Company Registration Number 5578205

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

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(formerly HOCKGLEN LIMITED)

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 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

DIRECTORS' REPORT

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

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 period from incorporation on 29 September 2005 to 31 March 2006. Consequently there are no comparative figures. The Company was incorporated under the name of Hockglen Limited and changed its name to Deco 6 – UK Large Loan 2 Holding Limited on 9 November 2005.

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"), to acquire the beneficial interest in a mortgage portfolio from Deutsche Bank AG, London Branch, ("the Mortgage Loan"). Deco 6 – UK Large Loan 2 Plc was also established in order 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 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 indicator of the business is considered to be the net interest margin. During 2006, the Group achieved a net interest margin of 4.90%. At the period end, the Group had a net deficit of £3,813,871 due to the fair value movement of the derivatives.

RESULTS AND DIVIDENDS

The trading results for the period and the Group and Company's financial position at the end of the period are shown in the attached financial statements.
The loss of the Group for the period after tax, amounted to £3,813,872. The directors have not recommended a dividend.

The directors consider the company to be a going concern as the loss for the period and net liability 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 Group will have sufficient cash to continue in existence and therefore the going concern basis is appropriate.

FUTURE DEVELOPMENTS

The directors will continue to closely monitor the Group's progress. There were no significant events affecting the Group after the period end. The directors do not expect any significant changes in the operating activities of the Group or company after the period 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 these financial instruments 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.

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

FINANCIAL INSTRUMENTS (CONTINUED)

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 loan is 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 loan. At 31 March 2006, the amount outstanding was £370,432,411. 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 Group being unable, on a temporary basis, to meet its financial commitments.

Further discussion of the Group's approach to financial instruments is set out in note 1 (significant accounting policies) and in note 15.

THE DIRECTORS AND THEIR INTERESTS

The directors who served the Group during the period, together with their beneficial interests in the shares of the Group, were as follows:

Wilmington Trust SP Services (London) Limited (previously named SPV Management Limited)	(appointed 9 November 2005)
Mr R G Baker	(appointed 9 November 2005)
Mr M H Filer	(appointed 9 November 2005)
Mr A Levy	(appointed 29 September 2005, resigned 9 November 2005)
Mr D J Pudge	(appointed 29 September 2005, resigned 9 November 2005)

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

Wilmington Trust SP Services (London) Limited holds the entire share capital 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.

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.

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

• so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and

• each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Signed by order of the directors

For and on behalf of Sunil Hassen

WILMINGTON TRUST SP SERVICES (LONDON) LIMITED
Company Secretary
Date: 31/01/07

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 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 Group and 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 6 – UK LARGE LOAN 2 HOLDING LIMITED (formerly Hockglen Limited)

We have audited the group and parent company financial statements (the "financial statements") of DECO 6 – UK Large Loan 2 Holding Limited for the period from incorporation on 29 September 2005 to 31 March 2006 which comprise the Group and Company income statements, the Group and Company balance sheets, the Group and Company cash flow statements, Group Statement of changes in equity and the related notes 1 to 18. 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 by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and considered the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 March 2006 and of its loss for the period from 29 September 2005 (date of incorporation) to 31 March 2006;
- the group and parent company 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
31 January 2007

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

	Notes	2006 £
Continuing operations		
Interest income	2	10,283,379
Interest expense	3	(9,779,794)
Net interest income		503,585
Fair value loss on derivative financial instruments	16	(5,677,141)
Other operating expenses	4	(274,832)
Loss before tax for the period		(5,448,388)
Income tax credit	5	1,634,516
Loss after tax for the period attributable to equity holders	11	(3,813,872)

The notes on pages 14 to 24 form part of these financial statements.

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

COMPANY INCOME STATEMENT

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

	Notes	2006 £
Continuing operations		
Profit before tax for the period		-
Income tax expense		-
Profit after tax for the period attributable to equity holders	11	-

The notes on pages 14 to 24 form part of these financial statements.

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	2006 £
Non-current assets		
Mortgage loan	8	370,171,099
Current assets		
Deferred tax asset	6	1,703,142
Mortgage loan	8	261,312
Trade and other receivables	9	3,602,198
Cash and cash equivalents	10	187,671,887
		193,238,539
Total assets		563,409,638
Equity		
Share capital	11	1
Retained loss	11	(3,813,872)
Total equity		(3,813,871)
Non-current liabilities		
Interest-bearing loan notes	12	370,171,099
Non interest-bearing loans	13	12,501
Total non-current liabilities		370,183,600
Current liabilities		
Interest-bearing loan notes	12	184,948,812
Accrued interest	12	4,721,146
Trade and other payables	14	1,624,184
Current tax liability	5	68,626
Derivative financial instruments	16	5,677,141
Total current liabilities		197,039,909
Total liabilities		567,223,509
Total equity and liabilities		563,409,638

These financial statements on pages 7 to 24 were approved by the directors, authorised for issue on 31/01/07 and signed on their behalf by:

Sunil Hassan

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

The notes on pages 14 to 24 form part of these financial statements.

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

COMPANY BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	2006 £
Non-current assets		
Investment in subsidiary	7	12,501
Current assets		
Cash and cash equivalents	10	1
Total assets		12,502
Equity		
Share capital	11	1
Retained profit	11	-
Total equity		1
Non-current liabilities		
Non interest-bearing loans	13	12,501
Total non-current liabilities		12,501
Total liabilities		12,501
Total equity and liabilities		12,502

These financial statements on pages 7 to 24 were approved by the directors, authorised for issue on 31/01/07 and signed on their behalf by:

Sunil Masson

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

The notes on pages 14 to 24 form part of these financial statements.

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

	Notes	2006 £
At start of period 29 September 2005		-
Loss for the period	11	(3,813,872)
Total recognised income and expense for the period		(3,813,872)
Issue of share capital	11	1
Closing equity at 31 March 2006		(3,813,871)

The notes on pages 14 to 24 form part of these financial statements.

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

	Notes	2006 £
Cash flows from operating activities		
Loss before tax for the period		(5,448,388)
Adjustments for:		
Fair value movement on derivative financial instrument		5,677,141
Bank interest receivable	2	(244,525)
Increase in trade and other receivables	9	(3,602,198)
Increase in trade and other payables	12,14	6,345,330
Net cash from operating activities		2,727,360
Cash flows from investing activities		
Acquisition of beneficial interest in mortgage portfolio	8	(555,119,911)
Repayments during period	8	184,687,500
Bank interest received	2	244,525
Net cash used in investing activities		(370,187,886)
Cash flows from financing activities		
Proceeds on issue of shares	11	1
Non interest-bearing loan received	13	12,501
Proceeds on issue of loan notes	12	555,119,911
Net cash from financing activities		555,132,413
Net increase in cash and cash equivalents		187,671,887
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at 31 March 2006	10	187,671,887

(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
(formerly HOCKGLEN LIMITED)

COMPANY STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

	Notes	2006 £
Cash flows from operating activities		
Profit before tax for the period		-
Net cash from operating activities		-
Cash flows from investing activities		
Purchase of investment in subsidiary	7	(12,501)
Net cash used in investing activities		(12,501)
Cash flows from financing activities		
Proceeds on issue of shares	11	1
Non interest-bearing loan received	13	12,501
Net cash from financing activities		12,502
Net increase in cash and cash equivalents		1
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at 31 March 2006	10	1

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

1. SIGNIFICANT ACCOUNTING POLICIES

Deco 6 – UK Large Loan 2 Holding Limited is a Company incorporated in the UK under the Companies Act 1985 and domiciled in England. The address of the registered office is given on page 1.

Statement of compliance
The Group'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 Group for the period ended 31 March 2006.

The accounting policies set out below have been applied in respect of the financial period from incorporation on 13 July 2005 to 31 March 2006.

Basis of preparation
The financial statements are presented in Pound Sterling. The financial statements cover a period of more 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 revaluation 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 Group will have sufficient cash to continue in existence and therefore the going concern basis is appropriate.

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. 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.

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 profit and loss account.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments
The Group's financial instruments comprise of 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 financial instruments is to acquire a beneficial interest in a mortgage loan. 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 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.

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 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.

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. 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 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 income statement.

Interest-bearing loans
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Group and is included with its related cost.

Income tax expense
The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 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 Group'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 Group 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 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.

2. INTEREST INCOME

	2006 Group £
Income from mortgage loan	10,038,854
Bank interest received	244,525
	10,283,379

3. INTEREST EXPENSE

	2006 Group £
Interest on loan notes	8,635,838
Net swap interest payable	808,000
Deferred consideration	335,956
	9,779,794

4. OTHER OPERATING EXPENSES

	2006 Group £
Administration and cash management fees	257,497
Audit fees	11,750
Corporate services fees	5,585
	274,832

The directors received no emoluments for their services as directors to the Group during the period, except for those disclosed in note 17. The directors had no any 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 period.

5. INCOME TAX CREDIT

	2006 Group £	2006 Company £
Current tax:		
Corporation tax charge for the period at a rate of 30%	68,626	-
Deferred tax:		
Deferred tax credit at 30% (see note 6)	(1,703,142)	-
Total income tax credit in income statement	(1,634,516)	-

	2006 £	2006 £
Reconciliation of total tax charge		
The tax assessed for the period is at the standard rate of corporation tax in the UK of 30%.		
Loss before tax	(5,448,388)	-
Loss before tax multiplied by the standard rate of corporation tax in the UK of 30%	(1,634,516)	-
Total tax credit reported in the Income statement	(1,634,516)	-

6. DEFERRED TAX

	2006 Group £
Deferred tax asset	
At 29 September 2005	-
Credit to income for the period	1,703,142
Balance carried forward at 31 March 2006	1,703,142

The deferred tax asset of £1,703,142 represents the amount of deferred tax receivable in respect of the fair value on the derivative financial instruments. The fair value adjustment will reverse over time and ultimately the group will pay tax on its accounting profit over the life of the transaction.

7. INVESTMENT IN SUBSIDIARY

	2006 Company £
At 29 September 2005	-
Acquisitions during the period	12,501
Balance carried forward at 31 March 2006	12,501

The investment represents the acquisition of 99.98% of the issued ordinary share capital of Deco 6 – UK Large Loan 2 Plc, a special purpose entity incorporated in England and Wales. 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"), to acquire the beneficial interest in a mortgage portfolio from Deutsche Bank AG, London Branch, ("the Mortgage Loan"), 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 1 December 2005
This transaction has been accounted for by the purchase method of accounting.

8. MORTGAGE LOAN

	£
Group	
At 29 September 2005	-
Originations	555,119,911
Redemptions	(184,687,500)
At 31 March 2006	370,432,411
The balance can be analysed as follows:	
Current assets	261,312
Non-current assets	370,171,099
	370,432,411

The mortgage loan is due for repayment by July 2015. At 31 March 2006, £370,432,411 was outstanding. At 31 March 2006, interest on £95,000,000 of the outstanding principal was at a fixed rate of 5.53%, interest on £104,524,611 was at a fixed rate of 6.24% and interest on the remaining £170,907,800 was at a fixed rate of 5.70%. The loan is secured over commercial properties held by Deutsche Bank AG, London Branch in its capacity of Borrower Security Trustee on behalf of the Group.

9. TRADE AND OTHER RECEIVABLES

	2006 Group £	2006 Company £
Prepayments and accrued income	3,602,198	-

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

10. CASH AND CASH EQUIVALENTS

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

	2006 Group £	2006 Company £
Cash and cash equivalents	187,671,887	1

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

11. TOTAL EQUITY

	Issued capital £	Retained loss £	Total £
Group			
Issued Capital	1	-	1
Reserves	-	(3,813,872)	(3,813,872)
Balance at 31 March 2006	1	(3,813,872)	(3,813,871)

	Issued capital £	Retained profit £	Total £
Company			
Issued Capital	1	-	1
Reserves	-	-	-
Balance at 31 March 2006	1	-	1

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.

12. 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 15.

	2006 Group £	2006 Company £
Non-current liabilities		
Loan notes	370,171,099	-
	370,171,099	-
Current liabilities		
Loan notes	184,948,812	-
Interest payable on loan notes	4,721,146	-
	189,669,958	-

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.

12. INTEREST-BEARING LOANS (CONTINUED)

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 £39,000,000. 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 loan.

Interest-bearing loans and borrowings are repayable as follows:

Group	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Liabilities	**£**	**£**	**£**	**£**	**£**
Floating rate notes due 2017	**555,119,911**	**184,948,812**	**522,623**	**1,698,525**	**367,949,951**
Interest payable	**4,721,146**	**4,721,146**	**-**	**-**	**-**
	559,841,057	**189,669,958**	**522,623**	**1,698,525**	**367,949,951**

The loan notes are denominated in the following currencies:

Group	**2006**
	£
Sterling	**555,119,911**

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 £173,000,000 in respect of the Class A1 notes was outstanding, £259,900,000 in respect of Class A2 notes, £43,000,000 in respect of Class B notes, £49,100,000 in respect of Class C notes, and £30,119,911 in respect of the Class D notes. The notes are secured by way of a fixed and floating charge over the assets of the Group. The proceeds of the notes were used by the Group to acquire the mortgage loan from Deutsche Bank AG in accordance with the terms of the securitisation documents.

13. NON INTEREST-BEARING LOANS

	2006 Group	**2006 Company**
Non-current liabilities	**£**	**£**
Other loans	**12,501**	**12,501**
	12,501	**12,501**

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:

	2006 Group	**2006 Company**
In more than 5 years	**£**	**£**
Other loans	**12,501**	**12,501**
	12,501	**12,501**

Non interest-bearing loans are denominated in Sterling.

14. TRADE AND OTHER PAYABLES

	2006 Group	2006 Company
Current liabilities	**£**	**£**
Other creditors	86,008	-
Accruals and deferred income	1,538,176	-
	1,624,184	-

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.

15. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise a loan to Deutsche Bank AG, cash and liquid resources, derivatives, interest-bearing borrowings and various receivables and payables that arise directly from its operations.

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

Credit risk
Credit risk on the mortgage loan arises where the individual loans granted under the mortgage loan is secured on underlying commercial properties. Under IFRS the mortgage loan is classified as a "loan to originator". The most significant concentration of credit risk is considered to be the mortgage loan. At 31 March 2006, the amount outstanding on the mortgage loan was £370,432,411. The maximum exposure to credit risk is represented by the carrying amount of the mortgage loan. The directors consider that the Group'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 Group minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar. Interest rate swaps and basis swaps have been entered into with Deutsche Bank AG to manage the Group's exposure to interest rate risk associated with the loan originator. This is to reduce interest rate risk as a result of the possible variance between the fixed rate 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 Group 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.

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED
(formerly HOCKGLEN LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD FROM INCORPORATION ON 29 SEPTEMBER 2005 TO 31 MARCH 2006

15. 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.

Group	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 loan	5.81	370,432,411	-	-	-	-	370,432,411	-
Trade and other receivables	-	3,602,198	-	-	-	-	-	3,602,198
Deferred tax asset	-	1,703,142	-	-	-	-	-	1,703,142
Cash and cash equivalents	1.81	187,671,887	187,671,887	-	-	-	-	-
		563,409,638	187,671,887	-	-	-	370,432,411	5,305,340

Group	Effective interest rate (%)	Total £	6 months or less £	6-12 months £	1-2 years £	2-5 years £	More than 5 years £	Non interest - bearing £
Liabilities								
Loan notes – Class A1	LIBOR + 0.20	173,000,000	173,000,000	-	-	-	-	-
Loan notes – Class A2	LIBOR + 0.25	259,900,000	259,900,000	-	-	-	-	-
Loan notes – Class B	LIBOR + 0.44	43,000,000	43,000,000	-	-	-	-	-
Loan notes – Class C	LIBOR + 0.70	49,100,000	49,100,000	-	-	-	-	-
Loan notes – Class D	LIBOR + 1.05	30,119,911	30,119,911	-	-	-	-	-
Interest payable	-	4,721,146	-	-	-	-	-	4,721,146
Non interest-bearing loans	-	12,501	-	-	-	-	-	12,501
Trade and other payables	-	1,624,184	-	-	-	-	-	1,624,184
Current tax liability	-	68,626	-	68,626	-	-	-	-
Derivative financial instruments	-	5,677,141	-	-	-	-	-	5,677,141
		567,223,509	555,119,911	68,626	-	-	-	12,034,972

Company	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								
Investment		12,501	-	-	-	-	12,501	-
Cash and cash equivalents	-	1	-	-	-	-	-	-
		12,502	-	-	-	-	12,501	-

Company	Effective interest rate (%)	Total £	6 months or less £	6-12 months £	1-2 years £	2-5 years £	More than 5 years £	Non interest - bearing £
Liabilities								
Non interest-bearing loans	-	12,501	-	-	-	-	-	12,501
		12,501	-	-	-	-	-	12,501

15. FINANCIAL INSTRUMENTS (CONTINUED)

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 £
Group			
Deferred tax asset	6	1,703,142	1,703,142
Mortgage loan	8	370,432,411	376,109,552
Trade and other receivables	9	3,602,198	3,602,198
Cash and cash equivalents	10	187,671,887	187,671,887
Interest-bearing loans and borrowings	12	(555,119,911)	(555,119,911)
Non interest-bearing loans	13	(12,501)	(12,501)
Interest payable	12	(4,721,146)	(4,721,146)
Trade and other payables	14	(1,624,184)	(1,624,184)
Current tax liability	5	(68,626)	(68,626)
Derivative financial instruments	16	(5,677,141)	(5,677,141)
		(3,813,871)	1,863,270

The interest rate swaps have a principal notional value of £370,301,755 as at 31 March 2006.

	Note	Carrying amount 2006 £	Fair value 2006 £
Company			
Investment	7	12,501	12,501
Cash and cash equivalents	10	1	1
Non interest-bearing loans	13	(12,501)	(12,501)
		1	1

Estimation of fair values
The Group has an interest rate swap with a notional principal value of £370,301,755 hedging the income stream from the mortgage loan with the payment on the floating rate loan notes. This interest rate swap is accounted for as held for trading.

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

The fair value of the mortgage loan 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 Group and Deutsche Bank AG, London Branch are reflected as a derivative liability in the balance sheet of the Group 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 £5,677,141. The underlying cash flows are the relevant interest payments up to the maturity of the floating rate notes in 2017.

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2006 Group £	2006 Company £
Interest rate swaps	5,677,141	-

The notional principal amount of the outstanding interest rate swap contracts at 31 March 2006 was £370,301,755. On £95,000,000 of the notional principal, the fixed rate payable by the Group is 4.9315% and the floating rate receivable is 3 month LIBOR. On £104,524,611 of the notional principal, the fixed rate payable by the Group is 5.1400% and the floating rate receivable is 3 month LIBOR.

Embedded derivatives

In accordance with IAS 39 'Financial instruments: Recognition and measurement', the Group has reviewed all mortgage loan contracts and floating rate notes terms 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 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.

17. RELATED PARTY TRANSACTIONS

The Group is a special-purpose group controlled by its Board of directors, which comprises three directors; Wilmington Trust SP Services (London) Limited, Mr M H Filer and Mr R G Baker. Mr M H Filer and Mr R G Baker 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 Group 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 £5,585. At the end of the period, an amount of £1,710 was included within 'Other payables: Accruals'.

During the period an amount of £4,113 was payable to Wilmington Trust SP Services (London) Limited for certain accountancy services. At 31 March 2006, this amount was still outstanding and disclosed within 'Other payables: Accruals'.

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

18. 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.