

Company Registration Number 05478914

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED
FOR THE YEAR ENDED 31 MARCH 2013

CONTENTS	PAGE
Company information	1
Directors' report	2 - 5
Directors' responsibilities statement	6
Independent auditor's report	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Company Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Company Statement of Cash Flows	13
Notes to the financial statements	14 - 31

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS 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 SERIES 2005 – UK CONDUIT 1 HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2013

The directors present their report and the financial statements of Deco Series 2005 – UK 1 Holdings Limited (the "Company") and the Group, which comprise the results of the Company and its subsidiary, Deco Series 2005 – UK Conduit 1 Plc, for the year ended 31 March 2013

PRINCIPAL ACTIVITIES

The Company's principal activity is to hold an investment in Deco Series 2005 – UK Conduit 1 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 Series 2005 – UK Conduit 1 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 8 July 2005. On 12 July 2005, the Group issued £236,056,634 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 13.93% (2012: 3.42%). At the year end, the Group had net liabilities of £8,127,707 (2012: £2,762,164) primarily as a result of the fair value liability on the derivative financial instruments totalling £230,737 (2012: £650,414) and the impairment on the mortgage loans of £7,870,858 (2012: £2,116,691)

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 £5,365,543 (2012: profit of £1,941,687) after the gain on the financial derivative instrument of £419,677 (2012: £709,605) and the impairment to loans of £5,754,167 (2012: reversal of £1,231,839). The directors have not recommended a dividend for the year under review (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 the loan notes is to finance a mortgage portfolio acquired 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 SERIES 2005 - UK CONDUIT 1 HOLDINGS 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 the mortgage loans to CPI Retail Active Management and Commercial and Warehouse Properties with gross balances of £28,501,092 (2012: £30,022,485) and £9,853,242 (2012: £10,046,746) respectively, which together constitute approximately 72% of the total loan portfolio. At 31 March 2013, the carrying amount of mortgages outstanding was £53,881,470 (2012: £59,712,821). The mortgage loan portfolio consists of 6 loans (2012: 8 loans) secured over 12 properties (2012: 14 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 value of the collateral and the loan outstanding.

Impairments charged during the year on mortgage loans were Heathvale Estates Limited £1,296,845 (2012: £nil), Sandfile Limited £560,121 (2012: £nil) and CPI Retail Active Management Limited £3,897,201 (2012: £nil).

As at 31 March 2013, no impairment was charged against Commercial and Warehouse Properties, Holaw (420) Limited and I/S Scandinavian Property Investment V respectively.

The Heathvale Estates loan defaulted on its maturity date in July 2012 and was subsequently transferred to the Special Servicer (Hatfield Philips International). The underlying property collateral was valued in at £4,895,000. Accordingly, an impairment of £1,296,845 has been booked to take account of changes in the estimated market value of the underlying properties at year-end.

The Sandfile loan defaulted on its maturity date of 20 April 2012 and has been transferred to the special servicer. The most recent external market valuation of the underlying property, dated May 2012, of £2,500,000 is estimated to be below the carrying value and therefore an impairment of £560,121 was provided as at 31 March 2013. Sandfile Limited entered into compulsory liquidation following the making of a winding up order on 3 September 2012, which was submitted by HMRC in regards to unpaid VAT and Corporation Tax. An Official Receiver was appointed in September 2012.

The Commercial and Warehouse Properties Ltd loan defaulted on its maturity date on 20 July 2012 and subsequently was transferred into Special Servicing with Hatfield Philips. The most recent external market valuation of the underlying property, dated September 2012, of £13,750,000 is estimated to be above the carrying value and therefore, no impairment was provided as at 31 March 2013.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Impairment (continued)

The Holaw (420) Limited loan defaulted on its maturity date on 20 October 2011 and was subsequently transferred to the Special Servicer (Hatfield Philips International) on 21 October 2011. The underlying property collateral was last valued externally in January 2012. At year-end, the market value of the underlying property is estimated to be above the carrying value and therefore, no impairment was provided as at 31 March 2013.

The CPI Retail loan defaulted on its maturity date on 20 October 2010 and was subsequently transferred into Special Servicing. The underlying property collateral was valued in May 2013 at £24,700,000. Accordingly, an impairment of £3,897,201 has been booked to take account of changes in the estimated market value of the underlying properties at year-end.

Refinancing risk

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

Liquidity risk

A facility provided by Credit Agricole Corporate and 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. The liquidity facility for £5,000,000 was renewed from 5 July 2013 to expire on 1 July 2014. The directors expect this facility to be renewed annually.

As at 31 March 2013, an amount of £15,755 (2012: £nil) of liquidity facility was drawn. The liquidity facility was drawn to accommodate the interest shortfall that arose on the defaulted interest payments on mortgage loans during the year. The liquidity drawn was subsequently repaid in April 2013 in accordance with the terms of the liquidity facility agreement, which stipulates that the drawn amount should be repaid on the next distribution date. Further discussion of the Group's approach to financial instruments is set out in note 1 (significant accounting policies) and in note 13.

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 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.

In addition, note 13 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.

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)

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

DIRECTORS AND THEIR INTEREST (CONTINUED)

	Ordinary shares At 31 March 2013	Ordinary shares At 31 March 2012
Wilmington Trust SP Services (London) Limited	2	2
Transfer	<u>(2)</u>	<u>-</u>
	<u>-</u>	<u>2</u>
Castlewood CS Holdings Limited	<u>2</u>	<u>-</u>

Wilmington Trust SP Services (London) Limited held the shares 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 shares 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.

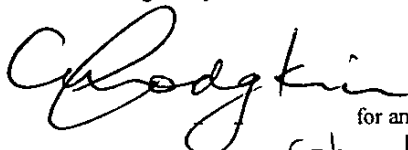
STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors confirm that

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



for and on behalf of Deco Series 2005-UK Conduit 1 Holdings Limited

Director
Date 10 December 2013

Graham Hodgkin

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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 the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

We have audited the financial statements of Deco Series 2005 - UK Conduit 1 Holdings 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 17. 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 member 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 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 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.

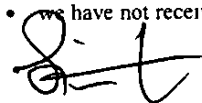
Opinion on other matter prescribed by the Companies Act 2006

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 SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013


	Notes	2013 £	2012 £
Continuing operations			
Interest income	2	1,387,142	2,230,482
Interest expense	3	<u>(1,193,935)</u>	<u>(2,154,092)</u>
Net interest income		193,207	76,390
(Provision)/reversal of impairment against mortgage loans	7	(5,754,167)	1,231,839
Fair value movement on derivative financial instruments		419,677	709,605
Operating expenses	4	<u>(224,232)</u>	<u>(76,166)</u>
(Loss)/profit before tax for the year		(5,365,515)	1,941,668
Income tax (charge)/credit	5	<u>(28)</u>	<u>19</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total (loss)/profit after tax and comprehensive (loss)/profit for the year	10	<u>(5,365,543)</u>	<u>1,941,687</u>

The notes on pages 14 to 31 form part of these financial statements

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Notes	2013 £	2012 £
Assets			
Non-current assets			
Mortgage loans	7	<u>2,256,707</u>	<u>2,294,752</u>
Current assets			
Mortgage loans	7	45,457,634	57,418,069
Trade and other receivables	8	294,483	410,164
Cash and cash equivalents	9	<u>69,244</u>	<u>41,288</u>
		<u>45,821,361</u>	<u>57,869,521</u>
Total assets		<u>48,078,068</u>	<u>60,164,273</u>
Equity			
Share capital	10	2	2
Retained loss	10	<u>(8,127,709)</u>	<u>(2,762,166)</u>
Total shareholder's deficit		<u>(8,127,707)</u>	<u>(2,762,164)</u>
Non-current liabilities			
Loan notes	11	<u>10,127,566</u>	<u>4,411,444</u>
Total non-current liabilities		<u>10,127,566</u>	<u>4,411,444</u>
Current liabilities			
Loan notes	11	45,457,634	57,418,069
Accrued interest	11	249,374	325,683
Trade and other payables	12	139,556	120,827
Current tax liability		908	-
Derivative financial instruments	14	<u>230,737</u>	<u>650,414</u>
Total current liabilities		<u>46,078,209</u>	<u>58,514,993</u>
Total liabilities		<u>56,205,775</u>	<u>62,926,437</u>
Total equity and liabilities		<u>48,078,068</u>	<u>60,164,273</u>

These financial statements of Deco Series 2005 - UK Conduit 1 Holdings Limited, company registration 05478914, on pages 8 to 31 were approved and authorised for issue by the directors on 10 December 2013 and are signed on their behalf by


 for and on behalf of Deco Series 2005-UK Conduit 1 Holdings Limited
 Director *Graham Hodgkin*

The notes on pages 14 to 31 form part of these financial statements

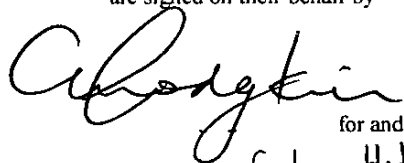
DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Notes	2013 £	2012 £
Non-current asset			
Investment in subsidiary	6	<u>12,501</u>	<u>12,501</u>
Current assets			
Cash and cash equivalents	10	<u>2</u>	<u>2</u>
Total assets		<u>12,503</u>	<u>12,503</u>
Equity			
Share capital	10	2	2
Retained profit	10	<u>10,393</u>	<u>10,393</u>
Total equity		<u>10,395</u>	<u>10,395</u>
Current liabilities			
Other creditors	12	2,108	2,108
Current tax liability		<u>-</u>	<u>-</u>
Total current liabilities		<u>2,108</u>	<u>2,108</u>
Total liabilities		<u>2,108</u>	<u>2,108</u>
Total equity and liabilities		<u>12,503</u>	<u>12,503</u>

These financial statements of Deco Series 2005 - UK Conduit 1 Holdings Limited, company registration 05478914, on pages 8 to 31 were approved and authorised for issue by the directors on 10 December 2013 and are signed on their behalf by



Director

for and on behalf of Deco Series 2005-UK Conduit 1 Holdings Limited
Graham Hodgkin

The notes on pages 14 to 31 form part of these financial statements

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share capital £	Retained earnings/(losses) £	Total equity £
Balance at 1 April 2011	2	(4,703,853)	(4,703,851)
Profit for the year	-	1,941,687	1,941,687
Other comprehensive income for the year	-	-	-
Balance at 31 March 2012	<u>2</u>	<u>(2,762,166)</u>	<u>(2,762,164)</u>
Balance at 1 April 2012	2	(2,762,166)	(2,762,164)
Loss for the year	-	(5,365,543)	(5,365,543)
Other comprehensive income for the year	-	-	-
Balance at 31 March 2013	<u>2</u>	<u>(8,127,709)</u>	<u>(8,127,709)</u>

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share Capital £	Retained earnings £	Total equity £
Balance at 1 April 2011	2	10,393	10,395
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Balance at 31 March 2012	<u>2</u>	<u>10,393</u>	<u>10,395</u>
Balance at 1 April 2012	2	10,393	10,395
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Balance at 31 March 2013	<u>2</u>	<u>10,393</u>	<u>10,395</u>

The notes on pages 14 to 31 form part of these financial statements

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
Operating activities			
(Loss)/profit before tax for the year		(5,365,515)	1,941,668
<i>Adjustments for</i>			
Impairment charge/(reversal) of mortgage loans		5,754,167	(1,231,839)
Fair value movement on derivative financial instrument		(419,677)	(709,605)
Decrease/(increase) in trade and other receivables	8	91,641	(11,050)
(Decrease)/increase in trade and other payables	11, 12	<u>(73,333)</u>	<u>10,600</u>
Net cash used in operating activities		(12,717)	(226)
Tax refunded		<u>24,918</u>	<u>19</u>
Net cash generated from/(used in) operating activities after tax		12,201	(207)
Investing activities			
Repayments of mortgage loans		<u>6,245,739</u>	<u>4,909,507</u>
Net cash from investing activities		6,245,739	4,909,507
Financing activities			
Repayments of loan notes		(6,245,739)	(4,909,507)
Liquidity facility drawn		<u>15,755</u>	<u>-</u>
Net cash used in financing activities		(6,229,984)	(4,909,507)
Net increase/(decrease) in cash and cash equivalents		27,956	(207)
Cash and cash equivalents at beginning of year		<u>41,288</u>	<u>41,495</u>
Cash and cash equivalents at 31 March	9	<u>69,244</u>	<u>41,288</u>

Actual cash received and paid as interest income and interest expense during the year was £1,620,199 (2012 £2,217,598) and £786,476 (2012 £813,190) respectively

As explained in the accounting policies note on page 16, the cash is not freely available to be used

The notes on pages 14 to 31 form part of these financial statements

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Profit before tax for the year		<u>-</u>	<u>-</u>
Net cash from operating activities		-	-
Tax paid		<u>-</u>	<u>-</u>
Net cash from operating activities after tax		-	-
Cash flows from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		<u>2</u>	<u>2</u>
Cash and cash equivalents at 31 March	9	<u><u>2</u></u>	<u><u>2</u></u>

(As explained in the accounting policies note on page 16, the cash is not freely available to be used)

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

1. SIGNIFICANT ACCOUNTING POLICIES

Deco Series 2005 - UK Conduit 1 Holdings 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 in respect of the year ended 31 March 2013 and prior years

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 Directors' report on pages 2 to 5. In addition, note 13 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.

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.

- 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.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

- 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 15) 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 liquid resources, derivatives, loan notes and various receivables and payables that arise directly from its operations. The main purpose of the loan notes is to acquire a beneficial interest in a mortgage portfolio. These financial instruments are classified in accordance with the principles of IAS 39 *Financial Instruments: Recognition and Measurement* as described below.

Mortgage loans

The 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.

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.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 agreed margin, generated by the mortgage loans in which the Group has purchased an interest, exceeds the administration costs of the mortgage loans. Deferred consideration is recognised on an accruals basis.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand 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 under IAS 39 - Financial Instruments: Recognition and Measurement.

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 and basis 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 other 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.

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.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is calculated based on the retained cash profits of the subsidiary company 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 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.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

2. INTEREST INCOME

	2013	2012
	Group	Group
	£	£
Income from mortgage loans	1,385,079	2,228,629
Amortisation of discount on acquisition of mortgage loan	1,426	1,147
Bank interest received	637	706
	<u>1,387,142</u>	<u>2,230,482</u>

3. INTEREST EXPENSE

	2013	2012
	Group	Group
	£	£
Interest on loan notes	710,167	965,756
Amortisation of discount on loan notes	1,426	1,147
Net swap interest payable	335,642	894,782
Deferred consideration	146,700	292,407
	<u>1,193,935</u>	<u>2,154,092</u>

4. OPERATING EXPENSES

	2013	2012
	Group	Group
	£	£
Administration and cash management fees	167,764	21,601
Audit fees for audit of the Company's financial statements	2,400	2,400
Audit fees for audit of the subsidiary's financial statements	29,377	28,800
Fee paid to auditor for tax services	8,070	9,360
Corporate services fees	16,621	14,005
	<u>224,232</u>	<u>76,166</u>

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 CHARGE

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 relevant capital market arrangement.

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

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

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

5 INCOME TAX CHARGE (CONTINUED)

	2013 Group £	2012 Group £
Current tax:		
Corporation tax charge for the year at a rate of 20% (2012 20%)	28	45
Over provision of the prior period charge	-	(64)
Total income tax charge/(credit) in Statement of Comprehensive Income	<u>28</u>	<u>(19)</u>

	2013 Group £	2012 Group £
Reconciliation of total tax charge		
The tax assessed for the period is at the standard rate of corporation tax in the UK of 20% (2012 20%)		
(Loss)/profit before tax	<u>(5,365,515)</u>	1,941,668
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2012 20%)	(1,073,103)	388,333
Over provision of the prior period charge	-	64
Permanent difference to application of Taxation of Securitisation Companies Regulations 2006	<u>1,073,075</u>	<u>(388,378)</u>
Total income tax (charge)/credit in Statement of Comprehensive Income	<u>(28)</u>	<u>19</u>

<u>Company</u>	2013 £	2012 £
Current tax		
Corporation tax charge for the year at a rate of 20% (2012 20%)	-	-
Total income tax charge/(credit) in Statement of Comprehensive Income	<u>-</u>	<u>-</u>

<u>Company</u>	2013 £	2012 £
Reconciliation of total tax charge		
The tax assessed for the year is at the small company's rate of corporation tax in the UK of 20% (2012 21%)		
Profit before tax	-	-
Profit before tax multiplied by the small company's rate of corporation tax in the UK of 20% (2012 21%)	-	-
Total income tax charge in Statement of Comprehensive Income	<u>-</u>	<u>-</u>

6 INVESTMENT IN SUBSIDIARY

	2013 £	2012 £
Company		
At 31 March	<u>12,501</u>	<u>12,501</u>

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

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

6. INVESTMENT IN SUBSIDIARY (CONTINUED)

Shares in Group undertakings

The Company has the following interests in group undertakings

Subsidiary undertakings	Country of incorporation	Class of shares	Holding (%)
Deco Series 2005 – UK Conduit 1 Plc	Great Britain	Ordinary	99.98

Principal activity

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

7. MORTGAGE LOANS

Group	2013 £	2012 £
At 1 April	59,712,821	63,389,342
Amortisation of discount	1,426	1,147
Redemptions	(6,245,739)	(4,909,507)
Movement in impairment provision during the year	<u>(5,754,167)</u>	<u>1,231,839</u>
At 31 March	<u>47,714,341</u>	<u>59,712,821</u>
The balance can be analysed as follows		
Non-current assets	2,256,707	2,294,752
Current assets	<u>45,457,634</u>	<u>57,418,069</u>
	<u>47,714,341</u>	<u>59,712,821</u>

The movement of the impairment provision can be analysed as follows

At 1 April	(2,116,691)	(3,348,530)
Provisions made during the year	(5,754,167)	-
Reversal during the year	-	1,231,839
At 31 March	<u>(7,870,858)</u>	<u>2,116,691</u>

The mortgage loans are classified as “loans and receivables” The mortgage loans are due for repayment between April 2013 and July 2015 The mortgage loans comprise fixed rate loans and variable rate loans Interest on the fixed rate mortgage loans are at rates ranging from 5.95% to 6.35% (2012 5.39% to 6.42%) The mortgage loans are secured over commercial properties held by Deutsche Bank AG, London Branch in its capacity as Borrower Security Trustee for 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 Heathvale Estates Limited £1,296,845 (2012 £nil), Sandfile Limited £560,121 (2012 £nil) and CPI Retail Active Management Limited £3,897,201 (2012 £nil)

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

7 MORTGAGE LOANS (CONTINUED)

As at 31 March 2013, no impairment was charged against Commercial and Warehouse Properties, Holaw (420) Limited and I/S Scandinavian Property Investment V respectively

The Heathvale Estates loan defaulted on its maturity date in July 2012 and was subsequently transferred to the Special Servicer (Hatfield Philips International). The underlying property collateral was valued in at £4,895,000. Accordingly, an impairment of £1,296,845 has been booked to take account of changes in the estimated market value of the underlying properties at year-end.

The Sandfile loan defaulted on its maturity date of 20 April 2012 and has been transferred to the special servicer. The most recent external market valuation of the underlying property, dated May 2012, of £2,500,000 is estimated to be below the carrying value and therefore an impairment of £560,121 was provided as at 31 March 2013. Sandfile Limited entered into compulsory liquidation following the making of a winding up order on 3 September 2012, which was submitted by HMRC in regards to unpaid VAT and Corporation Tax. An Official Receiver was appointed in September 2012.

The Commercial and Warehouse Properties Ltd loan defaulted on its maturity date on 20 July 2012 and subsequently was transferred into Special Servicing with Hatfield Philips. The most recent external market valuation of the underlying property, dated September 2012, of £13,750,000 is estimated to be above the carrying value and therefore, no impairment was provided as at 31 March 2013.

The Holaw (420) Limited loan defaulted on its maturity date on 20 October 2011 and was subsequently transferred to the Special Servicer (Hatfield Philips International) on 21 October 2011. The underlying property collateral was last valued externally in January 2012. At year-end, the market value of the underlying property is estimated to be above the carrying value and therefore, no impairment was provided as at 31 March 2013.

The CPI Retail loan defaulted on its maturity date on 20 October 2010 and was subsequently transferred into Special Servicing. The underlying property collateral was valued in May 2013 at £24,700,000. Accordingly, an impairment of £3,897,201 has been booked to take account of changes in the estimated market value of the underlying properties at year-end.

8. TRADE AND OTHER RECEIVABLES

	Group 2013	Company 2013	Group 2012	Company 2012
	£	£	£	£
Tax recoverable	-	-	24,039	-
Prepayments and accrued income	<u>294,483</u>	<u>-</u>	<u>386,125</u>	<u>-</u>
	<u>294,483</u>	<u>-</u>	<u>410,164</u>	<u>-</u>

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

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

9 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	<u>69,244</u>	<u>2</u>	<u>41,288</u>	<u>2</u>

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

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

10. TOTAL EQUITY

Group	Issued share capital £	Retained earnings/ (losses) £	Total equity £
Balance at 1 April 2011	2	(4,703,853)	(4,703,851)
Profit for the year	-	1,941,687	1,941,687
Other comprehensive income	-	-	-
Balance at 31 March 2012	<u>2</u>	<u>(2,762,166)</u>	<u>(2,762,164)</u>
Loss for the year	-	(5,365,543)	(5,365,543)
Other comprehensive income	-	-	-
Balance at 31 March 2013	<u>2</u>	<u>(8,127,709)</u>	<u>(8,127,707)</u>

Company	Issued share capital £	Retained earnings £	Total equity £
At 1 April 2011	2	10,393	10,395
Profit for the year	-	-	-
Balance at 31 March 2012	<u>2</u>	<u>10,393</u>	<u>10,395</u>
Profit for the year	-	-	-
Balance at 31 March 2013	<u>2</u>	<u>10,393</u>	<u>10,395</u>

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

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

11 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 13.

	Group 2013 £	Group 2012 £
At 1 April	61,829,513	66,737,873
Redemptions	(6,245,739)	(4,909,507)
Amortisation of discount	1,426	1,147
At 31 March	<u>55,585,200</u>	<u>61,829,513</u>
Non-current liabilities		
Loan notes	<u>10,127,566</u>	4,411,444
	<u>10,127,566</u>	4,411,444
Current liabilities		
Loan notes	45,457,634	57,418,069
Interest payable on loan notes	249,374	325,683
	<u>45,707,008</u>	<u>57,743,752</u>

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

On 12 July 2005, the Group issued £195,215,000 Class A notes due July 2017, £14,785,000 Class B notes due July 2017, £12,400,000 Class C notes due July 2017, £10,750,000 Class D notes due July 2017 and £2,906,634 Class E notes due July 2017. Interest on the Class A notes is payable at a rate of 3 month LIBOR plus 0.23%. Interest on the Class B notes is payable at a rate of 3 month LIBOR plus 0.40%. Interest on the Class C notes is payable at a rate of 3 month LIBOR plus 0.57%. Interest on the Class D notes is payable at a rate of 3 month LIBOR plus 0.80%. Interest on the Class E notes is payable at a rate of 3 month LIBOR plus 1.25%.

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

On 12 July 2005, an agreement was entered into with Credit Agricole Corporate and 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 on a temporary basis. The limit on this facility is £12,000,000 (2012: £12,000,000). A commitment fee of 0.15% per annum is charged on the undrawn amount of the liquidity facility commitment.

At the reporting date principal amount of £15,573,572 (2012: £21,819,311) in respect of the Class A notes was outstanding, £14,489,223 (2012: £14,489,223) in respect of the Class B notes, £12,151,935 (2012: £12,151,935) in respect of the Class C notes, £10,534,944 (2012: £10,534,944) in respect of Class D notes and £2,848,486 (2012: £2,848,486) in respect of the Class E notes was outstanding. The notes are secured by way of a fixed and floating charge over the assets of the Group. The proceeds of the notes were used by the Group to acquire the beneficial interest in the mortgage portfolio from Deutsche Bank AG, London Branch in accordance with the terms of the securitisation documents.

At 31 March 2013, an amount of £15,755 (2012: £nil) of liquidity facility was drawn. The liquidity facility was drawn to accommodate the interest shortfall that arose on the defaulted interest payments on mortgage loans during the year. The liquidity drawn was subsequently repaid in April 2013 in accordance with the terms of the liquidity facility agreement, which stipulates that the drawn amount should be repaid on the next distribution date. The liquidity facility for £5,000,000 was renewed for the period from 5 July 2013 to expire on 1 July 2014. The directors expect this facility to be renewed annually. The liquidity facility is secured by way of fixed and floating charges over the Group's assets.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2013

11 LOAN NOTES (CONTINUED)

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

Year ended 31 March 2013

	Total	Less than 1 year	1-2 years	2-5 years
Liabilities	£	£	£	£
Loan notes due 2017	55,585,200	45,457,634	-	10,127,566
Interest payable	249,374	249,374	-	-
	<u>55,834,574</u>	<u>45,707,008</u>	<u>-</u>	<u>10,127,566</u>

Year ended 31 March 2012

	Total	Less than 1 year	1-2 years	2-5 years
Liabilities	£	£	£	£
Loan notes due 2017	61,829,513	57,418,069	45,270	4,366,174
Interest payable	325,683	325,683	-	-
	<u>62,155,196</u>	<u>57,743,752</u>	<u>45,270</u>	<u>4,366,174</u>

Interest payable on the loan notes to maturity at 31 March

	Less than one year	1 – 5 years	Total
	£	£	£
31 March 2013	<u>682,250</u>	<u>107,505</u>	<u>789,755</u>
31 March 2012	<u>415,768</u>	<u>137,848</u>	<u>553,616</u>

The above undiscounted contractual cash flows have been based on the assumptions 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

12 TRADE AND OTHER PAYABLES

	Group 2013	Company 2013	Group 2012	Company 2012
	£	£	£	£
Liquidity facility loan	15,755	-	-	-
Other creditors	812	2,108	812	2,108
Accruals and deferred income	<u>122,989</u>	<u>-</u>	<u>120,015</u>	<u>-</u>
	<u>139,556</u>	<u>2,108</u>	<u>120,827</u>	<u>2,108</u>

Current liabilities due within one year are paid when cash is available after other commitments have been fulfilled, in order of priority in accordance with the Offering Circular. The directors consider that the carrying amount of trade and other payables approximates to their fair value

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

13. FINANCIAL RISK MANAGEMENT

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

Interest rate risk

The Group is exposed to movements in interest rates and manages this exposure using interest rate swaps. More specifically, the Group is exposed to basis risk due to the timing difference in interest payment dates on the loan notes and the mortgage loans and interest rate risk due to any variance between the fixed rate of interest receivable on the mortgage loans and the variable rate of interest payable on the loan notes. This risk exposure is hedged using interest rate swaps that are taken out on inception of the securitisation. As such, the directors do not believe that the Group has any significant interest rate re-pricing exposure and therefore have not presented a sensitivity analysis to interest rate risk.

Credit risk

Credit risk on the mortgage loans arises where the borrower is not able to meet their obligations as they fall due. The mortgage loans are secured on a number of UK commercial properties which are geographically diverse and include a diverse tenant portfolio. The most significant concentration of credit risk is considered to be the mortgage loans to CPI Retail Active Management and Commercial and Warehouse Properties with gross balances of £28,501,092 (2012 £30,022,485) and £9,853,242 (2012 £10,046,746) respectively, which together constitute approximately 72% of the total loan portfolio. At 31 March 2013 the carrying amount of mortgages outstanding was £53,481,471 (2012 £59,712,821). The mortgage loan portfolio consists of 6 loans (2012 8 loans) secured over 12 properties (2012 14 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	7	47,714,341	47,714,341	59,712,821	42,041,283
Trade and other receivables	8	294,483	294,483	410,164	410,164
Cash and cash equivalents	9	69,244	69,244	41,288	41,288
Total assets		<u>48,078,068</u>	<u>48,078,068</u>	<u>60,164,273</u>	<u>42,492,735</u>

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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

Group	Gross carrying amount	Impairment	Fair value of collateral	Gross Carrying amount	Impairment	Fair value of collateral
	2013 £	2013 £	2013 £	2012 £	2012 £	2012 £
Neither past due nor impaired	2,278,671	-	3,875,000	26,036,352	-	31,548,830
Past due but not impaired	13,507,227	-	17,749,975	33,676,469	-	35,287,776
Impaired	<u>37,695,573</u>	<u>(5,754,167)</u>	<u>31,941,406</u>	-	-	-
	<u>53,481,471</u>	<u>(5,754,167)</u>	<u>53,566,381</u>	<u>59,712,821</u>	<u>-</u>	<u>66,836,606</u>

The allowance for impairment of £5,754,167 differs from the cumulative impairment of £7,870,858 in Note 7 due to the fact that the following loans were written off in previous years: Kashani (£1,117,911), Metro Prop (£593,987) and Mondeal (£404,794) and are not included in the analysis above

The interest income accrued on the impaired financial assets at year end is £95,177 (2012: £nil)

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 better 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.

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 and Investment Bank (formerly Calyon (London Branch)) on 12 July 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 facility 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. The base currency amount of the liquidity facility loan shall not at any time exceed £12,000,000 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. Further information on the liquidity facility is disclosed in note 11.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The redemption of the notes is dependent on the receipt of payments on the loan notes. In accordance with the respective Prospectus for each of the Notes, Class A Notes will be redeemed in priority to redemption of the remaining classes of Notes followed by Class B, C, D and E. Interest payable on floating rate notes was estimated based on the floating rates amount as at 31 March 2013.

The undiscounted contractual cash flows for principal and interest on the loan notes have been disclosed in note 11.

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 116.91% and 104.59% 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					
Assets					
Mortgage loans	7	47,714,341	33,603,362	59,712,821	42,041,283
Trade and other receivables	8	294,483	294,483	410,164	410,164
Cash and cash equivalents	9	69,244	69,244	41,288	41,288
		<u>48,078,068</u>	<u>33,967,089</u>	<u>60,164,273</u>	<u>42,492,735</u>
Liabilities					
Loan notes	11	55,585,200	33,372,625	61,829,513	41,390,869
Interest payable	11	249,374	249,374	325,683	325,683
Derivative liability	14	230,737	230,737	650,415	650,415
Trade and other payables	12	139,558	139,558	120,826	120,826
		<u>56,204,869</u>	<u>33,992,294</u>	<u>62,926,437</u>	<u>42,487,793</u>
Company					
Investment in subsidiary	6	12,501	12,501	12,501	12,501
Cash and cash equivalents	9	2	2	2	2
Total assets		<u>12,503</u>	<u>12,503</u>	<u>12,503</u>	<u>12,503</u>
Other creditors		2,108	2,108	2,108	2,108
Current tax liability		-	-	-	-
Total liabilities		<u>2,108</u>	<u>2,108</u>	<u>2,108</u>	<u>2,108</u>

Fair value of mortgage loans are 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.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

As at 31 March 2013

Financial liabilities through profit or loss account	Total £	Level 1 £	Level 2 £	Level 3 £
Derivative financial instruments	<u>230,737</u>	<u>-</u>	<u>230,737</u>	<u>-</u>

As at 31 March 2012

Financial liabilities through profit or loss account	Total £	Level 1 £	Level 2 £	Level 3 £
Derivative financial instruments	<u>650,414</u>	<u>-</u>	<u>650,414</u>	<u>-</u>

Interest rate risk profile of financial liabilities

Interest rate risk exists where assets and liabilities have interest rates under a different basis or which reset at a different time. The Group minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar. Interest rate swaps have been entered into with Deutsche Bank AG to manage the Group's exposure to the 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.

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	Total £	Floating rate £	Fixed rate £	Non interest - bearing £
Assets	%	£	£	£	£
Mortgage loans	1.92	47,714,341	45,448,633	2,265,708	-
Trade and other receivables		294,483	-	-	294,483
Cash and cash equivalents		69,244	69,244	-	-
Total assets		<u>48,078,068</u>	<u>45,517,877</u>	<u>2,265,708</u>	<u>294,483</u>

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

Effective interest rates and repricing analysis (continued)

Group At 31 March 2013	Weighted average Effective interest rate %	Total £	Floating rate £	Fixed rate £	Non interest - bearing £
Liabilities					
Derivative financial instrument		230,737	230,737	-	-
Trade and other payables		139,556	-	-	139,556
Loan note interest		249,374	249,374	-	-
Loan notes	1.23	<u>55,585,200</u>	<u>55,585,200</u>	-	-
Total liabilities		<u>56,204,867</u>	<u>56,065,311</u>	<u>-</u>	<u>139,556</u>
Company At 31 March 2013	Weighted average effective interest rate %	Total £	Floating rate £	Fixed rate £	Non interest - bearing £
Assets					
Investment in subsidiary	-	12,501	-	-	12,501
Cash and cash equivalents	-	<u>2</u>	<u>2</u>	-	-
Total assets		<u>12,503</u>	<u>2</u>	<u>-</u>	<u>12,501</u>
Liabilities					
Other creditors	-	<u>2,108</u>	-	-	<u>2,108</u>
Total liabilities		<u>2,108</u>	<u>-</u>	<u>-</u>	<u>2,108</u>
Group At 31 March 2012	Weighted average effective interest rate (%)	Total £	Floating rate £	Fixed rate £	Non interest - bearing £
Assets					
Mortgage loans	3.44	59,712,821	-	59,712,821	-
Trade and other receivables		410,164	-	-	410,164
Cash and cash equivalents		<u>41,288</u>	<u>41,288</u>	-	-
Total assets		<u>60,164,273</u>	<u>41,288</u>	<u>59,712,821</u>	<u>410,164</u>
Liabilities					
Derivative liability		650,414	650,414	-	-
Trade and other payables		120,825	-	-	120,825
Liquidity draw down		325,683	325,683	-	-
Loan notes	1.26	<u>61,829,513</u>	<u>61,829,513</u>	-	-
Total liabilities		<u>62,926,435</u>	<u>62,805,610</u>	<u>-</u>	<u>120,825</u>

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Effective interest rates and repricing analysis (continued)

Company At 31 March 2012	Weighted average effective interest rate %	Total £	Floating rate £	Fixed rate £	Non interest - bearing £
Assets					
Investment in subsidiary	-	12,501	-	-	12,501
Cash and cash equivalents	-	<u>2</u>	<u>2</u>	-	-
Total assets		<u>12,503</u>	<u>2</u>	-	<u>12,501</u>
Liabilities					
Other creditors	-	<u>2,108</u>	-	-	<u>2,108</u>
Total liabilities		<u>2,108</u>	-	-	<u>2,108</u>

14 DERIVATIVE FINANCIAL INSTRUMENTS

The net fair values of derivative financial instruments at the Statement of Financial Position date were

	2013 £	2012 £
Interest rate swaps fair value at start of year	650,414	1,360,019
Change in fair value	<u>(419,677)</u>	<u>(709,605)</u>
Interest rate swaps fair value at end of year	<u>(230,737)</u>	<u>(650,414)</u>

The notional principal amount of all the outstanding interest rate swap contracts at 31 March 2013 was £2,342,054 (2012, £24,107,255) The interest rate swaps receive a fixed rate based on 3-month LIBOR (2012 3-month LIBOR) and pay a fixed rate of 4.60% (2012 ranging from 4.60% to 5.02%)

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

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

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2013

15 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 Company. On the same date, Mr Graham Cox and Mr Graham Hodgkin were appointed directors of the Company. The Group pays a corporate service fee 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 £14,309 (2012 £14,005).

On 28 September 2012, Deutsche Bank AG, London Branch was appointed as Corporate Services Provider and the fees payable for part of the year ended 31 March 2013 were £1,244 (2012 £nil) with £1,244 (2012 £nil) unpaid at year end.

16. ULTIMATE PARENT UNDERTAKING

Deco Series 2005 - UK Conduit 1 Holdings Limited is a company registered in England and Wales.

Prior to 28 September 2012, Wilmington Trust SP Services (London) Limited held the shares in Deco Series 2005 - UK Conduit 1 Holdings Limited under a declaration of trust for charitable purposes. The shares held by Wilmington Trust SP Services (London) Limited were transferred to Castlewood CS Holdings Limited on 28 September 2012.

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

17 SUBSEQUENT EVENTS

On 29 April 2013, the amount of liquidity facility of £15,755 drawn as at 31 March 2013 was repaid to Credit Agricole and Investment Bank (formerly Calyon). In addition, the liquidity facility was renewed for the period from 5 July 2013 to expire on 1 July 2014.

Subsequent to the year end, the Sandfile loan was sold by fixed charge receivers for £2m representing a further deterioration below the impaired value of £560,121 at year-end.