Company Registration Number 05478914

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

COMPANY INFORMATION

The board of directors	Mr Graham Cox Mr Graham Hodgkin
Company secretary	Sunil Masson (appointed on 10 December 2013) Jodie Osborne (resigned on 10 December 2013)
Registered office	c/o Deutsche Bank AG, London Branch Winchester House Mail stop 428 1 Great Winchester Street London EC2N 2 DB United Kingdom
Auditor	Deloitte LLP London United Kingdom

DECO SERIES 2005 – UK CONDUIT 1 HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2014

The directors present their Strategic report together with the audited 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 2014.

REVIEW OF THE BUSINESS
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.

The subsidiary is a special purpose vehicle established under the laws of England and Wales in order to issue loan notes due July 2017 ("the loan notes"), to acquire the beneficial interest in a commercial mortgage portfolio ("the mortgage loans") from Deutsche Bank AG, London Branch, to create security and receive interest in respect thereof, and to enter into certain related transactions as described in the Offering Circular dated 8 July 2005. On 12 July 2005, the Company issued £236,056,634 loan notes in accordance with the Offering Circular.

The Notes are listed on the Irish Stock Exchange.

RESULTS AND PERFORMANCE
The results of the Group for the year, as set out on page 11, show a profit on ordinary activities before tax of £3,509,881 (2013: loss of £5,365,515). The profit was primarily due to the net impact of an unrealised fair value gain on the derivative financial instrument of £99,561 (2013: £419,677) and the reversal of impairment to loans of £3,410,171 (2013: impairment of £5,754,167). The Group had a shareholder's deficit of £4,617,856 (2013: £8,127,707) as at 31 March 2014. The deficit was primarily due to the cumulative impairment on the mortgage loans of £4,460,687 (2013: £7,870,858) and the fair value liability on the derivative financial instruments totalling £131,176 (2013: £230,737).

STRATEGY
The principal activity of the Group is the issue of loan notes. The Group has issued loan notes to fund the acquisition of beneficial interest in a mortgage loan portfolio. These financial assets and liabilities provide the majority of the assets and liabilities of the Group along with associated interest income and expense.

The strategies used by the Group in achieving its objectives regarding the use of their financial instruments were set when the Group issued the loan notes. The principal risks arising from the Group's financial instruments (both assets and liabilities) are credit risk, interest rate risk, refinancing risk and liquidity risk.

The Group has also entered into swap agreements. This is to mitigate the interest rate risk associated with the mis-match between the fixed and floating rate interest generated by the mortgage loans and the floating rate interest paid on the loan notes.

KEY PERFORMANCE INDICATORS ('KPIs')
The key performance indicator of the business is considered to be the net interest margin. During the year ended 31 March 2014, the Group achieved a net interest margin (net interest income divided by interest income) of 41.81% (2013: 13.93%). The increase in net interest margin is mainly due to the increase in interest income following additional income being collected from the Heathvale Estates Limited and CPI Retail Active Management Limited loans and the decrease in interest on loan notes and swap interest following the full redemption of Class A notes and partial redemption of Class B notes.

DECO SERIES 2005 – UK CONDUIT 1 HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

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 the 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 acquire the mortgage loans 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.

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

Interest rate risk
Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Group minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar; where this is not possible the Group uses interest rate swaps 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 mortgage loan portfolio consists of 4 loans (2013: 6 loans) secured over 5 properties (2013: 12 properties). At 31 March 2014, the gross carrying amount of mortgages outstanding was £32,767,062 (2013: £53,481,471). The most significant concentration of credit risk is considered to be the mortgage loans to CPI Retail Active Management and Heathvale Estates Limited with gross balances of £26,452,119 (2013: £28,501,092) and £3,815,595 (2013: £6,177,546) respectively, which together constitute approximately 92% of the total loan portfolio.

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.

Investment in subsidiary
The subsidiary accounts are prepared on a basis other than that of a going concern, since all loans comprising the mortgage loans portfolio are either passed due and in special servicing or due to be repaid within the next twelve months from the reporting date. Moreover, the subsidiary's only performing loan has a contractual maturity of less than 1 year from the reporting date. Thus, the Directors of the Company have assessed and impaired the investment in Deco Series 2005 – UK Conduit 1 Plc. As at the year end, the investment value after impairment is £nil (2013: £12,501) and the cumulative impairment amounts to £ 12,501 (£nil).

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (Continued)

Impairment (continued)

Mortgage loans
Impairments charged/reversed during the year on mortgage loans were: Holaw (420) Limited: impairment of £149,711 (2013: £nil), Heathvale Estates Limited: reversal of £202,574 (2013: impairment of £1,296,845), Sandfile Limited: impairment of £421,626 (2013: £560,121) and CPI Retail Active Management Limited: reversal of £3,778,934 (2013: impairment of £3,897,201).

The I/S Scandinavian Property Investment V loan, with a gross carrying value of £2,194,017, is performing as per the terms of its loan agreement and the underlying financial covenants and therefore no impairment charge has been booked for this loan.

The Heathvale Estates loan, with a gross carrying value of £3,815,595, 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 by an independent third party in October 2012 at £2,550,000. An impairment reversal of £202,574 (2013: impairment charge 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, with a gross carrying value of £3,016,935, was repaid in October 2013. The Special Servicer has calculated a final recovery amount of £1,846,110 in respect of the loan. During the year, an impairment loss of £421,626 was recognised on this final repayment. In 2013, based on the final recovery amount, the impairment charge was £560,121.

The Commercial and Warehouse Properties Ltd loan, with an opening gross carrying value of £9,853,242, was repaid in full in July 2013.

The Holaw (420) Limited loan, with a gross carrying value of £305,330, was partially repaid following the sale of the properties securing this loan in January 2014 with a final recovery amount of £155,619 being received in April 2014. An impairment charge of £149,711 was recognised in the current year based on the final recovery amount.

The CPI Retail Active Management Limited loan, with a gross carrying amount of £26,452,119, defaulted on its maturity date on 20 October 2010 and was subsequently transferred into Special Servicing. The underlying property collateral was valued by an independent third party on 16 May 2013 at £24,700,000. Accordingly, an impairment reversal of £3,778,934 (2013: 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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (Continued)

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 1 July 2014 to expire on 30 June 2015. The directors expect this facility to be renewed annually.

At year end, the liquidity facility amount outstanding was £5,000,000 (Restated 2013: £5,000,000).

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
All loans comprising the mortgage loans portfolio are either passed due and in special servicing or due to be repaid within the next twelve months from the date of the strategic report. Moreover, the Group's only performing loan has a contractual maturity of less than 1 year from the date of the strategic report. As a result, the Group is expected to cease to trade within the next twelve months. As such, the directors have prepared the financial statements on a basis other than the going concern. The directors believe that there are no material differences between preparing the financial statements on a going concern basis and on a basis other than going concern.

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 and derivative liabilities held at fair value. 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.

The subsidiary is expected to cease to trade within the next twelve months of the date of the Strategic Report. The directors intend to apply for the Company to be Struck-off from the UK companies register once the subsidiary has been liquidated.

Signed by order of the Board

..................................for and on behalf of

Director Graham Hodgkin

17/12/2014

DECO SERIES 2005 – UK CONDUIT 1 HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2014

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 2014.

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 vehicle established in order to issue loan notes due July 2017 ("the loan notes"), to acquire the beneficial interest in a mortgage portfolio ("the mortgage loans") from Deutsche Bank AG, London Branch, to create security and receive interest in respect thereof, and to enter into certain related transactions as described in the Offering Circular dated 8 July 2005. On 12 July 2005, the Company issued £236,056,634 loan notes in accordance with the Offering Circular.

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 profit for the year after tax amounted to £3,509,851 (2013: loss of £5,365,543) after the gain on the financial derivative instrument of £99,561 (2013: £419,677) and the reversal of impairment to loans of £3,410,171 (2013: impairment of £5,754,167). The directors have not recommended a dividend for the year under review (2013: £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.

DIRECTORS AND THEIR INTERESTS

The directors who served the Group during the year and to the date of this report were as follows:

Mr Graham Cox
Mr Graham Hodgkin

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 SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

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 Group'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 Group'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

Graham Hodgkin

Director

Date: ......17 /12/....... 2014

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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 2014 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 member 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 member, 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 and to identify any information that is apparently materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 2014 and of the Group's profit 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 financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - financial statements prepared other than on a going concern basis

- 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, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

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

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
....17/12/.......2014

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

Continuing operations	Notes	2014 £	2013 £
Interest income	2	**1,491,084**	1,387,142
Interest expense	3	**(867,616)**	(1,193,935)
Net interest income		**623,468**	193,207
Reversal of/(provision for) impairment against mortgage loans	7	**3,410,171**	(5,754,167)
Fair value movement on derivative financial instruments		**99,561**	419,677
Operating expenses	4	**(623,319)**	(224,232)
Profit/(loss) before tax for the year		**3,509,881**	(5,365,515)
Income tax charge	5	**(30)**	(28)
Total profit/(loss) after tax		**3,509,851**	(5,365,543)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year	**10**	**3,509,851**	(5,365,543)

The notes on pages 17 to 35 form part of these financial statements.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Notes	2014 £	Restated 2013 £
Assets			
Non-current assets			
Mortgage loans	7	2,108,133	2,256,707
Current assets			
Mortgage loans	7	29,288,446	45,457,634
Trade and other receivables	8	115,659	294,483
Cash and cash equivalents	9	5,251,581	5,053,489
		34,655,686	50,505,606
Total assets		36,763,819	53,062,313
Equity			
Share capital	10	2	2
Retained loss	10	(4,617,858)	(8,127,709)
Total shareholders' deficit		(4,617,856)	(8,127,707)
Liabilities			
Non-current liabilities			
Loan notes	11	6,639,259	10,127,566
Total non-current liabilities		6,639,259	10,127,566
Current liabilities			
Loan notes	11	29,288,446	45,457,634
Interest payable on loan notes	11	63,469	249,374
Trade and other payables	12	258,387	123,801
Current tax liability		938	908
Derivative financial instruments	14	131,176	230,737
Liquidity drawdown	11	5,000,000	5000,000
Total current liabilities		34,742,416	51,062,454
Total liabilities		41,381,675	61,190,020
Total equity and liabilities		36,763,819	53,062,313

These financial statements of Deco Series 2005 - UK Conduit 1 Holdings Limited, company registration 05478914, on pages 11 to 35 were approved and authorised for issue by the directors on 17/12/ 2014 and are signed on their behalf by:

.... for and on behalf of

Director Graham Hodgkin

The notes on pages 17 to 35 form part of these financial statements.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Notes	2014 £	2013 £
Non-current asset			
Investment in subsidiary	6	-	12,501
Current assets			
Cash and cash equivalents	9	2	2
Total assets		2	12,503
Equity			
Share capital	10	2	2
Retained profit	10	(2,108)	10,393
Total equity		(2,106)	10,395
Current liabilities			
Other creditors	12	2,108	2,108
Current tax liability		-	-
Total current liabilities		2,108	2,108
Total liabilities		2,108	2,108
Total equity and liabilities		2	12,503

These financial statements of Deco Series 2005 - UK Conduit 1 Holdings Limited, company registration 05478914, on pages 11 to 35 were approved and authorised for issue by the directors on....17 / 12 /.......2014 and are signed on their behalf by:

.... for and on behalf of

Director Graham Hodgkin

The notes on pages 17 to 35 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 2014

	Share capital	Retained loss	Total equity
	£	£	£
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	-	-	-
Balance at 31 March 2013	2	0	0
	Share Capital	**Retained loss**	**Total equity**
	£	**£**	**£**
Balance at 1 April 2013	**2**	**(8,127,709)**	**(8,127,707)**
Profit for the year	-	**3,509,851**	**3,509,851**
Other comprehensive income	-	-	-
Balance at 31 March 2014	**2**	**(4,617,858)**	**(4,617,856)**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2014

	Share Capital	Retained earnings	Total equity
	£	£	£
Balance at 1 April 2012	2	10,393	10,395
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Balance at 31 March 2013	2	10,393	10,395
	Share Capital	**Retained loss**	**Total equity**
	£	**£**	**£**
Balance at 1 April 2013	**2**	**10,393**	**10,395**
Profit for the year	-	-	-
Other comprehensive income	-	**(12,501)**	**(12,501)**
Balance at 31 March 2014	**2**	**(2,108)**	**(2,106)**

The notes on pages 17 to 35 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 2014

	Notes	2014 £	Restated 2013 £
Cash flows from operating activities			
Profit/(loss) before tax for the year		**3,509,881**	(5,365,515)
Adjustments for:			
(Reversal of)/provision for impairment against commercial mortgage loans		**(3,410,171)**	5,754,167
Fair value gain on derivative financial instruments	**14**	**(99,561)**	(419,677)
Decrease in trade and other receivables	**8**	**178,824**	91,641
Decrease in trade and other payables	**11, 12**	**(51,319)**	(73,333)
Net cash generated from/(used in) operating activities		**127,654**	(12,717)
Tax refunded		**-**	24,918
		127,654	12,201
Investing activities			
Repayments of mortgage loans		**19,732,662**	6,245,739
Net cash from investing activities		**19,732,662**	6,245,739
Financing activities			
Repayments of loan notes		**(19,662,224)**	(6,245,739)
Net cash used in financing activities		**(19,662,224)**	(6,245,739)
Net increase in cash and cash equivalents		**198,092**	12,201
Cash and cash equivalents at beginning of year		**5,053,489**	5,041,288
Cash and cash equivalents at 31 March 2014	9	**5,251,581**	5,053,489

Actual cash received and paid as interest income on the mortgage loans and interest expense on the loan notes during the year was £1,521,701 (2013: £1,620,069) and £635,205 (2013: £786,476) respectively.

As explained in the accounting policies on page 19, the cash is not freely available to be used.

The notes on pages 17 to 35 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 2014

	Notes	2014 £	2013 £
Cash flows from operating activities			
Profit before tax for the year		-	-
Net cash from operating activities		-	-
Tax paid		-	-
Net cash from operating activities after tax		-	-
Cash flows from financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		2	2
Cash and cash equivalents at 31 March	9	**2**	2

(As explained in the accounting policies note on page 19, the cash is not freely available to be used).

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 2014.

The accounting policies set out below have been applied in respect of the year ended 31 March 2014 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.

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 Strategic report on pages 2 to 5.

All loans comprising the mortgage loans portfolio are either passed due and in special servicing or due to be repaid within the next twelve months from the date of the strategic report. Moreover, the Group's only performing loan has a contractual maturity of less than 1 year from the date of the strategic report. As a result, the Group is expected to cease to trade within the next twelve months. As such, the directors have prepared the financial statements on a basis other than the going concern. The directors believe that there are no material differences between preparing the financial statements on a going concern basis and on a basis other than going concern.

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 and derivative liabilities held at fair value. 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.

The subsidiary is expected to cease to trade within the next twelve months of the date of the Strategic Report. The directors intend to apply for the Company to be Struck-off from the UK companies register once the subsidiary has been liquidated.

Restatement
In May 2011, following a ratings downgrade of the liquidity facility provider, Credit Agricole, the liquidity facility was drawn in full and invested in a cash fund with Blackrock. The liquidity facility liability was incorrectly presented in the consolidated financial statements for the year ended 31 March 2013 net of the cash proceeds in the Consolidated Statement of Financial Position. The cash and liquidity facility creditor have been presented separately in the current year and the prior year Consolidated Statement of Financial Position has been restated accordingly. The impact on the consolidated financial statements and the consolidated statement of cash flows for the year ended 31 March 2013 was an increase in cash and cash equivalents by £5,000,000 and a corresponding increase in current liabilities of £5,000,000. There is no impact on the net assets or net profits of the Group in the prior year. There is no impact on the Company.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (2013: £nil).

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

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

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

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 14) and the recoverability of assets (note 7), 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Investments
Investment in the subsidiary on the company's balance sheet is stated at cost.

In the Group's consolidated financial statements, the basis of consolidation detailed above is applied.

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.

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.

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 are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loan notes thereon are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Embedded derivatives
Certain derivatives are embedded within other non-derivative host financial instruments to create a hybrid instrument. Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value, the embedded derivative is separated from the host instrument with changes in fair value of the embedded derivative recognised in the 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.

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 and adopted during the year
All new and amended accounting standards which have become effective for the current year have been adopted but have had no material effect on the reported performance, financial position or disclosures of the Group, with the exception of IFRS 13 'Fair value measurement' below, therefore these standards have not been listed separately.

IFRS 13 'Fair value measurement' provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. IFRS 13 has been endorsed by the European Union, and is effective for annual periods beginning on or after 1 January 2013. The Group has assessed the impact of IFRS 13 on the financial statements and the adoption of the standard did not have a material effect on the financial statements. Refer to note 13 for the presentation of additional disclosures required by the standard.

Standards issued, not yet effective and not early adopted
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):

IFRS 9 Financial Instruments
Annual Improvements to IFRSs: 2011-13 Cycle (Dec 2013)
Annual Improvements to IFRSs: 2010-12 Cycle (Dec 2013)
IFRS 10 Consolidated Financial Statements (Jan 2014)

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments. The Group has not yet adopted IFRS 10.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of thesestandards until a detailed review has been completed.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. INTEREST INCOME

	2014 Group £	2013 Group £
Income from mortgage loans	**1,486,225**	1,385,079
Amortisation of discount on acquisition of mortgage loan	**4,729**	1,426
Bank interest received	**130**	637
	1,491,084	1,387,142

3. INTEREST EXPENSE

	2014 Group £	2013 Group £
Interest on loan notes	**449,301**	710,167
Amortisation of discount on floating rate notes	**4,729**	1,426
Net swap interest payable	**94,773**	335,642
Deferred consideration	**318,813**	146,700
	867,616	1,193,935

4. OPERATING EXPENSES

	2014 Group £	2013 Group £
Administration and cash management fees	**562,395**	167,764
Audit fees for audit of the Company's financial statements	**2,400**	2,400
Audit fees for audit of the subsidiary's financial statements	**26,676**	29,377
Fee paid to auditor for tax services	**10,700**	8,070
Corporate services fees	**21,148**	16,621
	623,319	224,232

Directors' emoluments during the year amounted to £1,244 (2013: £1,244), being £622 (2013: £622) each, for their services as directors of the Group during the year. The directors had no material interest in any contract of significance in relation to the business of the Group (2013: none). The Group did not have any employees in the current year (2013: 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 pre-enforcement priority of payments as defined in the terms and conditions of the loan notes.

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.

5. INCOME TAX CHARGE (CONTINUED)

	2014 Group	2013 Group
Current tax:	**£**	£
Corporation tax charge for the year at a rate of 20% (2013: 20%)	**30**	28
Total income tax charge in Statement of Comprehensive Income	**30**	28

	2014 Group	2013 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% (2013: 20%)		
Profit/(loss) before tax	**3,509,881**	(5,365,515)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 20% (2013: 20%)	**701,976**	(1,073,103)
Over provision of the prior period charge	**-**	-
Permanent difference to application of Taxation of Securitisation Companies Regulations 2006	**(701,946)**	1,073,131
Total income tax charge in Statement of Comprehensive Income	**30**	28

Company	**2014**	2013
Current tax:	**£**	£
Corporation tax charge for the year at a rate of 20% (2013: 20%)	**-**	-
Total income tax charge/(credit) in Statement of Comprehensive Income	**-**	-

Company	**2014**	2013
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% (2013: 20%)		
Profit before tax	**-**	-
Profit before tax multiplied by the small company's rate of corporation tax in the UK of 20% (2013: 20%)	**-**	-
Total income tax charge in Statement of Comprehensive Income	**-**	-

6. INVESTMENT IN SUBSIDIARY

Company	**2014 £**	2013 £
At 1 April	**12,501**	12,501
Impairment	**(12,501)**	-
At 31 March	**-**	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.

The movement of the impairment can be analysed as follows:	**£**	£
At 1 April	**-**	-
Provisions made during the year	**12,501**	-
Reversals during the year	**-**	-
At 31 March	**12,501**	-

6. INVESTMENT IN SUBSIDIARY (CONTINUED)

The subsidiary is currently shown on a basis other than the going concern since all loans comprising the mortgage loans portfolio are either passed due and in special servicing or due to be repaid within the next twelve months from the date of the strategic report. Moreover, the subsidiary's only performing loan has a contractual maturity of less than 1 year from the date of the strategic report. Thus, the Directors of the Company have assessed and impaired the investment in Deco Series 2005 – UK Conduit 1 Plc. As at the year end, the investment value after impairment is £nil (2013: £12,501) and the cumulative impairment amounts to £ 12,501 (£nil).

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	2014	2013
	£	£
At 1 April	**47,714,341**	59,712,821
Amortisation of discount	**4,729**	1,426
Redemptions	**(19,732,662)**	(6,245,739)
Movement in impairment provision during the year	**3,410,171**	(5,754,167)
At 31 March	**31,396,579**	47,714,341

The balance can be analysed as follows:		
Non-current assets	**2,108,133**	2,256,707
Current assets	**29,288,446**	45,457,634
	31,396,579	47,714,341

The movement of the impairment provision can be analysed as follows:

	2014	2013
	£	£
At 1 April	**(7,870,858)**	(2,116,691)
Provisions made during the year	**(571,337)**	(5,754,167)
Reversal during the year	**3,981,509**	-
At 31 March	**(4,460,686)**	(7,870,858)

The mortgage loans are classified as "loans and receivables". The mortgage loans are due for repayment between April 2014 and July 2015. The mortgage loans comprise fixed rate loans and variable rate loans. Interest on the remaining fixed rate mortgage loan is 5.95% (2013: fixed rates ranging from 5.95% to 6.35%). 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.

7. MORTGAGE LOANS (CONTINUED)

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/reversed during the year on mortgage loans were: Holaw (420) Limited: impairment of £149,711 (2013: £nil), Heathvale Estates Limited: reversal of £202,574 (2013: impairment of £1,296,845), Sandfile Limited: impairment of £421,626 (2013: £560,121) and CPI Retail Active Management Limited: reversal of £3,778,934 (2013: impairment of £3,897,201).

The I/S Scandinavian Property Investment V loan, with a gross carrying value of £2,194,017, is performing as per the terms of its loan agreement and the underlying financial covenants and therefore no impairment charge has been booked for this loan.

The Heathvale Estates loan, with a gross carrying value of £3,815,595, 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 by an independent third party in October 2012 at £2,550,000. An impairment reversal of £202,574 (2013: impairment charge 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, with a gross carrying value of £3,016,935, was repaid in October 2013. The Special Servicer has calculated a final recovery amount of £1,846,110 in respect of the loan. During the year, an impairment loss of £421,626 was recognised on this final repayment. In 2013, based on the final recovery amount, the impairment charge was £560,121.

The Commercial and Warehouse Properties Ltd loan, with an opening carrying value of £9,853,242, was repaid in full in July 2013.

The Holaw (420) Limited loan, with a gross carrying value of £305,330, was partially repaid following the sale of the properties securing this loan in January 2014 with a final recovery amount of £155,619 being received in April 2014. An impairment charge of £149,711 was recognised on this final repayment.

The CPI Retail Active Management Limited loan, with a gross carrying amount of £26,452,119, defaulted on its maturity date on 20 October 2010 and was subsequently transferred into Special Servicing. The underlying property collateral was valued by an independent third party on 16 May 2013 at £24,700,000. Accordingly, an impairment reversal of £3,778,934 (2013: impairment of £3,897,201) has been booked in the current year based on the final recovery amount to take account of changes in the estimated market value of the underlying properties at year-end.

8. TRADE AND OTHER RECEIVABLES

	Group 2014 £	**Company 2014 £**	Group 2013 £	Company 2013 £
Tax recoverable	-	-	-	-
Prepayments and accrued income	115,659	-	294,483	-
	115,659	-	294,483	-

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

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 2014 £	Company 2014 £	Restated Group 2013 £	Company 2013 £
Cash and cash equivalents	5,251,581	2	5,053,489	2

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

The use of cash and cash equivalents 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 2012	2	(2,762,166)	(2,762,164)
Loss for the year	-	(5,365,543)	(5,365,543)
Other comprehensive income	-	-	-
Balance at 31 March 2013	2	(8,127,709)	(8,127,707)
Profit for the year	-	3,509,851	3,509,851
Other comprehensive income	-	-	-
Balance at 31 March 2014	2	(4,617,858)	(4,617,856)

Company	Issued share capital £	Retained earnings £	Total equity £
At 1 April 2012	2	10,393	10,395
Profit for the year	-	-	-
Balance at 31 March 2013	2	10,393	10,395
Profit for the year	-	(12,501)	(12,501)
Balance at 31 March 2014	2	(2,108)	(2,106)

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. Castlewoods CS Holdings Limited holds one fully paid £1 share under a declaration of trust for charitable purposes.

DECO SERIES 2005 - UK CONDUIT 1 HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

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 2014 £	Restated Group 2013 £
At 1 April	**55,585,200**	61,829,513
Redemptions	**(19,662,224)**	(6,245,739)
Amortisation of discount	**4,729**	1,426
At 31 March	**35,927,705**	55,585,200
Non-current liabilities		
Loan notes	**6,639,259**	10,127,566
	6,639,259	10,127,566
Current liabilities		
Loan notes	**29,288,446**	45,457,634
Interest payable on loan notes	**63,469**	249,374
Liquidity drawdown	**5,000,000**	5,000,000
	34,351,915	50,707,008

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 Company'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 Company. The facility is in place to allow the Company to meet its obligations should there be a shortfall in the revenue or principal received from the mortgage loans on a temporary basis. At the Statement of Financial Position date, the limit on this facility was £5,000,000 (2013: £5,000,000). A commitment fee of 0.15% per annum is charged on the undrawn amount of the liquidity facility commitment.

At 31 March 2014, an amount of £5,000,000 (2013: £5,000,000) of liquidity facility was drawn. On 30 May 2014, the liquidity facility for £5,000,000 was renewed for the period from 1 July 2014 to expire on 30 June 2015. 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.

The loan notes are denominated in Pound Sterling.

On 12 July 2005, the Group issued the following classes of notes.

Class of Notes	Currency	Issue price	Interest	Margin	Maturity
A	GBP	195,215,000	3 month Libor	0.23%	July 2017
B	GBP	14,785,000	3 month Libor	0.40%	July 2017
C	GBP	12,400,000	3 month Libor	0.57%	July 2017
D	GBP	10,750,000	3 month Libor	0.80%	July 2017
E	GBP	2,906,634	3 month Libor	1.25%	July 2017

11. LOAN NOTES (CONTINUED)

At the reporting date, the outstanding amount for each class of notes were as shown in table below.

Class of Notes	2014	2013
	£	£
A	-	15,573,572
B	10,400,571	14,489,223
C	12,151,935	12,151,935
D	10,534,944	10,534,944
E	2,848,486	2,848,486
	35,935,936	55,598,160

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.

12. TRADE AND OTHER PAYABLES

	Group 2014	Company 2014	Restated Group 2013	Company 2013
	£	£	£	£
Other creditors	812	2,108	812	2,108
Accruals and deferred income	257,575	-	122,989	-
	258,387	2,108	123,801	2,108

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

13. FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties are set out in the Strategic report on pages 2 to 5.

The Group's financial instruments, other than derivatives, comprise a portfolio of 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.

The directors have considered the financial risks affecting the Group and have included the relevant disclosures of interest rate, credit, liquidity and currency risks in the Strategic Report.

Fair values, methodology and assumptions

Fair values
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of financial instruments is always determined on the basis of the listed price on an active market (mark to market) or, if this is not possible, on the basis of industry standard valuation models (mark to matrix or mark to model).

Financial instruments valued using observable market prices
If a quoted market price in an active market is available for an instrument, the fair value is calculated based on the market price.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments valued using a valuation technique
In the absence of a quoted market price in an active market, management uses industry standard models to make its best estimate of the price that the market would set for that financial instrument. In order to make these estimations, various techniques are employed, including extrapolation from observable market data and observation of similar financial instruments with similar characteristics. Wherever possible, valuation parameters for each product are based on prices directly observable in active markets or that can be derived from directly observable market prices.

The Group did not make any material changes to the valuation techniques and industry standard models it used during the year ended 31 March 2014.

Fair value hierarchy
The Group applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market that the Group has the ability to access at the measurement date.

Level 2 - Quoted prices in markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability.

Level 3 - Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset or liability are unobservable.

The methodology and assumptions used in estimating the fair value of financial instruments are disclosed below. 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 held by the Group is calculated using the Overnight Indexed Swap (OIS) methodology which is based on observable inputs. For OIS methodology, discounting is calibrated to the rates structure of the prevailing market interest rate where the derivatives are originated, that is, United Kingdom. Therefore, the Sterling Overnight Interbank Average Rate (SONIA), an index that tracks Sterling Overnight funding rates, is used.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values

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

	Notes	Carrying amount	Fair value	Restated Carrying amount	Restated Fair value
Group		**2014**	**2014**	2013	2013
Assets		**£**	**£**	£	£
Mortgage loans	7	**31,396,579**	**20,838,094**	47,714,341	33,603,362
Trade and other receivables	8	**115,659**	**115,659**	294,483	294,483
Cash and cash equivalents	9	**5,251,581**	**5,251,581**	5,053,489	5,053,489
		36,763,819	**26,205,334**	53,062,313	38,951,334
Liabilities					
Loan notes	11	**35,927,705**	**20,706,918**	55,585,200	33,372,625
Interest payable	11	**63,469**	**63,469**	249,374	249,374
Derivative liability	14	**131,176**	**131,176**	230,737	230,737
Trade and other payables	12	**258,387**	**258,387**	123,801	123,801
Liquidity drawdown	11	**5,000,000**	**5,000,000**	5,000,000	5,000,000
		41,380,737	**26,159,950**	61,189,112	38,976,537
Company					
Investment in subsidiary	6	-	-	12,501	12,501
Cash and cash equivalents	9	2	2	2	2
Total assets		2	2	12,503	12,503
Other creditors		**2,108**	**2,108**	2,108	2,108
Current tax liability		-	-	-	-
Total liabilities		**2,108**	**2,108**	2,108	2,108

The fair value of the loan notes is based on observable inputs given that these notes are listed on the Irish Stock Exchange and hence a market price is available for each class of loan notes excluding Class E notes. For those classes of notes for which a market price is not available, the percentage market price for the Class D notes has been taken since these notes have all been categorised as junior notes. Therefore the loan notes have been categorised as level 2 financial instruments.

The 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. Hence the mortgage loans have been deemed to be level 2 instruments as well. The carrying values of cash and cash equivalents, trade and other receivables, interest payable, trade and other payables and current tax liability are a reasonable approximation of the fair values of these instruments.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values, methodology and assumptions (continued)

Hierarchy levels

Financial instruments recognised and measured at fair value

As at 31 March 2014	Total fair value	Level 1	Level 2	Level 3
	£	£	£	£
Liabilities				
Derivative financial instruments	(131,176)	-	(131,176)	-

Financial instruments at amortised cost whose fair value is disclosed

As at 31 March 2014	Total fair value	Level 1	Level 2	Level 3
	£	£	£	£
Assets				
Mortgage loans	20,838,094	-	20,838,094	-
Liabilities				
Loan notes	(20,706,918)	-	(20,706,918)	-

Financial instruments recognised and measured at fair value

As at 31 March 2013	Total fair value	Level 1	Level 2	Level 3
	£	£	£	£
Liabilities				
Derivative financial instruments	(230,737)	-	(230,737)	-

Financial instruments at amortised cost whose fair value is disclosed

As at 31 March 2013	Total fair value	Level 1	Level 2	Level 3
	£	£	£	£
Assets				
Mortgage loans	33,603,362	-	33,603,362	-
Liabilities				
Loan notes	(33,372,625)	-	(33,372,625)	-

During the year ended 31 March 2014, there have been no transfers between fair value hierarchy levels (2013: £nil). In addition, there were no financial instruments that have been classified as level 3 and hence there is no need to disclose reconciliation of assets and liabilities categorised as level 3 instruments.

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.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Effective interest ratcs and repricing analysis

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

At 31 March 2014	**Effective interest rate**	**Total**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Assets	**(%)**	**£**	**£**	**£**	**£**
Mortgage loans	**1.73%**	**31,396,579**	**29,202,562**	**2,194,017**	**-**
Trade and other receivables		**115,659**	**-**	**-**	**115,659**
Cash and cash equivalents		**5,251,581**	**5,251,581**	**-**	**-**
Total assets		**36,763,819**	**34,454,143**	**2,194,017**	**115,659**
Liabilities					
Derivative financial instrument		**131,176**	**131,176**	**-**	**-**
Trade and other payables		**258,387**	**-**	**-**	**258,387**
Loan note interest		**63,469**	**63,469**	**-**	**-**
Loan notes	**0.98%**	**35,927,705**	**35,927,705**	**-**	**-**
Liquidity drawdown	**0.81%**	**5,000,000**	**5,000,000**	**-**	**-**
Total liabilities		**41,380,737**	**41,122,350**	**-**	**258,387**

Restated At 31 March 2013	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		5,053,489	5,053,489	-	-
Total assets		53,062,313	50,502,122	2,265,708	294,483
Liabilities					
Derivative financial instrument		230,737	230,737	-	-
Trade and other payables		123,801	-	123,801	-
Loan note interest		249,374	249,374	-	-
Loan notes	1.23%	55,585,200	55,585,200	-	-
Liquidity drawdown	0.81%	5,000,000	5,000,000	-	-
Total liabilities		61,189,112	61,065,311	123,801	-

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.

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 2014 and 2013 were 112.55% and 115.31% respectively.

Currency risk

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

13. 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 entered into a liquidity facility agreement with Credit Agricole Corporate and Investment Bank (formerly Calyon (London Branch)) on 12 July 2005 as described in note 11.

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 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.

The table below reflects the undiscounted contractual cash flows of non derivative financial liabilities at the reporting date. Interest payable on floating rate notes was estimated based on the floating rates amount as at 31 March 2014.

As at 31 March 2014	**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**
	£	**£**	**£**	**£**	**£**
Loan notes	**35,927,705**	**35,927,705**	**620,632**	**28,667,817**	**6,639,256**
Interest payable on loan notes	**63,469**	**391,379**	**90,292**	**263,313**	**37,774**
Liquidity drawdown	**5,000,000**	**5,000,000**	**5,000,000**	**-**	**-**
Total non-derivative financial instruments	**40,991,174**	**41,319,084**	**5,710,924**	**28,931,130**	**6,677,030**

Restated 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
	£	£	£	£	£
Loan notes	55,585,200	55,585,200	989,331	44,468,305	10,127,564
Interest payable on loan notes	249,374	931,201	112,975	569,275	248,951
Liquidity drawdown	5,000,000	5,000,000	5,000,000	-	-
Total non-derivative financial instruments	60,834,574	61,516,401	6,102,306	45,037,580	10,376,515

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.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)
The table below reflects the undiscounted contractual cash flows of derivative financial instruments at the reporting date.

	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
	£	£	£	£	£
As at 31 March 2014	**131,176**	**123,218**	**23,279**	**69,836**	**30,103**
As at 31 March 2013	230,737	221,871	23,875	71,624	126,372

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 mortgage loan portfolio consists of 4 loans (2013: 6 loans) secured over 5 properties (2013: 12 properties). At 31 March 2014, the gross carrying amount of mortgages outstanding was £32,767,062 (2013: £53,481,471). The most significant concentration of credit risk is considered to be the mortgage loans to CPI Retail Active Management and Heathvale Estates Limited with gross balances of £26,452,119 (2013: £28,501,092) and £3,815,595 (2013: £6,177,546) respectively, which together constitute approximately 92% of the total loan portfolio.

The carrying amount of financial assets represents the maximum credit exposure.

The underlying mortgage loans are secured by first charge over 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 2014	Impairment charge 2014	Fair value of collateral 2014	Gross Carrying amount 2013	Impairment charge 2013	Fair value of collateral 2013
	£	£	£	£	£	£
Neither past due nor impaired	**2,194,017**	**-**	**3,875,000**	2,278,671	-	3,875,000
Past due but not impaired	**-**	**-**	**-**	13,507,227	-	17,749,975
Impaired	**30,573,045**	**(1,362,249)**	**29,210,796**	37,695,573	(5,754,167)	31,941,406
	32,767,062	**(1,362,249)**	**33,085,796**	53,481,471	(5,754,167)	53,566,381

14. DERIVATIVE FINANCIAL INSTRUMENTS

The allowance for impairment of £1,362,249 (2013: £5,754,167) differs from the cumulative impairment of £4,460,687 in Note 6 due to the fact that the following gross loan amount was written off during the year: Sandfile Limited (£981,747) and the following gross loan amounts were written off in previous years: Kashani (£1,117,911), Metro Prop (£593,987) and Mondeal (£404,794) and were not included in the analysis above.

With regards 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.

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

	2014	2013
	£	£
Interest rate swaps fair value at start of year	**(230,737)**	(650,414)
Change in fair value	**99,561**	419,677
Interest rate swaps fair value at end of year	**(131,176)**	(230,737)

The notional principal amount of all the outstanding interest rate swap contracts at 31 March 2014 was £2,288,677 (2013; £2,342,054). The interest rate swaps receive a fixed rate based on 3-month LIBOR (2013: 3-month LIBOR) and pay a fixed rate of 4.60% (2013: fixed rate of 4.60%).

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 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) as set out in IAS 39, the option does not require separation. A similar hybrid instrument arises on the mortgage loan whereby the Group has effectively sold a put option on the mortgage loans exercisable on certain dates. As this option is considered to be closely related to the underlying host contract, it does not require separation.

15. RELATED PARTY TRANSACTIONS

The Group is a special-purpose vehicle controlled by its Board of directors. Mr Graham Cox and Mr Graham Hodgkin are directors of the Group. Directors' emoluments during the year amounted to £1,244 (2013: £1,244) for their services as directors to the Group during the year. The Group paid corporate service fee to Deutsche Bank AG, London Branch in connection with corporate services received. The fees payable to them for their services for the year ended 31 March 2014 were £9,404 (2013: £9,535) with £9,404 (2013: £9,535) still unpaid at year end.

16. ULTIMATE PARENT UNDERTAKING

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

Castlewood CS Holdings Limited holds the shares in Deco Series 2005 - UK Conduit 1 Holdings Limited under a declaration of trust for charitable purposes.

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

17. SUBSEQUENT EVENTS

On 30 May 2014, the liquidity facility was renewed for the period from 1 July 2014 to 30 June 2015.

In April 2014, a final recovery amount of £155,619 was received in relation to the Holaw (420) Ltd loan. As at 31 March 2014, the mortgage loan balance was £305,330. An impairment charge of £149,711 was recognised at year-end to reflect the loss on final repayment.