Company Registration Number 05578205

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

FOR THE YEAR ENDED 31 MARCH 2013

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DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

COMPANY INFORMATION

The board of directors	Mr Graham Cox (appointed on 28 September 2012) Mr Graham Hodgkin (appointed on 28 September 2012) Wilmington Trust SP Services (London) Limited (resigned on 28 September 2012) Mr M H Filer (resigned on 28 September 2012) Mr J Traynor (resigned on 28 September 2012)
Company secretary	Wilmington Trust SP Services (London) Limited (resigned on 28 September 2012) Jodie Osborne (appointed on 28 September 2012)
Registered office	*Previously up to 28 September 2012* c/o Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF United Kingdom *From 28 September 2012 onwards* Winchester House Mailstop 428 1 Great Winchester Street London EC2N 2DB United Kingdom
Auditor	Deloitte LLP London United Kingdom

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2013

The directors present their report and the financial statements of Deco 6 – UK Large Loan 2 Holding Limited (the "Company") and 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 2013

PRINCIPAL ACTIVITIES
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 loan notes"), to acquire the beneficial interest in a mortgage portfolio from Deutsche Bank AG, London Branch, (the mortgage loans"), 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 Group issued £555,119,911 loan notes in accordance with the Offering Circular

BUSINESS REVIEW
The key performance indicator of the business is considered to be the net interest margin During the year, the Group achieved a net interest margin (net interest income divided by interest income) of 7 50% (2012 3 86%) At the year end, the Group had net liabilities of £146,509,569 (2012 £131,939,670) primarily as a result of the fair value liability on the derivative financial instruments totalling £16,879,187 (2012 £21,987,917) and cumulative impairments on the mortgage loans of £129,904,108 (2012 £110,224,359)

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

The Group's loss for the year after tax amounted to £14,569,899 (2012 £105,007,698) after the profit on the financial derivative instrument of £5,108,730 (2012 £5,215,592) and loan impairments of £19,679,749 (2012 £110,224,359) The directors have not recommended a dividend (2012 £nil)

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 note holders 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 AND RISK MANAGEMENT POLICIES
The directors acknowledge that the global macro-economic indicators and general business environment have improved in the year under review However, market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to all underlying businesses and borrowers with whom the Group has exposure through the mortgage loans

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

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

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

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

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

Interest rate risk
Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times The 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 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 a mortgage loan to Brunel Unit Trust totalling £84,238,491 (2012 £87,200,000) after impairment which matured on 25 April 2012 At 31 March 2013, the total amount outstanding on the mortgage loans, after impairment provisions, was £142,260,251 (2012 £161,940,000) The mortgage loan portfolio consists of 2 loans secured over 21 properties (2012 2 loans secured over 21 properties)

Impairment
The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset The impairment represents the estimated difference between the market valuation of the collateral and the loan outstanding

Impairments charged during the year on mortgage loans were Mapeley £16,718,239 (2012 £96,167,800) and Brunel Unit Trust £2,961,510 (2012 £14 056,559)

Brunel Unit Trust defaulted on its maturity date on 25 April 2012 The most recent external valuation was dated October 2011 The estimated market value of the underlying property at year-end is below the loan amount and as such impairment was charged against the mortgage loan to account for the potential shortfall

Mapeley was placed into special servicing on 20 October 2011 due to numerous breaches of the debt service coverage ratio (DSCR) covenant The property was valued on 31 January 2012 at £63,955,000 and the property value was considerably lower than the carrying value of the loan The impairment raised is based on the estimated value of the underlying commercial property collateral at year end

Refinancing risk
The ability of a borrower to make timely payments 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 loan notes in full

If in the event of the loans not being able to be repaid, the loan notes would be written down starting from the lowest class of note, D, to the highest class of note outstanding, A2

Going concern

The Group has net liabilities as a result of impairments on the loan assets However, the terms of the loan notes are limited recourse and therefore the Group is only obliged to repay the notes to the extent that the Group receives cash from the loan assets The note holders will therefore ultimately bear the Group's deficits on maturity of the loan notes

Due to the limited recourse nature of the loan notes, 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 However, as described in note 1 the two remaining loans held by the Group are in special servicing and therefore there is uncertainty over the future courses of action the special servicer might take to maximise recoveries on those loans One of those courses of action may be to enforce collateral in order to repay the loans, the result of which would be that the Group would cease to trade As such there is a material uncertainty that may cast doubt on the Group's ability to continue as a going concern

In addition, note 15 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

Liquidity risk

A facility provided by Credit Agricole Corporate & Investment Bank (formerly Calyon) 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 On 29 October 2012, the liquidity facility for £9,000,000 was renewed for the period from 27 November 2012 to 26 November 2013 The directors expect this facility to be renewed annually Further discussion of the Group's approach to financial instruments is set out in note 1 (significant accounting policies) and in note 15

An amount of £nil (2012 £654,345) of the liquidity facility was drawn as at 31 March 2013

DIRECTORS AND THEIR INTERESTS

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

Wilmington Trust SP Services (London) Limited (resigned on 28 September 2012)
Mr M H Filer (resigned on 28 September 2012)
Mr J Traynor (resigned on 28 September 2012)
Mr Graham Cox (appointed on 28 September 2012)
Mr Graham Hodgkin (appointed on 28 September 2012)
Wilmington Trust SP Services (London) Limited held the sole share in the Company under a declaration of trust for charitable purposes No other director had any beneficial interest in the shares of the Company during the year With effect from 28 September 2012, Wilmington Trust SP Services (London) Limited transferred the sole share of the Company to Castlewood CS Holdings Limited

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

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR
The directors confirm that

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

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

Signed by order of the directors

Graham Hodgkin
Director
10 December 2013

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2013

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 year 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 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 MEMBER OF DECO 6 - UK LARGE LOAN 2 HOLDING LIMITED

We have audited the Group's and Company's financial statements (the "financial statements") of Deco 6 - UK Large Loan 2 Holding Limited for the year ended 31 March 2013 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 19 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 regards the parent company financial statements, 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 auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for 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 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 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 Company's affairs as at 31 March 2013 and of the Group's loss for the year then ended,
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Company's 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 Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern The two remaining loans held by the Group are in special servicing and therefore there is uncertainty over the future courses of action the special servicer might take to maximise recoveries on those loans One of those courses of action may be to enforce collateral in order to repay the loans, the result of which would be that the Group would cease to trade This condition, as explained in note 1 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECO 6 - UK LARGE LOAN 2 HOLDING LIMITED (CONTINUED)

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 FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor London, United Kingdom

10 December 2013

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

Continuing operations	**Notes**	**2013** **£**	2012 £
Interest income	2	**13,986,925**	17,616,536
Interest expense	3	**(12,938,348)**	(16,936,876)
Net interest income		**1,048,577**	679 660
Fair value movement on derivative financial instruments	16	**5,108,730**	5,215,592
Provision for impairment against mortgage loans	8	**(19,679,749)**	(110,224,359)
Operating expenses	4	**(1,047,177)**	(677,899)
Loss before tax for the year		**(14,569,619)**	(105,007,006)
Income tax expense	5	**(280)**	(692)
Total loss after tax and comprehensive loss for the year	**11**	**(14,569,899)**	(105,007,698)

The notes on pages 15 to 31 form part of these financial statements

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Notes	2013 £	2012 £
Assets			
Non-current assets			
Mortgage loans	8	58,021,760	60,683,441
Current assets			
Mortgage loans	8	84,238,491	101,256,559
Trade and other receivables	9	2,223,743	2,176,655
Cash and cash equivalents	10	343,982	334,616
		86,806,216	103,768,830
Total assets		144,827,976	164,451,271
Equity			
Share capital	11	1	1
Retained loss	11	(146,509,570)	(131,939,671)
Total shareholders' deficit		(146,509,569)	(131,939,670)
Non-current liabilities			
Loan notes	12	187,925,868	170,907,801
Non interest-bearing loans	13	12,501	12,501
Total non-current liabilities		187,938,369	170,920,302
Current liabilities			
Loan notes	12	84,238,491	101,256,559
Accrued interest	12	425,844	713,176
Liquidity drawdown		-	654,345
Trade and other payables	14	1,855,026	858,295
Current tax liability		628	348
Derivative financial instruments	16	16,879,187	21,987,917
Total current liabilities		103,399,176	125,470,640
Total liabilities		291,337,545	296,378,440
Total equity and liabilities		144,827,976	164,451,271

These financial statements of Deco 6 – UK Large Loan 2 Holding Limited, company registration 05578205, on pages 9 to 31 were approved and authorised for issue by the directors on 10 December 2013 and are signed on their behalf by

Graham Hodgkin

Director

The notes on pages 15 to 31 form part of these financial statements

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Notes	2013 £	2012 £
Non-current asset			
Investment in subsidiary	6	12,501	12,501
Current assets			
Cash and cash equivalents	10	1	1
Total assets		12,502	12,502
Equity			
Share capital	11	1	1
Retained profit	11	-	-
Total equity		1	1
Non-current liabilities			
Non interest-bearing loans	13	12,501	12,501
Total non-current liabilities		12,501	12,501
Total liabilities		12,501	12,501
Total equity and liabilities		12,502	12,502

These financial statements Deco 6 – UK Large Loan 2 Holding Limited, company registration 05578205, on pages 9 to 31 were approved by the directors and authorised for issue on 10 December 2013 and are signed on their behalf by

Director Graham Hodgkin

The notes on pages 15 to 31 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 2013

	Share capital £	Retained losses £	Total £
Balance at 1 April 2011	1	(26,931,973)	(26,991,972)
Loss for the year 31 March 2012	-	(105,007,698)	(105,007,698)
Other comprehensive income for the year 31 March 2012	-	-	-
Balance at 31 March 2012	1	(131,939,671)	(131,939,670)
Balance at 1 April 2012	**1**	**(131,939,671)**	**(131,939,670)**
Loss for the year 31 March 2013	**-**	**(14,569,899)**	**(14,569,899)**
Other comprehensive income for the year 31 March 2013	**-**	**-**	**-**
Balance at 31 March 2013	**1**	**(146,509,570)**	**(146,509,569)**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share Capital £	Retained earnings £	Total £
Balance at 1 April 2011	1	-	1
Profit for the year 31 March 2012	-	-	-
Other comprehensive income for the year 31 March 2012	-	-	-
Balance at 31 March 2012	1	-	1
Balance at 1 April 2012	**1**	**-**	**1**
Profit for the year 31 March 2013	**-**	**-**	**-**
Other comprehensive income for the year 31 March 2013	**-**	**-**	**-**
Balance at 31 March 2013	**1**	**-**	**1**

The notes on pages 15 to 31 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 2013

	Notes	2013 £	2012 £
Operating activities			
Loss before tax for the year		**(14,569,619)**	(105,007,698)
Adjustments for			
Fair value movement on derivative financial instrument		**(5,108,730)**	(5,215,592)
Impairment charge on mortgage loans		**19,679,749**	110,224,359
(Increase)/decrease in trade and other receivables	**9**	**(47,088)**	1,642,670
Increase/(decrease) in trade and other payables	**12, 14**	**709,399**	(2,269,093)
Net cash from/(used in) operations		**663,711**	(625,354)
Tax paid		**-**	(436)
Net cash from/(used in) operating activities		**663,711**	(625,790)
Investing activities			
Repayments of mortgage loans		**-**	95,588,249
Net cash from investing activities		**-**	95,588,249
Financing activities			
Redemption of loan notes		**-**	(95,588,249)
Liquidity facility (repaid)/drawn		**(654,345)**	654,345
Net cash used in financing activities		**(654,345)**	(94,933,904)
Net increase in cash and cash equivalents		**9,366**	28,555
Cash and cash equivalents at beginning of year		**334,616**	306,061
Cash and cash equivalents at 31 March	**10**	**343,982**	334,616

Actual cash received and paid as interest income and interest expense during the year was £13,939,603 (2012 £19,257,546) and £3,437 173 (2012 £4,173,835) respectively

As explained in the accounting policies note on page 17, 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 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Profit before tax for the year		-	-
Net cash from operating activities		-	-
Cash and cash equivalents at beginning of year		1	1
Cash and cash equivalents at 31 March	10	1	1

As explained in the accounting policies note on page 17, the cash is not freely available to be used

The notes on pages 15 to 31 form part of these financial statements

1 SIGNIFICANT ACCOUNTING POLICIES

Deco 6 - UK Large Loan 2 Holding Limited is a company incorporated in the United Kingdom 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 ("IFRSs") as they apply to the financial statements of the Group and the Company for the year ended 31 March 2013

The accounting policies set out below have been applied consistently in respect of the year ended 31 March 2013

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

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 (2012 £nil)

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 Director's report on pages 2 to 5 In addition, note 15 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 net liabilities as a result of impairments on the loan assets However, the terms of the loan notes are limited recourse and therefore the Group is only obliged to repay the notes to the extent that the Group receives cash from the loan assets The note holders will therefore ultimately bear the Group's deficits on maturity of the notes

However, the two remaining loans held by the Group are in special servicing and therefore there is uncertainty over the future courses of action the special servicer might take to maximise recoveries on those loans One of those courses of action may be to enforce collateral in order to repay the loans, the result of which would be that the Group would no longer have any loans and cease to trade As such there is a material uncertainty that may cast doubt on the Group's ability to continue as a going concern

Due to the limited recourse nature of the loan notes, 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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

- 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

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 Acquisition-related costs are generally recognised in profit or loss as incurred 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 and uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses In particular for the fair value of derivatives (note 16) and the recoverability of assets (note 8), the estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements and carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates used in the financial statements

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

Financial instruments

The Group's financial instruments comprise the mortgage loans, cash and cash equivalents derivatives, loan notes and various receivables and payables that arise directly from its operations The main purpose of the loan notes is to finance the beneficial interest in a mortgage portfolio These financial instruments are classified in accordance with the principles of IAS 39 Financial Instruments Recognition and Measurement as described below

Mortgage loans

The mortgage loans 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

Impairment

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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/(release) is included in interest expense Deferred consideration is payable to the Class X certificates holders dependent on the extent to which the surplus income, in excess of the net 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

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and short-term deposits with an original maturity of three months or less All withdrawals from the Group's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements and as such the cash and cash equivalents are not freely available to be used for other purposes

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 Derivatives are accounted for as held for trading

IAS 39 requires all financial assets and liabilities to be recognised initially at fair value on the Statement of Financial Position 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 is the estimated amount that the Group would receive or pay to terminate the swap at the Statement of Financial Position 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

Loan notes
Loan notes are classified as financial liabilities and recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, loan notes 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Income tax in the Statement of Comprehensive Income for the year comprises current and deferred tax Income tax is recognised as expense or gain except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income

Income tax expense relating to the Company's subsidiary is calculated based on the retained cash profits of the Company's subsidiary for the year as explained in note 5

Standards issued but not adopted
The directors are considering the following standards which are currently in issue but are not yet effective and have not been adopted in the current financial year

The adoption of Standards and Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU, 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
IFRS 9 – Financial Instruments	Accounting periods beginning on or after 1 January 2015
IFRS 10 – Consolidated Financial Statements	Accounting periods beginning on or after 1 January 2013
IFRS 11 – Joint Arrangements	Accounting periods beginning on or after 1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	Accounting periods beginning on or after 1 January 2013
IFRS 13 – Fair Value Measurement	Accounting periods beginning on or after 1 January 2013
Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012) Investment Entities	Accounting periods beginning on or after 1 January 2014
Annual improvements to IFRSs 2009 – 2011 Cycle	Accounting periods beginning on or after 1 January 2013
Amendments to IAS 32 (Dec 2011) Offsetting Financial Assets and Financial Liabilities	Accounting periods beginning on or after 1 January 2014
Amendments to IFRS 7 (Dec 2011) Disclosures – Offsetting Financial Assets and Financial Liabilities	Accounting periods beginning on or after 1 January 2013

The directors are currently considering the potential impact of the adoption of IFRS 9, IFRS 10, IFRS 11, IFRS 12 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 loan 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

	2013 Group £	2012 Group £
Income from mortgage loans	**13,986,693**	17,614,877
Bank interest received	**232**	1,659
	13,986,925	17,616,536

3 INTEREST EXPENSE

	2013 Group £	2012 Group £
Net swap interest payable	**7,489,302**	13,370,701
Interest on loan notes	**3,149,841**	4,143,757
Deferred consideration	**2,299,205**	(577,582)
	12,938,348	16,936,876

4 OPERATING EXPENSES

	2013 Group £	2012 Group £
Administration and cash management fees	**992,321**	630,361
Audit fees for audit of the Company's financial statements	**4,000**	4,000
Audit fees for audit of the subsidiary's financial statements	**25,076**	23,000
Fee paid to auditor for tax services	**8,880**	8,880
Corporate services fees	**16,900**	11,658
	1,047,177	677,899

Directors' emoluments during the year amounted to £1,244 (2012 £nil) for their services as directors to the Group during the year The directors had no material interest in any contract of significance in relation to the business of the Group (2012 none) The Group did not have any employees in the current year (2012 none)

5. INCOME TAX EXPENSE

The subsidiary 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 pre-enforcement priority of payments as defined in the terms and conditions of the loan notes

The directors are satisfied that the Company's subsidiary 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

	2013 Group	2012 Group
Current tax	**£**	**£**
Corporation tax charge for the year at a rate of 20%	**(280)**	**(352)**
Adjustment for prior year's charge	**-**	**(340)**
Total income tax charge in Statement of Comprehensive Income	**(280)**	**(692)**

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

5 INCOME TAX EXPENSE (CONTINUED)

	2013 Group £	2013 Group £
Reconciliation of total tax charge		
The tax assessed for the year is at the standard rate of corporation tax in the UK of 20%		
Loss before tax	(14,569,619)	(105,007,006)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 20%	2,913,924	21,001,401
Permanent differences relating to application of Taxation of Securitisation Companies Regulations 2006	(2,914,204)	(21,001,753)
Adjustment to prior year's charge	-	(340)
Total tax expense reported in the Statement of Comprehensive Income	(280)	(692)

6 INVESTMENT IN SUBSIDIARY

Company	2013 £	2012 £
At 31 March	12,501	12,501

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 Statement of Financial Position

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 activity
Deco 6 – UK Large Loan 2 Plc 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

7 RESULTS FOR THE FINANCIAL YEAR

As permitted by section 408 of the Companies Act 2006, the parent Company's Statement of Comprehensive Income has not been included in these financial statements The parent Company's profit for the year was £nil (2012 £nil)

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

8. MORTGAGE LOANS

Group

	2013	2012
	£	£
At 1 April	**161,940,000**	367,752,608
Movement in the impairment provision during the year	**(19,679,749)**	(110,224,359)
Redemptions	**-**	(95,588,249)
At 31 March	**142,260,251**	161,940,000

The balance can be analysed as follows

	2013	2012
Current assets	**84,238,491**	101,256,559
Non-current assets	**58,021,760**	60,683,441
	142,260,251	161,940,000

The movement of the impairment provision can be analysed as follows

	2013	2012
At 1 April	**(110,224,359)**	-
Provisions made during the year	**(19,679,749)**	(110,224,359)
At 31 March	**(129,904,108)**	(110,224,359)

The mortgage loans are classified as "loans and receivables" The mortgage loans are due for repayment from April 2013 to July 2015 The mortgage loans are secured over commercial properties Deutsche Bank AG, London Branch acts as security trustee to the loans

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset The impairment represents the estimated difference between the market valuation of the collateral and the loan outstanding

Impairments charged during the year on mortgage loans were Mapeley £16,718,239 (2012 £96,167,800) and Brunel Unit Trust £2,961,509 (2012 £14,056,559)

Brunel Unit Trust defaulted on its maturity date on 25 April 2012 The most recent external valuation was dated October 2011 The estimated market value of the underlying property at year-end is below the loan amount and as such impairment was charged against the mortgage loan to account for the potential shortfall

Mapeley was placed into special servicing on 20 October 2011 due to numerous breaches of the debt service coverage ratio (DSCR) covenant The property was valued on 31 January 2012 at £63,955,000 and the property value was considerably lower than the carrying value of the loan The impairment raised is based on the estimated value of the underlying commercial property collateral at year end

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

9 TRADE AND OTHER RECEIVABLES

	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
Other debtors	1,085	-	1,085	-
Prepayments and accrued income	2,222,658	-	2,175,570	-
	2,223,743	-	2,176,655	-

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

10 CASH AND CASH EQUIVALENTS

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

	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
Cash and cash equivalents	343,982	1	334,616	1

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

The Group has deposits in bank accounts 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

11 TOTAL EQUITY

Group	Issued capital £	Retained losses £	Total £
At 1 April 2012	. 1	(131,939,671)	(131,939,670)
Loss for the year	-	(14,569,899)	(14,569,899)
Balance at 31 March 2013	1	(146,509,570)	(146,509,569)

Company	Issued capital £	Retained profit £	Totall £
At 1 April 2012	1	-	1
Profit for the year	-	-	-
Balance at 31 March 2013	1	-	1

There are 100 authorised ordinary shares of £1 each The issued share capital comprises one allotted £1 share called up and fully paid at par Wilmington Trust SP Services (London) Limited previously held one fully paid £1 share under a declaration of trust for charitable purposes This one share was transferred to Castlewoods CS Holdings Limited on 28 September 2012

12 LOAN NOTES

This note provides information about the contractual terms of the Group's loan notes For more information about the Group's exposure to interest rate risk, see note 15

	Group 2013 £	Company 2013 £
At 1 April 2012	272,164,359	-
Redemptions	-	-
	272,164,359	-
Non-current liabilities		
Loan notes	187,925,868	-
Current liabilities		
Loan notes	84,238,491	-
Interest payable on loan notes	425,844	-
	84,664,335	-

	Group 2012 £	Company 2012 £
At 1 April 2011	367,752,608	-
Redemptions	(95,588,249)	-
	272,164,359	-
Non-current liabilities		
Loan notes	170,907,800	-
Current liabilities		
Loan notes	101,256,559	-
Interest payable on loan notes	713,176	-
	101,969,735	-

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 loan notes are secured by way of fixed and floating charges over the Group's assets

On 6 December 2005, an agreement was entered into with Credit Agricole Corporate & Investment Bank (formerly Calyon) 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 loans At the Statement of Financial Position date, the limit on this facility was £23,190,000 (2012 £23,190,000) A commitment fee of 0 15% per annum is charged on the undrawn amount of the liquidity facility commitment

An amount of £nil (2012 £654,345) of the liquidity facility was drawn as at 31 March 2013

12 LOAN NOTES (CONTINUED)

The expected maturity profile of the contractual cash flows of the loan notes are as follows

Group

Year ended 31 March 2013	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
	£	**£**	**£**	**£**	**£**
Liabilities					
Loan notes due 2017	**272,164,359**	**84,238,491**	-	**187,925,868**	-
Interest payable	**425,844**	**425,844**	-	-	-
	272,590,203	**84,664,335**	-	**187,925,868**	-

Year ended 31 March 2012	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
	£	£	£	£	£
Liabilities					
Loan notes due 2017	272,164,359	101,256,559	-	170,907,800	-
Interest payable	713,176	713,176	-	-	-
	272,877,535	101,969,735	-	170,907,800	-

The contractual, undiscounted interest payable on the loan notes to maturity at 31 March is as follows

Group	**Less than one year**	**1 year – 5 years**	**Over 5 years**	**Total**
	£	**£**	**£**	**£**
31 March 2013	**2,506,987**	**2,053,037**	-	**4,560,024**
31 March 2012	4,067,332	7,398,177	-	11,465,509

The above undiscounted contractual cash flows have been based on the assumption that the repayment of the loan notes follows the same trend as the principal repayments on mortgage loans The mortgage loans that are past due their legal maturity date have been assumed to be repayable in full within the next payment date

The loan notes are denominated in Pound Sterling

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 2017 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 Statement of Financial Position date, £nil (2012 £nil) in respect of the Class A1 notes was outstanding, £174,332,578 (2012 £174,332,578) in respect of Class A2 notes, £34 419,650 (2012 £34,419,650) in respect of Class B notes, £39,302,438 (2012 £39,302,438) in respect of Class C notes, and £24,109,693 (2012 £24,109,693) in respect of the Class D notes The loan notes are secured by way of a fixed and floating charge over the assets of the Group The proceeds of the loan notes were used by the Group to acquire the mortgage loans from Deutsche Bank AG in accordance with the terms of the securitisation documents

13 NON INTEREST-BEARING LOANS

	Group 2013	Company 2013	Group 2012	Company 2012
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

Non interest-bearing loans and borrowings are repayable as follows

	Group 2013	Company 2013	Group 2012	Company 2012
In more than five years	£	£	£	£
Other loans	12,501	12,501	12,501	12,501

14. TRADE AND OTHER PAYABLES

	Group 2013	Company 2013	Group 2012	Company 2012
	£	£	£	£
Accruals and deferred income	1,489,728	-	858,295	-
Deferred consideration	365,298	-	-	-
	1,855,026	-	858,295	-

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 RISK MANAGEMENT

The principal risks and uncertainties are set out in the Directors' Report on pages 2 and 5

Financial instruments

The Group's financial instruments, other than derivatives, comprise a portfolio of commercial mortgage loans, cash and liquid resources, loan notes 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 Group's operations and its sources of finance

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

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk
Credit risk on the mortgage loans arises where the mortgage loans are secured on underlying commercial properties The maximum exposure to credit risk is the amount of mortgage loans in the Statement of Financial Position The most significant concentration of credit risk is considered to be a mortgage loan to Brunel Unit Trust totalling £84,238,491 (2012 £87,200,000) after impairment At 31 March 2013, the total amount outstanding on the mortgage loans, after impairment provisions, was £142,260,251 (2012 £161,940,000) The mortgage loan portfolio consists of 2 loans secured over 21 properties (2012 2 loans secured over 21 properties)

The carrying amount of financial assets represents the maximum credit exposure The maximum exposure to credit risk at the reporting date was as follows

Financial assets	Notes	Carrying amount 2013	Maximum exposure 2013	Carrying amount 2012	Maximum exposure 2012
		£	£	£	£
Mortgage loans	8	142,260,251	142,260,251	161,940,000	161,940,000
Trade and other receivables	9	2,223,743	2,223,743	2,176,655	2,176,655
Cash and cash equivalents	10	343,982	343,982	334,616	334,616
Total assets		144,827,976	144,827,976	164,451,271	164,451,271

The underlying mortgage loans being secured by first charge over the commercial property located in England, Wales and Scotland

The table below sets out the carrying amount, the collective impairments and approximate fair value of collateral held against exposures to customers The estimate of fair value is based on the most recent valuation performed and are indexed using the UK IPD property index, except for impaired loans where the directors' estimate of the collateral value was lower than the indexed valuation

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

	Gross carrying amount 2013	Impairment 2013	Fair value of collateral 2013	Gross carrying amount 2012	Impairment 2012	Fair value of collateral 2012
	£	£	£	£	£	£
Neither past due nor impaired	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	272,164,359	(129,904,108)	142,260,251	272,164,359	(110,224,359)	161,940,000
	272,164,359	(129,904,108)	142,260,251	272,164,359	(110,224,359)	161,940,000

The interest income accrued on the impaired financial assets at year end is £2,222,659 (2012 £2,175,570)

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

Prepayment risk
Prepayment risk on the mortgage loans arises when these are voluntarily prepaid by the relevant borrower or borrowers thereof With respect to all of the loans, such prepayment is contingent upon the payment of a prepayment fee Any prepayment fees required to be paid by a borrower will be paid to Deutsche Bank AG, London Branch as part of the deferred consideration

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Interest receipts on the mortgage loans may, under certain circumstances, be delayed Such delays could adversely impact upon the ability of the Group to make timely payments of interest on the loan notes In order to protect itself against this risk, the Group has entered into a liquidity facility agreement with Credit Agricole Corporate & Investment Bank (formerly Calyon) on 6 December 2005 As well as covering delays in the payment of interest on the mortgage loans, the liquidity facility agreement will also permit the Group to make drawings to pay certain expenses from time to time of the Group

The base currency amount of the liquidity facility loan shall not at any time be less than £9,000,000 and can only be extended to a date that is not more than 364 days from the last day of the previous liquidity commitment period An amount of £nil (2012 £654,345) of liquidity facility was drawn as at 31 March 2013 On 29 October 2012, the liquidity facility for £9,000,000 was renewed for the period from 27 November 2012 to 26 November 2013 The directors expect this facility to be renewed annually

Moreover, the maturity of the loan notes is designed to match the maturity of the mortgage loans and hence, there are deemed to be limited liquidity risks facing the Group

The undiscounted contractual cash flows for principal and interest on the loan notes have been disclosed in note 12 The undiscounted contractual cash flows on the derivatives have been disclosed in note 16

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 The Group is not subject to any external capital requirements The gearing ratios at 31 March 2013 and 2012 were 201 2% and 180 2% respectively

Fair values

The fair values together with the carrying amounts shown in the Statement of Financial Position are as follows

	Notes	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Group		**£**	**£**	£	£
Mortgage loans	8	142,260,251	144,713,381	161,940,000	146,573,282
Trade and other receivables	9	2,223,743	2,223,743	2,176,655	2,176,655
Cash and cash equivalents	10	343,982	343,982	334,616	334,616
Total assets		144,827,976	147,281,106	164,451,271	149,084,553
Loan notes	12	(272,164,359)	(127,834,195)	(272,164,359)	(124,585,365)
Interest payable	12	(425,844)	(425,844)	(713,176)	(713,176)
Derivative financial instruments	16	(16,879,187)	(16,879,187)	(21,987,917)	(21,987,917)
Liquidity drawdowns		-	-	(654,345)	(654,345)
Non interest-bearing loan		(12,501)	(12,501)	(12,501)	(12,501)
Trade and other payables	14	(1,855,026)	(1,855,026)	(858,295)	(858,295)
Current tax liability		(628)	(628)	-	-
Total liabilities		(291,337,545)	(147,007,381)	(296,390,593)	(148,811,599)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values (continued)

	Notes	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Company		**£**	**£**	£	£
Investment in subsidiary	6	12,501	12,501	12,501	12 501
Cash and cash equivalents	10	1	1	1	1
Total assets		12,502	12,502	12,502	12,502
Non interest-bearing loans		(12,501)	(12,501)	(12,501)	(12,501)
Current tax liability		-	-	-	-
Total liabilities		(12,501)	(12,501)	(12,501)	(12,501)

Fair value of mortgage loans is based on fair value of loan notes and derivatives that wherever possible have been estimated using quoted market prices for instruments held Where market prices are not available, fair values have been estimated using quoted values for instruments with either identical or similar characteristics In certain cases, where no ready markets currently exist, various techniques (such as discounted cash flows or observations of similar recent market transactions) have been used to estimate what the approximate fair value of such instruments might be These estimation techniques are necessarily subjective in nature and involve several assumptions

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 Group are explained in the accounting policies note

The only financial instruments held at fair value on the Statement of financial position 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 2013

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates under a different basis or which reset at a different time The 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, London Branch to manage the Group's exposure to interest rate risk associated with the mortgage loans The swaps reduce interest rate risk as a result of the variance between the fixed rate of interest receivable on the mortgage loans and the variable rate of interest payable on the loan notes As a result, the Group does not have a material net interest rate risk exposure and therefore has not presented a sensitivity analysis to interest rate risk.

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 repricing 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 2013	Weighted average effective interest rate %	Floating rate £	Non- interest bearing £	Fixed rate £	Total £
Assets					
Trade and other receivables	-	-	2,223,743	-	2,223,743
Mortgage loans	4 143%	84,238,491	-	58,021,760	142,260,251
Cash and cash equivalents	-	343,982	-	-	343,982
Total assets		84,582,473	2,223,743	58,021,760	144,827,976
Liabilities					
Accruals and tax liabilities	-	-	2,293,371	-	2,293,371
Derivative financial instruments	-	16,879,187	-	-	16,879,187
Loan notes	0 921%	272,164,359	-	-	272,164,359
Total liabilities		289,043,546	2,293,371	-	291,336,917

Company At 31 March 2013	Weighted average effective interest rate %	Floating rate £	Non -interest bearing £	Fixed rate £	Total £
Assets					
Investment in subsidiary	-	-	12,501	-	12,501
Cash and cash equivalents	-	1	-	-	1
Total assets		1	12,501	-	12,502
Liabilities					
Non interest-bearing loans	-	-	12,501	-	12,501
Total liabilities		-	12,501	-	12,501

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

Group At 31 March 2012	Weighted average effective interest rate %	Floating rate £	Non- interest bearing £	Fixed rate £	Total £
Assets					
Trade and other receivables	-	-	2,176,655	-	2,176,655
Mortgage loans	5 325%	-	-	161,940,000	161,940,000
Cash and cash equivalents	-	334,616	-	-	334,616
Total assets		334,616	2,176,655	161,940,000	164,451,271
Liabilities					
Accruals and tax liabilities	-	-	1,584,319	-	1,584,319
Liquidity drawdown	1 013%	654,345	-	-	654,345
Derivative financial instruments	-	21,987,917	-	-	21,987,917
Loan notes	1 288%	272,164,359	-	-	272,164,359
Total liabilities		294,806,621	1,584,319	-	296,390,940

Company At 31 March 2012	Weighted average effective interest rate %	Floating rate £	Non -interest bearing £	Fixed rate £	Total £
Assets					
Investment in subsidiary	-	-	12,501	-	12,501
Cash and cash equivalents	-	1	-	-	1
Total assets		1	12,501	-	12,502
Liabilities					
Non interest-bearing loan	-	-	12,501	-	12,501
Total liabilities		-	12,501	-	12,501

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Group 2013 **£**	Group 2012 £
Interest rate swaps fair value at start of year	**(21,987,917)**	(27,203,510)
Change in fair value	**5,108,730**	5,215,593
Interest rate swaps fair value at end of year	**(16,879,187)**	(21,987,917)

The notional principal amount of all the outstanding interest rate swap contracts at 31 March 2013 was £341,815,600 (2012 £543,940,066) The Group pays a fixed rate 4 95% (2012 range from 4 95% to 5 14%) and receives 3-month LIBOR (2012 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

DECO 6 – UK LARGE LOAN 2 HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

16 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group has the ability to redeem the loan 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 loan notes exercisable on certain dates The option constitutes an embedded derivative, however, as this is closely related to the underlying host contract (the loan notes) consistent with IAS 39, the option does not require separation A similar hybrid instrument arises on the mortgage loans whereby the Group has effectively sold a put option on the mortgage loans exercisable on certain dates As this option is considered to be closely related to the underlying host contract, it does not require separation

The table below reflects the undiscounted contractual cash flows of derivative financial instruments at the reporting date

As at 31 March 2013	Carrying value	Gross cash flows	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years
	£	£	£	£	£
	16,879,187	**15,545,489**	**1,891,368**	**5,674,103**	**7,980,018**

As at 31 March 2012	Carrying value	Gross cash flows	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years
	£	£	£	£	£
	21,987,917	22,067,397	628,755	4,971,017	16,467,624

17. RELATED PARTY TRANSACTIONS

The Group is a special-purpose vehicle controlled by its Board of directors On 28 September 2012 Wilmington Trust SP Services (London) Limited, Mr M H Filer and Mr J Traynor resigned as directors of the Group and the Company On the same date, Mr Graham Cox and Mr Graham Hodgkin were appointed directors of the Group and the Company Directors' emoluments during the year amounted to £1,244 (2012 £nil) The Group paid corporate service fees to Wilmington Trust SP Services (London) Limited in connection with corporate services received The fees payable to them for their services for the year ended 31 March 2013 amounted to £16,900 still unpaid at year end

18 ULTIMATE PARENT UNDERTAKING

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

Prior to 28 September 2012, Wilmington Trust SP Services (London) Limited held one share in Deco 6 - UK Large Loan 2 Holding Limited under a declaration of trust for charitable purposes The one share held by Wilmington Trust SP Services (London) Limited was transferred to Castlewood CS Holdings Limited on 28 September 2012

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

19 SUBSEQUENT EVENTS

There were no significant post balance sheet events to report