liquidity risk

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

At 31 March 2011 this facility was not required, and has not been used during the year. The liquidity facility was renewed on 26 October 2010 to expire on 29 November 2011. The directors expect this facility to be renewed annually.

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

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

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

As at 31 March 2010	Carrying value	Gross cash flows	After 1 month but within 3 months	After 3 months but within one year	After 1 year but within 5 years	After 5 years
	£	£	£	£	£	£
Notes	368,471,580	368,471,580	130,722	392,166	197,040,893	170,907,799
Interest payable on notes	<u>639,928</u>	<u>21,630,443</u>	<u>1,257,951</u>	<u>3,784,990</u>	<u>15,420,553</u>	<u>1,166,949</u>
<b>Total non-derivative financial instruments</b>	<b><u>369,111,508</u></b>	<b><u>390,102,023</u></b>	<b><u>1,388,673</u></b>	<b><u>4,177,156</u></b>	<b><u>212,461,446</u></b>	<b><u>172,074,748</u></b>

The redemption of the notes is dependent on the receipt of payments on the loan notes. In accordance with the respective Prospectus for each of the notes, Class A1 Notes will be redeemed in priority to redemption of the remaining classes of notes followed by Class A2, B, C and D. Interest payable on floating rate notes was estimated based on the floating rate amounts as at 31 March 2011.

##### Currency risk

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

##### Capital risk management

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

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

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2011

#### 14. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

##### Fair values

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

Group	Notes	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
		£	£	£	£
<b>Financial assets</b>					
Mortgage loans	7	367,752,608	309,751,304	368,471,581	254,747,809
Trade and other receivables	8	3,819,325	3,819,325	3,806,486	3,806,486
Cash and cash equivalents	9	306,061	306,061	300,229	300,229
Total assets		<u>371,877,994</u>	<u>313,876,690</u>	<u>372,578,296</u>	<u>258,854,524</u>
<b>Financial liabilities</b>					
Interest-bearing loans and borrowings	10	(367,752,608)	(282,547,795)	(368,471,581)	(218,140,063)
Interest payable	10	(743,254)	(743,254)	(639,928)	(639,928)
Trade and other payables	11	(3,109,810)	(3,109,810)	(3,184,207)	(3,184,207)
Current tax liability		(784)	(784)	(5,713)	(5,713)
Derivative financial instruments	13	(27,203,510)	(27,203,510)	(36,607,746)	(36,607,746)
Total liabilities		<u>(398,809,966)</u>	<u>(313,605,153)</u>	<u>(408,909,175)</u>	<u>(258,577,657)</u>
		<u>(26,931,972)</u>	<u>271,537</u>	<u>(36,330,879)</u>	<u>276,867</u>

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

Company	Notes	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
		£	£	£	£
Investment in subsidiary	6	12,501	12,501	12,501	12,501
Cash and cash equivalents	9	1	1	1	1
Non-interest bearing loans	12	(12,501)	(12,501)	(12,501)	(12,501)
		<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

##### Fair value hierarchy

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

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

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

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

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

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2011

#### 14. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

##### Fair value hierarchy (continued)

##### As at 31 March 2011

Financial liabilities through profit or loss account	Total £	Level 1 £	Level 2 £	Level 3 £
Derivative financial instruments	<u>27,203,510</u>	-	<u>27,203,510</u>	-

##### As at 31 March 2010

Financial liabilities through profit or loss account	Total £	Level 1 £	Level 2 £	Level 3 £
Derivative financial instruments	<u>36,607,746</u>	-	<u>36,607,746</u>	-

##### Interest rate risk profile of financial liabilities

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

##### Effective interest rates and re-pricing analysis

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

Group At 31 March 2011	Weighted average effective interest rate %	1 to 3 months £	Fixed rate £	Non-interest bearing £	Total £
<b>Assets</b>					
Trade and other receivables	-	-	-	3,819,325	3,819,325
Mortgage loans	5.793%	-	367,752,608	-	367,752,608
Cash and cash equivalents	-	<u>306,061</u>	-	-	<u>306,061</u>
Total assets		<u>306,061</u>	<u>367,752,608</u>	<u>3,819,325</u>	<u>371,877,994</u>
<b>Liabilities</b>					
Accruals and tax liabilities	-	-	-	3,841,346	3,841,346
Derivative financial instruments	-	27,203,510	-	-	27,203,510
Interest bearing loans	1.078%	<u>367,752,608</u>	-	-	<u>367,752,608</u>
Total liabilities		<u>394,956,118</u>	-	<u>3,841,346</u>	<u>398,797,464</u>
<b>Group At 31 March 2010</b>					
	Weighted average effective interest rate %	1 to 3 months £	Fixed rate £	Non-interest bearing £	Total £
<b>Assets</b>					
Trade and other receivables	-	-	-	3,806,483	3,806,483
Mortgage loans	5.978%	-	368,471,580	-	368,471,580
Cash and cash equivalents	-	<u>300,229</u>	-	-	<u>300,229</u>
Total assets		<u>300,229</u>	<u>368,471,580</u>	<u>3,806,483</u>	<u>372,578,292</u>
<b>Liabilities</b>					
Accruals and tax liabilities	-	-	-	3,829,847	3,829,847
Derivative financial instruments	-	36,607,746	-	-	36,607,746
Interest bearing loans	1.369%	<u>368,471,580</u>	-	-	<u>368,471,580</u>
Total liabilities		<u>405,079,326</u>	-	<u>3,829,847</u>	<u>408,909,173</u>

## DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2011

#### 14. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Company At 31 March 2011	Weighted average effective interest rate %	1 to 3 months £	Fixed rate £	Non interest bearing £	Total £
<b>Assets</b>					
Investment in subsidiary	-	-	-	12,501	12,501
Cash and cash equivalents	-	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total assets		<u><u>1</u></u>	<u><u>-</u></u>	<u><u>12,501</u></u>	<u><u>12,502</u></u>
<b>Liabilities</b>					
Non-interest bearing loans	-	<u>-</u>	<u>-</u>	<u>12,501</u>	<u>12,501</u>
Total liabilities		<u><u>-</u></u>	<u><u>-</u></u>	<u><u>12,501</u></u>	<u><u>12,501</u></u>
<b>Company At 31 March 2010</b>					
<b>Assets</b>					
Investment in subsidiary	-	-	-	12,501	12,501
Cash and cash equivalents	-	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total assets		<u><u>1</u></u>	<u><u>-</u></u>	<u><u>12,501</u></u>	<u><u>12,502</u></u>
<b>Liabilities</b>					
Non-interest bearing loans	-	<u>-</u>	<u>-</u>	<u>12,501</u>	<u>12,501</u>
Total liabilities		<u><u>-</u></u>	<u><u>-</u></u>	<u><u>12,501</u></u>	<u><u>12,501</u></u>

#### 15. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2011 Group £	2011 Company £	2010 Group £	2010 Company £
Interest rate swaps liability	<u>27,203,510</u>	<u>-</u>	<u>36,607,746</u>	<u>-</u>

On £170,907,800 (2010 £170,907,800) of the notional principal, the fixed rate payable by the Company is 4.95% and the floating rate receivable is 3 month LIBOR. On £95,000,000 (2010 £95,000,000) of the notional principal, the fixed rate payable by the Company is 4.9315% and the floating rate receivable is 3 month LIBOR. On £101,846,168 (2010, £102,564,775) of the notional principal, the fixed rate payable by the Company is 5.1400% and the floating rate receivable is 3 month LIBOR.

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

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

## **DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 31 MARCH 2011**

##### **16. RELATED PARTY TRANSACTIONS**

The Company is a special-purpose company controlled by its Board of directors, which comprises three directors, Wilmington Trust SP Services (London) Limited, Mr M H Filer and Mr J Traynor. Mr M H Filer and Mr J Traynor are employees of Wilmington Trust SP Services (London) Limited, and Mr M H Filer is also a director of Wilmington Trust SP Services (London) Limited. The Company pays a corporate service fee to Wilmington Trust SP Services (London) Limited in connection with corporate services received. The fees payable to these directors for their services for the year ended 31 March 2011 amounted to £10,519 (2010 £10,207). At the end of the year, an amount of £1,901 (2010 £4,016) was outstanding and is included within current liabilities – trade and other payables.

During the year, accounting services amounting to £4,287 (2010 £4,113) were charged by Wilmington Trust SP Services (London) Limited. At 31 March 2011, an amount of £8,400 (2010 £4,113) was outstanding and disclosed within current liabilities – trade and other payables.

During the period ended 31 March 2006, Wilmington Trust SP Services (London) Limited granted an interest-free loan to the Company for £12,501. At 31 March 2011 £12,501 (2010 £12,501) was still outstanding and disclosed within 'Non interest-bearing loans – Other loans'.

##### **17. ULTIMATE PARENT UNDERTAKING**

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

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

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

##### **18. POST BALANCE SHEET EVENTS**

There were no significant post balance sheet events to report.