Company Registration Number 5479512

DECO SERIES 2005–UK CONDUIT 1 PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

DECO SERIES 2005–UK CONDUIT 1 PLC

ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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DECO SERIES 2005–UK CONDUIT 1 PLC

COMPANY INFORMATION

The board of directors	Mr Graham Cox Mr Graham Hodgkin
Company secretary	Sunil Masson
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 PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2015

The directors present their Strategic report together with the audited financial statements of Deco Series 2005–UK Conduit 1 Plc (the "Company") for the year ended 31 March 2015.

REVIEW OF THE BUSINESS
The Company 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.

The directors do not anticipate any change to the present level of activity as the Company has ceased to trade following repayment of the loan asset and loan notes.

RESULTS AND PERFORMANCE
The results of the Company for the year, as set out on page 10, show a profit on ordinary activities before tax of £2,430,682 (2014: profit of £3,509,881). The profit was primarily due to the reversal of cumulative impairment to loans of £4,460,687 (2014: £3,410,171) net of mortgage loans write-off of £3,276,268 (2014: £nil). The Company had a shareholder's deficit of £2,185,065 (2014: £4,615,747) as at 31 March 2015. The decrease in deficit compared to last year was primarily due to the profit in the current year.

STRATEGY
The principal activity of the Company is the issue of loan notes. The Company 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 Company along with associated interest income and expense.

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

The Company 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 2015, the Company achieved a net interest margin (net interest income divided by interest income) of 84.38% (2014: 41.81%). 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, CPI Retail Active Management Limited and Holaw (420) Limited loans and the decrease in interest on loan notes and swap interest following the full redemption of Class B and C notes and partial redemption of Class D notes.

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 Company has exposure through the mortgage loans.

The Company'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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (Continued)
The Company also enters into derivative transactions. The purpose of such transactions is to manage the interest rate risk arising from the Company's operations and its sources of finance.

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

Currency risk
All of the Company'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 Company 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 Company uses interest rate swaps to mitigate any residual interest rate risk.

Credit risk
The principal credit risk to the Company 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 only 1 loan (2014: 4 loans) secured over 1 property (2014: 5 properties). At 31 March 2015, the gross carrying amount of the only remaining mortgage outstanding was £2,108,319 (2014: £32,767,062). The credit risk relating to the I/S Scandinavian Property Investment V loan is considered to be low as it continues to perform in accordance with the terms of its original facility agreement. The I/S Scandinavian Property Investment V loan was repaid in full on 27 July 2015.

Impairment
The Company 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.

During the year, impairment provisions on mortgage loans were as follows: Holaw (420) Limited: impairment reversal of £149,711 (2014: impairment charge of £149,711), Heathvale Estates Limited: impairment reversal of £1,094,271 (2014: £202,574), Sandfile Limited: impairment reversal of £981,747 (2014: impairment charge of £421,626) and CPI Retail Active Management Limited: impairment reversal of £118,267 (2014: £3,778,934). Moreover, the following loans amounting to £2,116,691 were written off in previous years: Kashani (£1,117,911), Metro Prop (£593,987), Mondeal (£404,794) and are included in the impairment reversals. Together, these impairment reversals sum up to £4,460,687 (2014: £3,410,171). The write-off on mortgage loans amounting to £3,276,268 is made up of the following: Sandfile Limited £981,747, Holaw (420) Limited £149,711 and CPI Retail Active Management Limited £28,119 respectively in the current year and Kashani (£1,117,911), Metro Prop (£593,987), Mondeal (£404,794) in prior years.

The I/S Scandinavian Property Investment V loan is performing as per the terms of its loan agreement and the underlying financial covenants and there has been no history of impairment on the loan; therefore, no impairment assessment has been carried out and no impairment is held against the loan at 31 March 2015.

The Heathvale Estates loan defaulted on its maturity date in July 2012 and was subsequently transferred to the Special Servicer (Hatfield Philips International). The property was last valued in October 2012 and the balance of impairment at 31 March 2014 was £1,094,271. The loan was repaid in full in January 2015 and an impairment reversal of £1,094,271 was recognised during the year.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (Continued)

Impairment (continued)

The Sandfile loan was repaid in October 2013. The Special Servicer sold the collateral in October 2013 and a final amount of £1,846,110 was recovered on the loan. At 31 March 2014, an impairment charge of £981,747 was recognised for the year. At 31 March 2015, a write-off of £981,747 was recognised, which represents a reclassification from the prior year impairment charge. The write-off of £981,747 represents the difference between the loan amount of £2,827,857 and the final recovery amount of £1,846,110.

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 property was last valued in January 2012 and the balance of impairment at 31 March 2014 was £149,711. The special servicer sold the collateral in July 2014 and a final amount of £155,619 was recovered on the loan. The loan was repaid in April 2014 and therefore, an impairment reversal of £149,711 has been recognised at year end. During the year, there was a write-off of £149,711, which represents the difference between the loan amount of £305,330 and the final recovery amount of £155,619.

The CPI Retail Active Management Limited loan defaulted on its maturity date on 20 October 2010 and was subsequently transferred into Special Servicing. The property was last valued on 16 May 2013 and the balance of impairment at 31 March 2014 was £118,267. The special servicer sold the collateral in July 2014 and a final amount of £26,003,818 was recovered on the loan. The loan was repaid in July 2014 and therefore, an impairment reversal of £118,267 has been recognised at year end. During the year, there was a write-off of £28,119, which represents the difference between the loan amount of £26,031,937 and the final recovery amount of £26,003,818.

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 Company 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 Company being unable, on a temporary basis, to meet its financial commitments. The liquidity facility for £5,000,000 was renewed from 1 July 2015 to expire on 30 June 2016. The directors expect this facility to be renewed annually.

At year end, the liquidity facility amount outstanding was £527,639 (2014: £5,000,000).

Further discussion of the Company's approach to financial instruments is set out in note 1 (significant accounting policies) and in note 12.

Going concern

Note 12 to the financial statements includes the Company'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 Company 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 Company is only obliged to repay the notes to the extent that the Company receives cash from the loan assets. The note holders will therefore ultimately bear the Company's deficits on maturity of the loan notes.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (Continued)

Going concern (continued)

The I/S Scandinavian Property Investment V loan, which was the only remaining loan asset performing as per the terms of its loan agreement and the underlying financial covenants, was repaid in full on its final maturity date of 27 July 2015. Following repayment of the loan asset and loan notes, the Company has ceased to trade. As such, the directors have prepared the financial statements on a basis other than the going concern. No material adjustment arose as a result of ceasing to apply the going concern basis.

Signed by order of the Board

....for and on behalf of
Sunil Masson
Company Secretary
..30...... September 2015

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2015

The directors present their report and the financial statements of Deco Series 2005-UK Conduit 1 Plc (the "Company") for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES
The Company 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 Company's financial position at the end of the year are shown in the attached financial statements.

The Company's profit for the year after tax amounted to £2,430,682 (2014: £3,509,851) after the gain on the financial derivative instrument of £86,758 (2014: £99,561) and the reversal of impairment to loans of £4,460,687 (2014: impairment of £3,410,171). The directors have not recommended a dividend for the year under review (2014: £nil).

CORPORATE GOVERNANCE
The board of directors has overall responsibility for the Company's internal controls systems and risk control which are managed in accordance with the terms of the notes issued, as described in the Offering Circular for the notes. These are monitored through regular meetings of the board.

QUALIFYING INDEMNITY PROVISION
During the year and at the date of the approval of the directors' report, there were no qualifying indemnity provisions in the financial statements.

CREDITOR PAYMENT POLICY
The Company'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 Company does not follow any other code or standard on payment practice.

DIRECTORS
The directors who served the Company 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.

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.

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR (CONTINUED)

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: ..30.. September 2015

DECO SERIES 2005–UK CONDUIT 1 PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECO SERIES 2005-UK CONDUIT 1 PLC

We have audited the financial statements of Deco Series 2005-UK Conduit 1 Plc for the year ended 31 March 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 16. 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.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 incorrect based on, or 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 Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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
Date: ...30/9/15...............

DECO SERIES 2005–UK CONDUIT 1 PLC
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

Continuing operations	Notes	2015 £	2014 £
Interest income	2	**1,638,069**	1,491,084
Interest expense	3	**(255,800)**	(867,616)
Net interest income		**1,382,269**	623,468
Reversal of impairment against commercial mortgage loans	6	**4,460,687**	3,410,171
Mortgage loans written off	6	**(3,276,268)**	-
Fair value movement on derivative financial instruments		**86,758**	99,561
Operating expenses	4	**(222,752)**	(623,319)
Profit before tax for the year		**2,430,694**	3,509,881
Income tax charge	5	**(12)**	(30)
Total profit after tax		**2,430,682**	3,509,851
Other comprehensive income		**-**	-
Total comprehensive income for the year		**2,430,682**	3,509,851

The notes on pages 14 to 29 form part of these financial statements.

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	Notes	2015 £	2014 £
Assets			
Non-current assets			
Mortgage loans	6	**-**	2,108,133
Current assets			
Mortgage loans	6	**2,107,085**	29,288,446
Trade and other receivables	7	**1,447,486**	5,117,676*
Cash and cash equivalents	8	**406,686**	251,672*
		3,961,257	34,657,794
Total assets		**3,961,257**	36,765,927
Equity			
Share capital	9	**12,502**	12,502
Retained loss		**(2,197,567)**	(4,628,249)
Total shareholders' deficit		**(2,185,065)**	(4,615,747)
Liabilities			
Non-current liabilities			
Loan notes	10	**-**	6,639,259
Total non-current liabilities		**-**	6,639,259
Current liabilities			
Loan notes	10	**5,521,312**	29,288,446
Interest payable on loan notes	10	**5,049**	63,469
Trade and other payables	11	**46,955**	258,387
Current tax liability		**949**	937
Derivative financial instruments	13	**44,418**	131,176
Liquidity drawdown	10	**527,639**	5,000,000
Total current liabilities		**6,146,322**	34,742,415
Total liabilities		**6,146,322**	41,381,674
Total equity and liabilities		**3,961,257**	36,765,927

The financial statements of Deco Series 2005-UK Conduit 1 Plc, registration number 5479512, were approved and authorised for issue by the board of directors on 30 September 2015 and they were signed on their behalf by:

*Reclassified - see Note 7.

....
Director Graham Hodgkin

The notes on pages 14 to 29 form part of these financial statements.

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	Share capital	Retained loss	Total equity
	£	£	£
Balance at 1 April 2013	12,502	(8,138,100)	(8,125,598)
Profit for the year	-	3,509,851	3,509,851
Other comprehensive income	-	-	-
Balance at 31 March 2014	12,502	(4,628,249)	(4,615,747)

	Share capital	**Retained loss**	**Total equity**
	£	**£**	**£**
Balance at 1 April 2014	**12,502**	**(4,628,249)**	**(4,615,747)**
Profit for the year	**-**	**2,430,682**	**2,430,682**
Other comprehensive income	**-**	**-**	**-**
Balance at 31 March 2015	**12,502**	**(2,197,567)**	**(2,185,065)**

The notes on pages 14 to 29 form part of these financial statements.

DECO SERIES 2005–UK CONDUIT 1 PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
Profit before tax for the year		**2,430,694**	3,509,881
Adjustments for:			
Reversal of impairment against commercial mortgage loans		**(4,460,687)**	(3,410,171)
Mortgage loans written off		**3,276,268**	-
Fair value gain on derivative financial instruments	13	**(86,758)**	(99,561)
(Increase)/decrease in trade and other receivables		**(802,171)**	178,824
Decrease in trade and other payables		**(269,852)**	(51,319)
Net cash generated from operating activities		**87,494**	127,654
Investing activities			
Repayments of mortgage loans	6	**30,480,913**	19,732,662
Movement in funds placed on deposit		**4,472,361***	(4,999,908)*
Net cash from investing activities		**34,953,274**	14,732,754
Financing activities			
Repayments of loan notes	10	**(30,413,393)**	(19,662,224)
Liquidity facility movement		**(4,472,361)**	-
Net cash used in financing activities		**(34,885,754)**	(19,662,224)
Net increase/(decrease) in cash and cash equivalents		**155,014**	(4,801,816)
Cash and cash equivalents at beginning of year		**251, 672***	5,053,488*
Cash and cash equivalents at 31 March 2015	8	**406,686**	251,672

*Reclassified - see Note 7.

Actual cash received and paid as interest income on the mortgage loans and interest expense on the loan notes during the year was £698,995 (2014: £1,521,701) and £220,589 (2014: £635,205) respectively.

As explained in the accounting policies on page 14, the cash is not freely available to be used.

1. SIGNIFICANT ACCOUNTING POLICIES

Deco Series 2005-UK Conduit 1 Plc is a Company incorporated in the United Kingdom under the Companies Act 2006 and domiciled in England.

Statement of compliance
The Company'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 Company for the year ended 31 March 2015.

The accounting policies set out below have been applied consistently in respect of the financial year ended 31 March 2015.

Basis of preparation
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.

The financial statements are presented in Pound Sterling.

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 Company'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. In addition, note 12 to the financial statements includes the Company'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 Company 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 Company is only obliged to repay the notes to the extent that the Company receives cash from the loan assets. The note holders will therefore ultimately bear the Company's deficits on maturity of the loan notes.

The I/S Scandinavian Property Investment V loan, which was the only remaining loan asset performing as per the terms of its loan agreement and the underlying financial covenants, was repaid in full on its final maturity date of 27 July 2015. Following repayment of the loan asset and loan notes, the Company has ceased to trade. As such, the directors have prepared the financial statements on a basis other than the going concern. No material adjustment arose as a result of ceasing to apply the going concern basis.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and key sources of estimation and uncertainty (continued)
In particular for the fair value of derivatives (note 13) and the recoverability of assets (note 6), 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 Company'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 finance the beneficial interest in a mortgage portfolio. These financial instruments are classified in accordance with the principles of IAS 39 Financial Instruments: Recognition and Measurement as described below.

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

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

Derecognition of financial assets
The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 Company'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.

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

Derivative financial instruments and hedging activities
The Company 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 Company does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for as held for trading.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging activities

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.

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 Company 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.

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 Company, therefore these standards have not been listed separately.

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
IFRS 14 Regulatory Deferral Accounts
IFRS 15 Revenue from Contracts with Customers
Annual Improvements to IFRSs: 2012-14 Cycle
Annual Improvements to IFRSs: 2011-13 Cycle
Annual Improvements to IFRSs: 2010-12 Cycle

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued, not yet effective and not early adopted (continued)
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 Company in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments.

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

Segmental reporting
The principal asset of the Company 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 Company from those already disclosed in these financial statements because there is only one segment.

2. INTEREST INCOME

	2015	2014
	£	£
Income from mortgage loans	612,769	1,486,225
Amortisation of discount on acquisition of mortgage loan	7,000	4,729
Bank interest received	781	130
Deferred consideration	1,017,519	-
	1,638,069	1,491,084

3. INTEREST EXPENSE

	2015	2014
	£	£
Interest on loan notes	162,170	449,301
Amortisation of discount on loan notes	7,000	4,729
Net swap interest payable	75,738	94,773
Deferred consideration	-	318,813
Interest paid – Calyon London	10,892	-
	255,800	867,616

4. OPERATING EXPENSES

	2015	2014
	£	£
Administration and cash management fees	162,163	562,395
Audit fees for the audit of the Company's accounts	30,964	29,076
Fees paid to the Company's auditor for non-audit tax services	9,750	10,700
Corporate services fees	19,875	21,148
	222,752	623,319

Directors' emoluments during the year amounted to £4,800 (2014: £1,244), being £2,400 (2014: £622) each, for their services as directors of the Company during the year. The directors had no material interest in any contract of significance in relation to the business of the Company (2014: none). The Company did not have any employees in the current year (2014: none).

5. INCOME TAX CHARGE

The Company 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.

	2015	2014
Current tax:	**£**	£
Corporation tax charge for the year at a rate of 20% (2014: 20%)	**(12)**	(30)
Total income tax charge in Statement of Comprehensive Income	**(12)**	(30)

	2015	2014
Reconciliation of total tax charge	**£**	£
The tax assessed for the period is at the standard rate of corporation tax in the UK of 20% (2014: 20%)		
Profit before tax	**2,430,694**	3,509,881
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2014: 20%)	**486,139**	701,976
Over provision of the prior period charge		-
Permanent difference to application of Taxation of Securitisation Companies Regulations 2006	**(486,151)**	(702,006)
Total income tax charge in Statement of Comprehensive Income	**(12)**	(30)

6. MORTGAGE LOANS

	2015	2014
	£	£
At 1 April	**31,396,579**	47,714,341
Amortisation of discount	**7,000**	4,729
Redemptions	**(30,480,913)**	(19,732,662)
Movement in impairment provision during the year	**4,460,687**	3,410,171
Mortgage loans written off	**(3,276,268)**	-
At 31 March	**2,107,085**	31,396,579
The balance can be analysed as follows:		
Non-current assets	**-**	29,288,446
Current assets	**2,107,085**	2,108,133
	2,107,085	31,396,579

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

	2015	2014
	£	£
At 1 April	**(4,460,687)**	(7,870,858)
Provisions made during the year	**-**	(571,337)
Reversal during the year	**4,460,687**	3,981,508
At 31 March	**-**	(4,460,687)

6. MORTGAGE LOANS (CONTINUED)

The mortgage loans are classified as "loans and receivables". There is only one remaining mortgage loan which is due for repayment in July 2015. The remaining mortgage loan is a fixed rate loan and the interest is 5.95% (2014: fixed rate of 5.95%). The mortgage loan is secured over a commercial property held by Deutsche Bank AG, London Branch in its capacity as Borrower Security Trustee for the loans.

The Company 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.

During the year, impairment provisions on mortgage loans were as follows: Holaw (420) Limited: impairment reversal of £149,711 (2014: impairment charge of £149,711), Heathvale Estates Limited: impairment reversal of £1,094,271 (2014: £202,574), Sandfile Limited: impairment reversal of £981,747 (2014: impairment charge of £421,626) and CPI Retail Active Management Limited: impairment reversal of £118,267 (2014: £3,778,934). Moreover, the following loans amounting to £2,116,691 were written off in previous years: Kashani (£1,117,911), Metro Prop (£593,987), Mondeal (£404,794) and are included in the impairment reversals. Together, these impairment reversals sum up to £4,460,687 (2014: £3,410,171). The write-off on mortgage loans amounting to £3,276,268 is made up of the following: Sandfile Limited £981,747, Holaw (420) Limited £149,711 and CPI Retail Active Management Limited £28,119 respectively in the current year and Kashani (£1,117,911), Metro Prop (£593,987), Mondeal (£404,794) in prior years.

The I/S Scandinavian Property Investment V loan is performing as per the terms of its loan agreement and the underlying financial covenants and there has been no history of impairment on the loan; therefore, no impairment assessment has been carried out and no impairment is held against the loan at 31 March 2015.

The Heathvale Estates loan defaulted on its maturity date in July 2012 and was subsequently transferred to the Special Servicer (Hatfield Philips International). The property was last valued in October 2012 and the balance of impairment at 31 March 2014 was £1,094,271. The loan was repaid in full in January 2015 and an impairment reversal of £1,094,271 was recognised during the year.

The Sandfile loan was repaid in October 2013. The Special Servicer sold the collateral in October 2013 and a final amount of £1,846,110 was recovered on the loan. At 31 March 2014, an impairment charge of £981,747 was recognised for the year. At 31 March 2015, a write-off of £981,747 was recognised, which represents a reclassification from the prior year impairment charge. The write-off of £981,747 represents the difference between the loan amount of £2,827,857 and the final recovery amount of £1,846,110.

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 property was last valued in January 2012 and the balance of impairment at 31 March 2014 was £149,710. The special servicer sold the collateral in July 2014 and a final amount of £155,619 was recovered on the loan. The loan was repaid in April 2014 and therefore, an impairment reversal of £149,711 has been recognised at year end. During the year, there was a write-off of £149,711, which represents the difference between the loan amount of £305,330 and the final recovery amount of £155,619.

The CPI Retail Active Management Limited loan defaulted on its maturity date on 20 October 2010 and was subsequently transferred into Special Servicing. The property was last valued on 16 May 2013 and the balance of impairment at 31 March 2014 was £118,267. The special servicer sold the collateral in July 2014 and a final amount of £26,003,818 was recovered on the loan. The loan was repaid in July 2014 and therefore, an impairment reversal of £118,267 has been recognised at year end. During the year, there was a write-off of £28,119, which represents the difference between the loan amount of £26,031,937 and the final recovery amount of £26,003,818.

DECO SERIES 2005–UK CONDUIT 1 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

7. TRADE AND OTHER RECEIVABLES

	2015	2014
	£	£
Other debtors	9,609	2,109
Prepayments and accrued income	910,330	115,659
Funds placed on deposit	527,547	4,999,908
	1,447,486	5,117,676

The comparative figure for 2014 for funds placed on deposit has been reclassified from cash and cash equivalents as the directors believe this to be a more appropriate representation of the balance.

The funds of £527,547 (2014: £4,999,908), obtained primarily from the liquidity facility drawing and placed on deposit, weress invested in short-term investment securities. These investments attract interest on a daily basis and mature at least one business day prior to the next quarterly interest payment date ("IPD") and have been included in the debtor balance as 'funds placed on deposit'.

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

8. CASH AND CASH EQUIVALENTS

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

	2015	2014*
	£	£
Cash and cash equivalents	406,686	251,672

*Reclassified - see Note 7.

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

9. TOTAL EQUITY

	Issued capital	Retained loss	Total
	£	£	£
At 1 April 2014	12,502	(4,628,249)	(4,615,747)
Profit for the year	-	2,430,682	2,430,682
Balance at 31 March 2015	12,502	(2,197,567)	(2,185,065)

There are 50,000 authorised ordinary shares of £1 each. The issued share capital comprises two fully paid £1 shares, and 49,999 ordinary shares quarter called up and paid. Castlewoods CS Holdings Limited holds one fully paid £1 share under a declaration of trust for charitable purposes. The remaining 49,999 shares are held by Deco Series 2005-UK Conduit 1 Holdings Limited.

DECO SERIES 2005–UK CONDUIT 1 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

10. LOAN NOTES

This note provides information about the contractual terms of the Company's interest-bearing loan notes. For more information about the Company's exposure to interest rate risk, see note 12.

	2015	2014
	£	£
At 1 April	35,927,705	55,585,200
Redemptions	(30,413,393)	(19,662,224)
Amortisation of discount	7,000	4,729
At 31 March	5,521,312	35,927,705

	2015	2014
Non-current liabilities	£	£
Loan notes	-	6,639,259
	-	6,639,259

	2015	2014
Current liabilities	£	£
Loan notes	5,521,312	29,288,446
Interest payable on loan notes	5,049	63,469
	5,526,361	34,351,915

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.

The loan notes are denominated in Pound Sterling.

On 12 July 2005, the Company 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

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

Class of Notes	2015	2014
	£	£
A	-	-
B	-	10,400,571
C	-	12,151,935
D	2,673,590	10,534,944
E	2,847,722	2,848,486
	5,521,312	35,935,936

The notes are secured by way of a fixed and floating charge over the assets of the Company. The proceeds of the notes were used by the Company to acquire the beneficial interest in the mortgage portfolio from Deutsche Bank AG, London Branch in accordance with the terms of the securitisation documents.

11. TRADE AND OTHER PAYABLES

	2015	2014
Current liabilities	**£**	£
Other creditors	**812**	812
Accruals and deferred income	**46,143**	257,575
Liquidity drawdown	**527,639**	5,000,000
	574,594	5,258,387

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.

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 £527,639 (2014: £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 2015, an amount of £527,639 (2014: £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 Company's assets.

12. FINANCIAL RISK MANAGEMENT

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

The Company'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 Company also enters into derivative transactions (principally interest rate swaps). The purpose of such transactions is to manage the interest rate risks arising from the Company's operations and its sources of finance. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments is undertaken.

The directors have considered the financial risks affecting the Company 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.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values, methodology and assumptions (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 Company did not make any material changes to the valuation techniques and industry standard models it used during the year ended 31 March 2015.

Fair value hierarchy
The Company 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 Company 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 Company 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.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values, methodology and assumptions (continued)

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

	Notes	**Carrying amount 2015**	**Fair value 2015**	Carrying amount 2014	Fair value 2014
Assets		**£**	**£**	£	£
Mortgage loans	6	**2,107,085**	**2,083,386**	31,396,579	20,838,094
Trade and other receivables	7	**1,447,486**	**1,447,486**	5,117,676*	5,117,676*
Cash and cash equivalents	8	**406,686**	**406,686**	251,672*	251,672*
		3,961,257	**3,937,558**	36,765,927	26,207,442

	Notes	**Carrying amount 2015**	**Fair value 2015**	Carrying amount 2014	Fair value 2014
Liabilities		**£**	**£**	£	£
Loan notes	10	**5,521,312**	**2,038,968**	35,927,705	20,706,918
Interest payable	10	**5,049**	**5,049**	63,469	63,469
Derivative liability	13	**44,418**	**44,418**	131,176	131,176
Trade and other payables	11	**46,955**	**46,955**	258,387	258,387
Liquidity drawdown	11	**527,639**	**527,639**	5,000,000	5,000,000
		6,145,373	**2,663,029**	41,380,737	26,159,950

*Reclassified - see Note 7.

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.

Hierarchy levels

Financial instruments recognised and measured at fair value

As at 31 March 2015	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
	£	**£**	**£**	**£**
Liabilities				
Derivative financial instruments	**(44,418)**	-	**(44,418)**	-

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values, methodology and assumptions (continued)

Fair values (continued)

Hierarchy levels (continued)

Financial instruments at amortised cost whose fair value is disclosed

As at 31 March 2015	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
	£	**£**	**£**	**£**
Assets				
Mortgage loans	**2,083,968**	**-**	**2,083,968**	**-**
Liabilities				
Loan notes	**(2,038,386)**	**-**	**(2,038,386)**	**-**

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)	-

During the year ended 31 March 2015, there have been no transfers between fair value hierarchy levels (2014: £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 Company 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 Company'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 Company does not have a material net interest rate risk exposure and therefore has not presented a sensitivity analysis to interest rate risk.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Effective interest rates 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 2015	Effective interest rate	Total	Floating rate	Fixed rate	Non-interest -bearing
Assets	**(%)**	**£**	**£**	**£**	**£**
Mortgage loans	**5.41%**	**2,107,085**	**-**	**2,107,085**	**-**
Trade and other receivables	**-**	**1,447,486**	**527,547**	**-**	**919,939**
Cash and cash equivalents	**-**	**406,686**	**406,686**	**-**	**-**
Total assets		**3,961,257**	**934,233**	**2,107,085**	**919,939**
Liabilities					
Derivative financial instrument		**44,418**	**44,418**	**-**	**-**
Trade and other payables		**46,955**	**-**	**-**	**46,955**
Loan note interest	**-**	**5,049**	**5,049**	**-**	**-**
Loan notes	**1.60%**	**5,521,312**	**5,521,312**	**-**	**-**
Liquidity drawdown	**0.87%**	**527,639**	**527,639**	**-**	**-**
Total liabilities		**6,145,373**	**6,098,418**	**-**	**46,955**

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	-	5,117,676*	4,999,908*	-	117,768*
Cash and cash equivalents	-	251,672*	251,672*	-	-
Total assets		36,765,927	34,454,142	2,194,017	117,768
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

*Reclassified - see Note 7.

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 Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. The Company is not subject to any external capital requirements. The gearing ratios at 31 March 2015 and 2014 were 155.16% and 112.55% respectively.

Currency risk

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

12. 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 Company to make timely payments of interest on the loan notes. In order to protect itself against this risk, the Company 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 Company.

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 2015.

As at 31 March 2015	**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	**5,521,312**	**5,521,312**	**16,202**	**5,505,110**	**-**
Interest payable on loan notes	**5,049**	**26,590**	**7,101**	**19,489**	**-**
Liquidity drawdown	**527,639**	**527,639**	**527,639**	**-**	**-**
Total non-derivative financial instruments	**6,054,000**	**6,075,541**	**550,942**	**5,524,599**	**-**

As at 31 March 2014	Carrying value	Gross cash flows	After 1 month but within 3 months	After 3 months but within 1year	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

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. 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 2015	**44,418**	**22,217**	**-**	**22,217**	**-**
As at 31 March 2014	131,176	123,218	23,279	69,836	30,103

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 only 1 loan (2014: 4 loans) secured over 1 property (2014: 5 properties). At 31 March 2015, the gross carrying amount of the only remaining mortgage outstanding was £2,108,319 (2014: £32,767,062). The credit risk relating to I/S Scandinavian is considered to be low as it continues to perform in accordance with the terms of its original facility agreement. As of April 2015, the borrower was in the final stages of potentially agreeing a sale of the property, which if successful, will see the loan repaid in full.

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 2015	Impairment charge 2015	Fair value of collateral 2015	Gross Carrying amount 2014	Impairment charge 2014	Fair value of collateral 2014
	£	£	£	£	£	£
Neither past due nor impaired	**2,108,319**	**-**	**3,232,948**	2,194,017	-	3,875,000
Past due but not impaired	**-**	**-**	**-**	-	-	-
Impaired	**-**	**-**	**-**	30,573,045	(1,362,249)	29,210,796
	2,108,319	**-**	**3,232,948**	32,767,062	(1,362,249)	33,085,796

13. DERIVATIVE FINANCIAL INSTRUMENTS

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:

	2015	2014
	£	£
Interest rate swaps fair value at start of year	(131,176)	(230,737)
Change in fair value	86,758	99,561
Interest rate swaps fair value at end of year	(44,418)	(131,176)

The notional principal amount of all the outstanding interest rate swap contracts at 31 March 2015 was £2,232,436 (2014; £2,288,677). The interest rate swaps receive a fixed rate based on 3-month LIBOR (2014: 3-month LIBOR) and pay a fixed rate of 4.60% (2014: fixed rate of 4.60%).

In accordance with IAS 39 'Financial instruments: Recognition and measurement', the Company 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 Company 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 Company 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 Company 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.

14. RELATED PARTY TRANSACTIONS

The Company is a special-purpose vehicle controlled by its Board of directors. Mr Graham Cox and Mr Graham Hodgkin are directors of the Company. Directors' emoluments during the year amounted to £4,800 (2014: £1,244) for their services as directors to the Company during the year. The Company 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 2015 were £nil (2014: £9,404) at year end.

15. ULTIMATE PARENT UNDERTAKING

Deco Series 2005-UK Conduit 1 Plc is a company incorporated in the United Kingdom and registered in England and Wales.

Deco Series 2005-UK Conduit 1 Holdings Limited holds 49,999 shares in the Company. Castlewood CS Holdings Limited holds one share in Deco Series 2005-UK Conduit 1 Plc and the entire share capital in Deco Series 2005-UK Conduit 1 Holdings Limited under a declaration of trust for charitable purposes.

16. SUBSEQUENT EVENTS

The I/S Scandinavian Property Investment V loan, which was the only remaining loan asset performing as per the terms of its loan agreement and the underlying financial covenants, was repaid in full on its final maturity date of 27 July 2015.