

BASE PROSPECTUS



Castle Trust Direct plc

Incorporated with limited liability in England and Wales with registered number 9046984 and having its registered office at 10 Norwich Street, London EC4A 1BD.

£1,500,000,000 CASTLE TRUST DIRECT PROGRAMME FOR THE ISSUANCE OF NOTES

What is this document?

This document (the “**Base Prospectus**”) comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (and amendments thereto) (the “**Prospectus Directive**”).

The date of this Base Prospectus is 3 July 2014.

This Base Prospectus is valid for twelve months from the date of publication. It may be supplemented from time to time if any significant new factor, material mistake or inaccuracy regarding the information contained in the Base Prospectus arises or is noted.

To what does this Base Prospectus relate?

This Base Prospectus relates to a £1,500,000,000 programme (the “**Programme**”) pursuant to which Castle Trust Direct plc (the “**Issuer**”) may from time to time issue notes denominated in Sterling (the “**Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £1,500,000,000.

The Notes bear interest at the rate(s) (as such rate may be increased by the Issuer (if at all and at its absolute direction) during the Offer Period and notified to Noteholders prior to the end of such period) set out in the final terms documents, substantially in the form set out in this Base Prospectus, (the “**Final Terms**”) which is specific to the relevant issue of Notes (the “**applicable Final Terms**”).

This Base Prospectus contains information on the financial position and the business activities of the Issuer, as well as material risks inherent to the Notes.

How do I use this Base Prospectus?

This Base Prospectus should be read together with:

- the documents incorporated by reference into it;
- the final terms issued in respect of any particular Notes; and
- any supplemental prospectus published in respect of this Base Prospectus.

This Base Prospectus sets out financial and operational information about the Issuer as well as about its holding company, Castle Trust Capital plc (“**Castle Trust**”). Castle Trust plays an important role in the issue and operation of the Notes.

The terms and conditions on which the Notes are issued (the “**Note Conditions**”) are set out at pages 56 to 71 of this Base Prospectus. Variable terms, such as the offer period, issue date, the interest rate and the maturity date, are set out in the applicable Final Terms.

Together, these documents are intended to provide potential investors with sufficient information to make an informed assessment of:

- the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of Castle Trust; and
- the rights attaching to the Notes.

IMPORTANT INFORMATION

An investment in Notes issued under the Programme involves certain risks. For a discussion of these please see the Risk Factors set out in Part II of this Base Prospectus.

Approval

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority in its capacity as the competent authority (the “**UK Listing Authority**” or “**UKLA**”), under the Financial Services and Markets Act 2000, as amended, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to Notes issued under the Programme during the period of twelve months after the date hereof. Notes issued under the Programme by completion of the Final Terms on or after the date of this Base Prospectus are issued subject to the provisions hereof.

Listing

Applications will be made to the Irish Stock Exchange plc (the “**ISE**”) for the Notes issued under the Programme to be admitted during the period of twelve months after the date hereof to the Official List of the ISE and to trading on its regulated market. The regulated market of the ISE is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Form of Notes

Notes are issued in registered form. The Notes of each Series are initially represented by a global certificate in registered form, without receipts, interest coupons or talons (a “**Global Certificate**”) which is delivered to, and registered in the name of, Castle Trust Capital Nominees Limited (“**CTCN**”) as nominee or nominee (the “**Nominee**”) for all persons acquiring Notes (“**Investors**”) (save for those Investors who choose for legal title to the Notes to be transferred to themselves or another person).

The Issuer may decide that Notes are to be issued in a form not contemplated by the Note Conditions herein, in which event a separate prospectus specific to a supplemental issue of Notes will be made available which will describe the effect of the agreement reached in relation to such Notes.

Responsibility for the Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, to the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Statistical data and other information appearing in this Base Prospectus have been accurately reproduced and, as far as the Issuer is aware and able to ascertain from the information published by third parties, no facts have been omitted which would render the information inaccurate or misleading. Where third party information has been used in this Base Prospectus, the source of such information has been identified.

Castle Trust accepts responsibility for the statements of belief attributed to it relating to Castle Trust, the information contained in this Base Prospectus relating to Castle Trust, the risks relating to Castle Trust and its business in Part II of this Base Prospectus and Parts III, IX, X (in relation to Castle Trust) and XIV of this Base Prospectus and declares that, to the best of the knowledge and belief of Castle Trust (having taken all reasonable care to ensure that such is the case), the statements of belief attributed to it relating to Castle Trust, the information contained in this Base Prospectus relating to Castle Trust, the risks relating to Castle Trust and its business in Part II of this Base Prospectus and Parts III, IX, X (in relation to Castle Trust) and XIV of this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Consent to use of this Base Prospectus

This Base Prospectus may only be used for the purposes for which it has been published.

General consent

The Issuer hereby consents that this Base Prospectus may be used by all financial intermediaries which are authorised to offer securities to the public or distribute notes under FSMA in the UK or under the relevant legislation implementing the Markets in Financial Instruments Directive (2004/39/EC) in Europe ("**Financial Intermediaries**") from the date of publication of this Base Prospectus for the subsequent resale or final placement of the Notes in the United Kingdom. The Issuer accepts responsibility for the content of the Base Prospectus also with respect to later resale or final placements of Notes by any Financial Intermediaries. **Financial Intermediaries using this Base Prospectus must state on their website that they use the Base Prospectus in accordance with the consent of the Issuer and the conditions attached thereto.** This consent is granted for the period of 12 months from the date of this Base Prospectus. The offer period within which the later resale or final placement by Financial Intermediaries may take place is the Offer Period as set out in the applicable Final Terms.

In the event of an offer being made by a Financial Intermediary, such Financial Intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made. Any offer or sale of Notes to an investor by a Financial Intermediary will be made in accordance with any terms and other arrangements in place between such Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in this Base Prospectus or Final Terms, it will be the responsibility of the applicable Financial Intermediary at the time of such offer to provide the investor with that information and neither the Issuer, the Trustee nor any other Financial Intermediary has any responsibility or liability for such information.

Specific consent

The Issuer hereby specifically consents that this Base Prospectus may be used by:

- Castle Trust, whose registered address is 10 Norwich Street, London EC4A 1BD; and
- CTCM, whose registered address is 10 Norwich Street, London EC4A 1BD,

which are authorised to offer securities to the public or distribute notes from the date of publication of this Base Prospectus for the subsequent resale or final placement of the Notes in the United Kingdom. The Issuer accepts responsibility for the content of the Base Prospectus also with respect to later resale or final placements of Notes by either of Castle Trust or CTCM. **If either Castle Trust or CTCM uses this Base Prospectus then it must state on its website that it is using this Base Prospectus in accordance with the consent of the Issuer and the conditions attached thereto.** This consent is granted for the period of 12 months from the date of this Base Prospectus. The offer period within which the later resale or final placement by Castle Trust or CTCM may take place is the Offer Period as set out in the applicable Final Terms.

Further information unknown at the date of this Base Prospectus or the applicable Final Terms will be published on the website: <http://www.castletrust.co.uk/information/>.

In the event of an offer being made by Castle Trust or CTCM, Castle Trust or CTCM (as appropriate) will provide information to investors of the terms and conditions of the Offer at the time the offer is made. Any offer or sale of Notes to an investor by Castle Trust or CTCM will be made in accordance with any terms and other arrangements in place between Castle Trust or CTCM (as applicable) and such investor including as to price, allocations and settlement arrangements, with the initial such set of terms and conditions contained in Part XVII of this Base Prospectus. Where such information is not contained in this Base Prospectus or Final Terms, it will be the responsibility of Castle Trust or CTCM (as applicable) at the time of such offer to provide the investor with that information and neither the Issuer, any Financial Intermediary nor Castle Trust (in the case of an offer or sale by CTCM) or CTCM (in the case of an offer or sale by Castle Trust) has any responsibility or liability for such information.

Investors to use independent judgement

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, Castle Trust or CTCM that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the

financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

An investor should not purchase the Notes unless they understand the extent of their exposure to potential loss. Investors are urged to read the factors described in Part II of this Base Prospectus "Risk Factors," together with the other information in this Base Prospectus (including any information incorporated by reference), as supplemented from time to time, and the applicable Final Terms, before investing in the Notes.

Investors should note that the risks described in Part II of this Base Prospectus "Risk Factors" are not the only risks that the Issuer faces or that may arise because of the nature of the Notes. The Issuer has described only those risks relating to its operations and to the Notes that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware.

Information in Base Prospectus may change

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. Castle Trust and CTCM expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme.

Publication of further information

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus or the applicable Final Terms which is capable of affecting the assessment of any of the Notes, prepare a supplement to this Base Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes. Investors should ensure that they review such publications and any other public announcements made by the Issuer and/or Castle Trust, both before deciding to invest in Notes and while monitoring any subsequent investment.

Geographic limitations to the sale of Notes and the use of this Base Prospectus

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and **may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons** (as defined in Regulation S under the Securities Act) (see Part VIII of this Base Prospectus "*Subscription and Sale*").

Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Trustee, Castle Trust or CTCM to any person to subscribe for or to purchase any Notes to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Trustee, Castle Trust and CTCM do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, Castle Trust or CTCM which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in a jurisdiction where action for that purpose is required.

Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom) (see Part VIII of this Base Prospectus "*Subscription and Sale*").

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and the applicable Final Terms;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser and/or other professional advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Further advice

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

CONTENTS

	<i>Page</i>
Part I	Summary 8
	<i>A summary of the key information contained in this Base Prospectus. An issue-specific summary is attached to each set of Final Terms that are published.</i>
Part II	Risk factors 24
	<i>The principal risks inherent to investing in the Notes, including key risks facing the business and financial position of the Issuer and Castle Trust.</i>
Part III	Overview of Castle Trust and its business 35
	<i>Background information relating to Castle Trust, its business and the use of the proceeds of the issue of the Notes in that business.</i>
Part IV	Form of the Notes 47
	<i>Information on the way in which the Notes are issued, and how Investors hold them.</i>
Part V	Pro forma Final Terms 49
	<i>The form of the Final Terms to be issued for each series of Notes, setting out the issue-specific terms and conditions.</i>
Part VI	Terms and conditions of the Notes 56
	<i>The general terms and conditions applicable to the Notes.</i>
Part VII	The Offer 72
	<i>Information relevant to each offer of Notes, including minimum and maximum subscription sizes, conditions to each offer, and worked examples of potential returns on the Notes.</i>
Part VIII	Section 1 Subscription and Sale 76
	<i>Information on how Notes are issued and purchased by Investors.</i>
	Section 2 Information on payments and redemption of Notes 79
	<i>Information on how returns are paid to Investors, including interest payments and payments on redemption.</i>
	Section 3 Information on the operation of the Offer Series 82
	<i>This part sets out the objective of the Offer Series and the rights (including rights on redemption) attaching to the Notes.</i>
Part IX	Operating and financial review of Castle Trust 84
	<i>A review of Castle Trust's performance in the period to 31 March 2014.</i>
Part X	Financial Information 86
	Section 1 Financial information on the Issuer 86

Section 2	Financial information on Castle Trust	87
(a)	<i>Independent accountant's report on the historical financial information of Castle Trust</i>	88
(b)	<i>Consolidated historical financial information for the 2 years ended 30 September 2012 and 30 September 2013</i>	90
(c)	<i>Unaudited condensed consolidated interim financial information for the six month period ended 31 March 2014</i>	117
Part XI	Use of proceeds, investment policy and returns and information about the Issuer	141
	<i>Further information relating to the use of the proceeds subscribed for Notes.</i>	
Part XII	Information on the Issuer	146
	<i>General information about the Issuer including details of its directors and a summary of its articles of association.</i>	
Part XIII	United Kingdom Taxation	149
	<i>A summary of certain provisions of tax law in the UK as it might affect the Issuer and Investors who are resident in the UK.</i>	
Part XIV	Additional information on Castle Trust	151
	<i>General information about Castle Trust including details of its directors, board committees and regulatory status and summaries of its asset and liability management policies.</i>	
Part XV	Information on Castle Trust Capital Management Limited	161
	<i>Brief information on CTCM including details of its directors.</i>	
Part XVI	General information	162
	<i>Including information on where documents are available for inspection.</i>	
Part XVII	The Fortress Bond Terms and Conditions	165
	<i>The terms and conditions applicable to Fortress Bonds, being the sale of Notes by Castle Trust and CTCM to Investors, the repurchase by Castle Trust of Notes and their safeguarding.</i>	
Part XVIII	Glossary of terms and definitions	178
Part XIX	Directory	186
	<i>Contact information for the parties associated with the issue of Notes.</i>	

PART I

SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A – Introduction and warnings		
A.1	Introduction	This summary should be read as an introduction to this Base Prospectus. Any decision to invest in Notes should be based on consideration of the Base Prospectus as a whole by the investor. Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus key information in order to aid investors when considering whether to invest in the Notes.
A.2	Use of the Base Prospectus	The Issuer has consented to the use of this Base Prospectus from the date of its publication by (i) all financial intermediaries which are authorised to offer securities to the public or distribute notes under the Financial Services and Markets Act 2000, as amended or the relevant legislation implementing the Markets in Financial Instruments Directive (2004/39/EC) in the United Kingdom and (ii) by Castle Trust Capital plc (" Castle Trust ") and Castle Trust Capital Management Limited (" CTCM "), and to the distribution of notes (the " Notes ") pursuant to the £1,500,000,000 Castle Trust Direct Programme for the issuance of Notes (the " Programme ") in the United Kingdom. The offer period within which the Issuer consents to the later resale or final placement by financial intermediaries or by Castle Trust or CTCM is from 3 July 2014 to 2 July 2015. The offer of Notes by financial intermediaries or by Castle Trust or CTCM must be made pursuant to the terms and conditions of the Notes (the " Note Conditions "). If an offer is being made by a financial intermediary or by Castle Trust or CTCM, such financial intermediary or Castle Trust or CTCM will inform Investors of the terms and conditions of the offer at the time the offer is made.

Section B – Issuer and Castle Trust Capital plc		
B.1	Legal and commercial Name	Castle Trust Direct plc (the " Issuer ") Castle Trust Capital plc; Castle Trust
B.2	Domicile; legal	The Issuer was incorporated in England and Wales as a public

	form; legislation; country of incorporation	<p>limited company under the Companies Act 2006 on 19 May 2014 under the name of Castle Trust Direct plc with registered number 9046984.</p> <p>Castle Trust was incorporated in England and Wales as a private limited company on 29 November 2010 and was converted to a public limited company on 24 November 2011, under the Companies Act 2006 under the name of Castle Trust Capital plc with registered number 07454474.</p>
B.4b	Known trend information	Bank of England data on mortgage approvals shows that activity in the mortgage market has increased by 38% from March 2013 to March 2014. Similarly house prices have increased recently as measured by Nationwide's house price index, which has grown by 9.5% over the same period. As of 31 May 2014, Castle Trust had advanced £18m of mortgages. 99% of this has been advanced since 30 September 2013.
B.5	Description of the group and the Issuer and Castle Trust's position within the group	Castle Trust is a wholly-owned subsidiary of Castle Trust Holdings (Jersey) Limited (" CTHJ "), which in turn is majority owned by J.C. Flowers Fund III, a subsidiary of the J.C. Flowers group. Castle Trust has four subsidiaries: CTCM, the Issuer, Castle Trust Income Housa plc (" CTIH ") and Castle Trust Capital Nominees Limited (together, the " Group ").
B.9	Profit forecast or estimate for Castle Trust and the Issuer	Not applicable; no profit forecast or estimate has been published.
B.10	Qualifications in independent accountant's report on historical financial information of Castle Trust and the Issuer	Not applicable; there are no qualifications in any audit report or any independent accountant's report on the historical financial information of Castle Trust and the Issuer has not produced financial information since the date of its incorporation.
B.11	Working capital insufficient for present requirements	Not applicable; the Issuer is of the opinion that the working capital of the Issuer is sufficient for its present requirements. Castle Trust is of the opinion that the working capital of Castle Trust is sufficient for its requirements.
B.12	Selected key financial information on Castle Trust and the Issuer; no material adverse change statement and no significant change statement	<p>Based on Castle Trust's financial information for the year ended 30 September 2013, Castle Trust had total assets of £45,627,085, total equity of £42,984,363 and total liabilities of £2,642,723. For the year ended 30 September 2013, Castle Trust and its subsidiaries made a consolidated loss after taxation of £7,989,342. The financial information in this paragraph is extracted from the consolidated historical financial information of Castle Trust for the period ended 30 September 2013. The Issuer has not produced financial statements since the date of its incorporation.</p> <p>There has been no material adverse change in the prospects of Castle Trust since 31 March 2014 or of the Issuer since the date of its incorporation. There has been no significant change in the financial or trading position of the Issuer since the date of its incorporation or Castle Trust since 31 March 2014.</p>
B.13	Recent events particular to Castle	Not applicable; there have been no recent events which are materially relevant to the evaluation of Castle Trust's or the

	Trust and the Issuer which are materially relevant to the evaluation of Castle Trust's solvency	Issuer's solvency.
B.14	Dependency of the Issuer and Castle Trust on other entities within the group	<p>Castle Trust is a wholly-owned subsidiary of CTHJ which in turn is majority owned by J.C. Flowers Fund III , a subsidiary of the J.C. Flowers Group. Castle Trust has four subsidiaries: CTCM, the Issuer, CTIH and Castle Trust Capital Nominees Limited.</p> <p>Castle Trust is not dependent upon other entities within the Group. The Issuer is a special purpose vehicle and is dependent on Castle Trust and CTCM for various functions. In particular, the Issuer has no material assets save for the obligations of Castle Trust (in its capacity as Borrower) under an intercompany loan agreement between the Issuer and Castle Trust (the "Borrower Loan Agreement").</p>
B.15	Description of the Issuer and Castle Trust's principal activities	<p>Castle Trust offers Mortgages to borrowers in respect of UK property and acts as counterparty to the Borrower Loan Agreement and to investment products entered into by CTIH and Castle Trust Growth Housa PC.</p> <p>The Issuer is a special purpose vehicle which issues asset backed securities and lends the proceeds to Castle Trust under the Borrower Loan Agreement. The objective of the Issuer is to provide a return to Investors in each series of Notes (each, a "Series") comprising interest on the interest payment date(s) (each, an "Interest Payment Date") and/or on the maturity date (each, a "Maturity Date") for the relevant Series of Notes.</p>
B.16	Owner/controller of Issuer and Castle Trust	The Issuer is directly wholly owned and controlled by Castle Trust. The Issuer and Castle Trust are each indirectly ultimately owned and controlled by James Christopher Flowers.
B.17	Ratings assigned to the Issuer or its debt securities or to Castle Trust	Not applicable: neither the Issuer nor Castle Trust is rated and Notes issued by the Issuer will not be rated.
B.20	Special purpose vehicle; entity status	The Issuer was incorporated as a special purpose vehicle for the purpose of issuing the Notes, being securities backed by the Borrower Loan Agreement.
B.21	Description of principal activities and overview of parties to programme	<p>The objective of the Issuer is to provide a return to Investors in each Series comprising interest on the Interest Payment Date(s) and/or on the Maturity Date for the relevant Series of Notes.</p> <p>In order to generate the amounts necessary to pay interest on ("Interest"), and to pay the amount payable on the relevant Maturity Date (the "Final Redemption Amount") of, the Notes, the Issuer will, on or about the date of this Base Prospectus, enter into the Borrower Loan Agreement with Castle Trust (in its capacity as "Borrower"). Under the Borrower Loan Agreement, the issue proceeds received by the Issuer for subscription for Notes (net of its costs) are advanced to Castle Trust until the Maturity Date of the relevant Series of Notes when Castle Trust repays the principal amount of such Advance. In addition, Castle Trust will pay interest on each Advance on (or immediately prior)</p>

		<p>to the Interest Payment Date(s) (if any) of the relevant Series of Notes and/or the Maturity Date of the relevant Series of Notes.</p> <p>The only business of the Issuer is the issue of Notes and the investment of the net proceeds in the Borrower Loan Agreement to generate the Interest and the Final Redemption Amount.</p> <p>Fortress Bonds are available for a minimum investment of £1,000 and provide returns for those who seek a competitive return on their capital or who wish to diversify their existing low risk investment portfolios. Fortress Bonds qualify for inclusion in SIPPs and ISAs.</p> <p>Fortress Bonds that are purchased from Castle Trust by UK retail investors are subject to the Financial Services Compensation Scheme (“FSCS”) for investment products, which as at the date of this document is for £50,000.</p> <p>Castle Trust is a regulated investment firm operating in the UK. Castle Trust, which was incorporated in England in 2010, operates predominantly from its head office in London and had 38 permanent employees as at 31 May 2014.</p> <p>Castle Trust provides equity loans and interest bearing mortgages (“Mortgages”) secured on UK property.</p> <p>When providing Mortgages, Castle Trust targets that the property and interest exposure underlying the Mortgages matches that underlying Castle Trust’s funding liabilities.</p> <p>Liquid assets: a minimum of 20% of the amount invested by an Investor, being the number of Notes purchased multiplied by the issue price for the relevant Series of Notes (the “Investment Amount”), paid by Investors for their Notes (up to a maximum of the total subscription proceeds not issued as Mortgages) is invested by Castle Trust into liquid assets with a maturity of less than two years. This is intended to ensure that Castle Trust has sufficient liquid reserves in order to fund the Interest and Final Redemption Amount payments due pursuant to the Borrower Loan Agreement. As at the date of this prospectus, Castle Trust holds in excess of £17m of liquid assets.</p> <p>Castle Trust uses the advances under the Borrower Loan Agreement to fund its Mortgage business.</p> <p>Castle Trust is the immediate parent of the Issuer.</p> <p>The Issuer has appointed CTCM as its calculation agent, nominee for holders of the Notes and marketing manager in respect of the Notes. CTCM is a sister company of the Issuer.</p> <p>The Issuer has appointed JTC (Jersey) Limited, who is unconnected to the Issuer, as registrar of the Notes.</p> <p>The Issuer has appointed JTC (Trustees) UK Limited, who is unconnected to the Issuer, as “Trustee” (which expression includes all persons for the time being trustee or trustees appointed under the trust deed dated on or after the date of this Base Prospectus (as amended or supplemented from time to time)) between the Issuer and the Trustee (the “Trust Deed”).</p>
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B.22	Statement regarding lack of operations/ financial statements since incorporation	Since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Base Prospectus.
B.23	Key financial information on the Issuer	Not applicable; since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Base Prospectus.
B.24	Material adverse changes	There has been no material adverse change in the prospects of the Issuer since the date of its incorporation (no financial statements have been made up as at the date of this document).
B.25	Description of underlying assets	<p>The Borrower Loan Agreement</p> <p>The Issuer will, on or about the date of this Base Prospectus, enter into the Borrower Loan Agreement with the Borrower.</p> <p>Under the Borrower Loan Agreement the Issuer pays the amount raised from the issue of the Notes (less certain costs payable by the Issuer) to the Borrower. In return, the Borrower agrees to pay to the Issuer an amount not less than the Interest and the Final Redemption Amount as the Notes mature.</p> <p>The Borrower Loan Agreement has the characteristics that demonstrate capacity to produce the funds required to service the payments due and payable on the Notes. However, the Interest and Final Redemption Amount payable to the Investors is dependent on the Borrower's ability to meet its payment obligations under the Borrower Loan Agreement and the relevant Advance.</p> <p>The Borrower does not provide any security to the Issuer to meet its obligations under the Borrower Loan Agreement.</p> <p>The Borrower meets its obligations under the Borrower Loan Agreement to pay the Interest and the Final Redemption Amount by providing Mortgages to UK customers and investing in liquid assets.</p> <p>Castle Trust's business</p> <p>Castle Trust's business model is based on the provision of loans to the owners of UK residential property secured by a mortgage. Castle Trust generates its margins on Mortgages through the accrual of interest or, instead of collecting interest, by participating (on the basis of a pre-defined formula) in any rise in the value of the property upon which its Mortgages are secured. In some cases Castle Trust's returns are based on the movements of the Index rather than upon the value of the individual mortgaged property. Castle Trust Mortgages may, in some cases, include both house price linked and interest accruing features.</p> <p>Each Mortgage represents a relatively small proportion (typically up to 20%) of the value of each individual property. These individual, granular exposures are pooled to achieve broad diversification. The element of exposure to house price movements which Castle Trust assumes through its Mortgages is offered to investors who seek exposure to UK housing returns</p>

		<p>through Castle Trust's Housa investments. The element of exposure to UK interest rates which Castle Trust assumes through its Mortgages is offered to investors through the issue of Fortress Bonds.</p> <p>Liquid assets: a minimum of 20% of the Investment Amount paid by Investors for their Notes is invested by Castle Trust into liquid assets such as money market funds, cash and cash equivalents with a maturity of less than two years. This is intended to ensure that Castle Trust has sufficient liquid reserves in order to fund the Interest and Final Redemption Amount payments due pursuant to the Borrower Loan Agreement.</p> <p>Investors do not have any rights over the mortgages provided by Castle Trust nor the liquid assets it holds from time to time.</p>
B.26	Details of actively managed pool of assets	Not applicable; there is not an actively managed pool of assets backing the Notes.
B.27	Statement if further securities backed by same assets	There is not a separate identifiable pool of Mortgages backing each Advance under the Borrower Loan Agreement. Accordingly, the Issuer proposes to issue further Notes backed by the same assets, which will be announced to the market (including holders of the Notes) by the Issuer.
B.28	Transaction structure	<p>All Notes are issued by the Issuer to Castle Trust on their respective issue dates. Once issued, the Notes are admitted to trading on the regulated market of the ISE on the same business day.</p> <p>Castle Trust sells the Notes to investors who make valid applications during the offer period(s) for the relevant Series of Notes (the "Offer Period"). Castle Trust pays the sums received from sale of the Notes to the Issuer to discharge the outstanding inter-company loan created when the Notes are issued by the Issuer to Castle Trust. Any Notes which are not sold by Castle Trust during the Offer Period are redeemed.</p> <p>The Issuer advances all subscription monies in respect of Notes received from Castle Trust (less certain fees payable to CTCM) to Castle Trust under the Borrower Loan Agreement. Castle Trust will pay interest to the Issuer on each Advance on (or immediately prior to) the Interest Payment Date(s) (if any) and/or the Maturity Date of the relevant Series of Notes.</p> <p>On the Maturity Date for each Series of Notes, the Advance made by the Issuer to Castle Trust in relation to that Series will mature and Castle Trust will pay the Issuer a sum not less than the Final Redemption Amount and any Interest due on the Maturity Date. The Issuer will pay the Final Redemption Amount and any Interest due on the Maturity Date to the Investor and the Notes of such Series will be redeemed in full.</p> <p>The terms and conditions pursuant to which Investors purchase the Notes contain an obligation on Castle Trust to buy back the Notes held by Investors. This states that Castle Trust agrees to purchase the Notes held by that Investor on the Maturity Date if they have not been redeemed by 14.00 on that day for an amount equal to the Final Redemption Amount and any Interest</p>

		<p>due but unpaid on the Notes.</p> <p>The Issuer intends to ensure Notes are redeemed prior to this buy-back taking place.</p> <p>The structure is illustrated in the following diagram:</p> <pre> graph TD Investors -- "Investment Amount" --> CTCPLC[Castle Trust Capital PLC] CTCPLC -- "Beneficial interest in Notes" --> Investors CTCPLC -- "Beneficial interest in Notes" --> CTCL[Castle Trust Capital Nominees Limited] CTCPLC -- "Subscription monies" --> CTDP[Castle Trust Direct plc] CTDP -- "Issue of Notes" --> CTCL CTDP -- "Castle Trust Direct plc advances monies received for subscription in accordance with the Borrower Loan Agreement" --> CTCPLC </pre>
B.29	Flow of funds	<p>The Notes are issued to Castle Trust and the subscription amount is left outstanding on inter-company account.</p> <p>Castle Trust sells the Notes to investors who make valid applications during the Offer Period. Castle Trust pays the sums received from the sale of the Notes to the Issuer to discharge the outstanding intercompany loan created when the Notes are issued by the Issuer to Castle Trust. Any Notes which are not sold by Castle Trust during the Offer Period are redeemed.</p> <p>The Issuer advances all subscription monies received from Castle Trust (less certain costs payable by the Issuer) to Castle Trust under the Borrower Loan Agreement. The Issuer offsets its liability to pay the subscription monies to Castle Trust under the Borrower Loan Agreement against Castle Trust's liability to satisfy the intercompany debt for the subscription amount for the Notes. This reduces the number of money flows required.</p> <p>Interest is payable on the Notes at the times specified as Interest Payment Dates (if any), and/or the Maturity Date set out, in the applicable Final Terms. Interest is funded by Castle Trust's obligations under the Borrower Loan Agreement. A minimum of 20% of the Investment Amount paid by Investors for their Notes (up to a maximum of the total subscription proceeds not issued as Mortgages) is invested by Castle Trust into liquid assets with a maturity of less than two years. This is intended to ensure that Castle Trust has sufficient liquid reserves in order to fund the Final Redemption Amount payments due pursuant to the Borrower Loan Agreement.</p> <p>Payment of the Final Redemption Amount in respect of Notes which are redeemed on their Maturity Date shall be made by the Issuer to Investors within three Business Days of the Maturity Date or, if the repayment of the Advance under the Borrower Loan Agreement to which the Notes relate is delayed, within three Business Days of such later date on which the amount of</p>

		<p>each repayment is actually received by the Issuer in cleared monies.</p> <p>The payment of redemption proceeds will be made by the Issuer by cheque or BACS made payable to each relevant Investor (or all named holders in the case of joint holders) and posted to the name and address of the Investor (or to the name and address of the first named holder in the case of joint holders) as appearing in the Register.</p>
B.30	Name/description of originators of securitised assets	<p>The only assets of the Issuer are the Borrower's obligations under the Borrower Loan Agreement. Castle Trust is the borrower under the Borrower Loan Agreement and provides Mortgages to its customers. The business address of Castle Trust is: 41 Lothbury, London EC2R 7HG.</p>

Section C – Securities		
C.1	Type and class of securities	<p>The securities offered are unsecured loan notes in minimum denominations of £1.00 ("Notes"). Up to £1,500,000,000 aggregate nominal amount of Notes may be outstanding at any one time pursuant to the Programme.</p> <p>Each Series is offered for sale to Investors only during the relevant Offer Period.</p> <p>Each Series issued under the Programme will have fixed terms.</p> <p>Each Note bears interest on the date(s) and at fixed or floating annual rates (Notes bearing a fixed rate being "Fixed Rate Notes" and Notes bearing a floating rate being a "Floating Rate Notes"). At the end of its term, each Note that has not previously been redeemed is redeemed at its Final Redemption Amount.</p> <p>The specific terms of each Series are completed in the final terms document published in respect of such Series (the "applicable Final Terms").</p> <p>The Notes are transferable obligations of the Issuer that can be bought and sold by Investors in accordance with the Note Conditions set out in the Base Prospectus as completed by the applicable Final Terms.</p> <p>The Notes are issued in registered form ("Registered Notes") only. Unless an Investor requests otherwise, legal title to all Registered Notes is held by a nominee (the "Nominee") which initially is CTCN. The legal title to Registered Notes is represented by Certificates; one Certificate is issued representing the legal title to each Noteholder's entire holding of Registered Notes of one Series. Noteholders' legal interests in Notes are recorded by the Registrar in the Register. Investors' beneficial interests in Notes are recorded by the Nominee. A Certificate is not sent to Investors unless they opt also to hold legal title to their Notes.</p> <p>[Issue specific summary: Series: [●] Year [●] [20●] Notes Series Number: [●]</p>

		<p>Aggregate Nominal Amount of the Series: [●] Registered Notes: Global Certificate exchangeable for Individual Certificate only upon request to hold legal title to Notes ISIN Code: [●] Offer Period: [●] Maturity Date: [●]]</p>
C.2	Currency of securities	Sterling
C.5	Restrictions on free transferability of securities	<p>In relation to the United States, Notes are sold and offered outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S under the United States Securities Act of 1933, as amended. Selling restrictions also apply to offers, sales or transfers of the Notes under the applicable laws in various other jurisdictions.</p> <p>The minimum denomination of each Note will be £1.00.</p> <p>Subject to the above, the Notes will be freely transferable.</p>
C.8	Rights attached to securities including ranking and limitations on those rights	<p>Ranking</p> <p>The Notes are direct, unconditional, senior, unsubordinated and unsecured obligations of the Issuer that rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured, unsubordinated obligations of the Issuer.</p> <p>Negative pledge</p> <p>The Notes do not have the benefit of a negative pledge.</p> <p>Withholding tax</p> <p>All payments of principal and interest in respect of the Notes are made free and clear of withholding taxes of the United Kingdom, unless the withholding is required by law.</p> <p>In the event that any such deduction is required, neither the Issuer nor, as the case may be, Castle Trust will be required to pay any additional amounts to cover the amounts so deducted.</p> <p>Events of Default</p> <p>The Notes do not have the benefit of events of default.</p> <p>Meetings and modification</p> <p>Meetings of Noteholders may be called by the Issuer or by Noteholders to consider matters relating to the Notes, including the modification of the Note Conditions. The Note Conditions may be modified by a resolution passed by at least three quarters of the votes cast at such a meeting. Any modification so approved will be binding on all Noteholders.</p> <p>The Trustee may modify or amend the Note Conditions without the consent of Noteholders if, in its opinion, such amendment is to correct a manifest error; of a formal, minor or technical nature; or is not materially prejudicial to the interests of the Noteholders.</p>

		<p>Notices</p> <p>Notices shall be sent to Noteholders at their address on the Register, and shall be deemed to have been given on the fourth weekday after the date of sending.</p> <p>Governing law</p> <p>English law.</p> <p>Enforcement of Notes in Global Form</p> <p>In the case of Notes held in the form of a Global Certificate, individual Investors' rights against the Issuer will be governed by a Trust Deed dated 3 July 2014, a copy of which will be available for inspection at the registered office of the Issuer or the Trustee.</p>
C.9	Interest/Redemption	<p>Interest</p> <p>In respect of each interest calculation period, Notes will bear interest at a fixed or floating rate of interest.</p> <p>Fixed interest will be payable in arrear on a set date or dates.</p> <p>[Issue specific summary:</p> <p>[Fixed Rate Notes are not being issued pursuant to these Final Terms]</p> <p>[Rate[s] of Interest: [●]% per annum payable [annually/semi-annually/quarterly/on the Maturity Date] (as such rate may be increased by the Issuer (if at all and at its absolute discretion) during the Offer Period and notified to Noteholders prior to the end of such period) in arrear</p> <p>Interest Payment Date(s): [●] in each year up to and including the Maturity Date/[●]</p> <p>Fixed Coupon Amount(s): [●] per Calculation Amount]</p> <p>Floating Rate Notes will bear interest at a rate determined separately for each Series as follows:</p> <p>(i) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</p> <p>(ii) on such other basis as may be determined by the Issuer.</p> <p>[Issue specific summary:</p> <p>[Floating Rate Notes are not being issued pursuant to these Final Terms]</p> <p>Specified Period(s)/Specified Interest Payment Dates: [[●] in each year from (and including) the Maturity Date[●]]</p> <p>Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day</p>

		<p>Convention/[●]]</p> <p>Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/Bank of England Base Rate Determination]</p> <p>Margin(s): [+/-] [●]% per annum (as such rate may be increased by the Issuer (if at all and at its absolute discretion) during the Offer Period and notified to Noteholders prior to the end of such period)</p> <p>Minimum Rate of Interest: [●]/[Not Applicable]</p> <p>Maximum Rate of Interest: [●]/[Not Applicable]</p> <p>Return on redemption at maturity</p> <p>On the relevant Maturity Date, and subject to any previous purchase and cancellation or early redemption, the Notes will be redeemed for an amount equal to the Final Redemption Amount.</p> <p>[Issue specific summary:</p> <p>[Final Redemption Amount: Unless previously redeemed and cancelled, each Note will be redeemed at its Final Redemption Amount of: [●]]</p> <p>Redemption of Castle Trust-held Notes at the option of the Issuer</p> <p>Any Notes that have not been subscribed for by Investors before the end of the relevant Offer Period are redeemed by the Issuer at the end of the Offer Period. In addition, the Issuer may redeem all or any Notes held by Castle Trust at any time giving not less than five days' notice for the Final Redemption Amount.</p> <p>[Issue specific summary:</p> <p>[Redemption at the option of the Issuer: the Issuer may redeem all of the Notes in which Castle Trust has an interest: (i) (save for such Notes which Castle Trust indicates it will transfer to Investors subject to receipt of cleared funds) on the day before the Interest Commencement Date of: [●] at the Final Redemption Amount of: [●]; (ii) where Castle Trust has failed to discharge the inter-company debt owed to the Issuer in consequence of the initial subscription for the Notes by the end of the day falling [four] Business Days after the Interest Commencement Date of: [●] at the Issue Price of: [●]; and (iii) at any time giving not less than 5 Business Days' notice to redeem at the Optional Redemption Amount of: [●].]</p> <p>Optional redemption (early encashment)</p> <p>Certain Notes may be redeemed earlier than their Maturity Date following the exercise of a put option by an Investor, subject to a charge.</p> <p>The charge will be calculated on the basis of a certain number of days' interest in respect of the original duration of the relevant Note.</p>
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		<p>[Issue specific summary:</p> <p>[The Issuer shall, at the option of the holder of any Note redeem such Note on [●] at [●] less the Optional Redemption Charge of [●] together with interest (if any) accrued to such date.]</p> <p>Yield: The yield of each Series of Notes will be calculated on an annual or semi-annual basis using the relevant Issue Price at the relevant Issue Date.</p> <p>[Issue specific summary:</p> <p>[Yield: Based upon the Issue Price of [●], at the Issue Date the anticipated yield of the Notes is [●] per annum.]</p> <p>Trustee for the Noteholders: JTC Trustees (UK) Limited which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).</p>
C.10	Derivate components:	Not applicable; there is no derivative component in the interest payments made in respect of Notes.
C.11	Status of trading on regulated market	<p>Applications have been made for Notes to be admitted during the period of 12 months after the date of this Base Prospectus to the Official List of the ISE and to trading on its regulated market.</p> <p>[Issue Specific Summary:</p> <p>[[The Issuer will apply for the Notes to be] / [The Notes are] admitted to trading on the regulated market of the ISE which is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).]</p>
C.12	Minimum denomination of Issue	£1.00.

Section D – Risks		
D.2	Key information on the key risks specific to the Issuer and Castle Trust	<p>The key risks specific to the Issuer are:</p> <ul style="list-style-type: none"> The Issuer has no material assets save for the Borrower's obligations under the Borrower Loan Agreement and therefore if the Borrower fails to meet those obligations the Issuer will not be able to meet its obligations to Investors. The Issuer's only investments for each Series are in the relevant Advance under the Borrower Loan Agreement and there is no counterparty risk diversification. <p>The key risks specific to the Borrower are:</p> <ul style="list-style-type: none"> Castle Trust is exposed to the risk of borrowers defaulting on their repayment obligations, and its overall financial performance depends to a certain extent on a number of macroeconomic factors outside the control of Castle Trust which impact on UK house buying and mortgage lending, including political, financial and economic conditions. Factors include gross domestic product growth, unemployment rates, consumer confidence, the availability

		<p>and cost of credit, taxation, and regulatory changes. These factors could reduce the level of demand for Mortgages and adversely impact the ability of borrowers to satisfy their repayment obligations.</p> <ul style="list-style-type: none"> • Mortgages that have been loaned by Castle Trust are unlikely to be easily sold by Castle Trust. If the period of time for which borrowers hold Mortgages is longer than usual for the UK mortgage market, Castle Trust may be unable to meet its obligations under the Borrower Loan Agreement because insufficient Mortgages have been repaid. • Castle Trust operates in a regulated environment. Non-compliance by Castle Trust with applicable laws, regulations and codes relevant to the financial services industry would lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operation or, in extreme cases, withdrawal of authorisation to operate. • Castle Trust's future success depends to a significant degree upon the continued contribution of its key personnel, its ability to recruit, train, retain and motivate personnel, and to ensure that employment contract terms are appropriate. • Castle Trust is reliant on third party people. IT systems and architecture which are provided by and/or supported by third party vendors. A material systems failure could result in loss of key records, leading to financial loss and/or customer detriment.
D.3	Key information on the key risks specific to the securities	<p>The key risks specific to the Notes are:</p> <ul style="list-style-type: none"> • Investors' capital is at risk. Investors may lose up to the entire value of their investment in the Notes as a result of the occurrence of: <ul style="list-style-type: none"> (a) the insolvency of the Issuer and/or Castle Trust; and (b) amounts payable being subject to deduction for tax and/or expense. • The Borrower Loan Agreement is unsecured and Castle Trust does not provide collateral in respect of its obligations under the Borrower Loan Agreement. The Notes are therefore subject to the credit risk of Castle Trust. • In the event that Castle Trust has insufficient reserves to repurchase all Notes maturing, qualifying Investors' only recourse will be to the FSCS (under which, at the date of this document, they may seek to recover up to £50,000 of losses). • Otherwise, in the event that Castle Trust has insufficient reserves to pay to the Issuer the Final Redemption Amount for, and any Interest due on, the Notes as they mature, all affected Investors would rank as ordinary unsecured creditors of the Issuer to the extent that the Issuer has insufficient funds to pay in full the Final Redemption Amount

		<p>and/or any Interest due on their Notes.</p> <p>[Issue specific summary:</p> <p>[The key risks specific to the Notes are:</p> <ul style="list-style-type: none"> Investors' capital is at risk. Investors may lose up to the entire value of their investment in the Notes as a result of the occurrence of: <ul style="list-style-type: none"> (a) the insolvency of the Issuer and/or Castle Trust; and (b) amounts payable being subject to deduction for tax and/or expense. [Investors will not be entitled to redeem any of their Notes prior to the Maturity Date. However, Investors may dispose of their Notes if a secondary market develops but there is no guarantee that such a market will develop (independently of Castle Trust) or whether it will be liquid or illiquid. The FSCS does not apply to Investors who acquire Notes on any such secondary market.] / [Investors may dispose of their Notes if a secondary market develops but there is no guarantee that such a market will develop (independently of Castle Trust) or whether it will be liquid or illiquid. The FSCS does not apply to Investors who acquire Notes on any such secondary market.] The Borrower Loan Agreement is unsecured and Castle Trust does not provide collateral in respect of its obligations under the Borrower Loan Agreement. The Notes are therefore subject to the credit risk of Castle Trust. In the event that Castle Trust has insufficient reserves to repurchase all Notes maturing, qualifying Investors' only recourse will be to the FSCS (under which, at the date of this document, they may seek to recover up to £50,000 of losses). Otherwise, in the event that Castle Trust has insufficient reserves to pay to the Issuer the Final Redemption Amount for, and any Interest due on, the Notes as they mature, all affected Investors would rank as ordinary unsecured creditors of the Issuer to the extent that the Issuer has insufficient funds to pay in full the Final Redemption Amount and/or any Interest due on their Notes.]
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Section E – Offer		
E.2b	Reasons for offer; use of proceeds	The net proceeds from the issue of Notes are used by the Issuer to invest in the Advance for that Series under the Borrower Loan Agreement. This is in line with the investment objective to pay to Investors the Final Redemption Amount at the Maturity Date and to pay interest on the relevant Interest Payment Date(s) and/or

		<p>the Maturity Date.</p> <p>Castle Trust uses the funds it receives from the Issuer under the Borrower Loan Agreement to lend Mortgages (a maximum of 80% of such funds received) and also to invest in liquid assets (a minimum of 20% of such assets). Obligations under the Borrower Loan Agreement mean that Castle Trust must pay the Issuer an amount equal to the Final Redemption Amount as Notes mature and to pay interest on the relevant Interest Payment Date(s) and/or the Maturity Date.</p>
E.3	Description of terms and conditions of Offer	<p>Separate Series of Notes are created from time to time for the Notes to be issued with varying terms and interest rates (each being a distinct “Offer Series”).</p> <p>Under the offer for the purchase of Notes issued in respect of the relevant Series (each, an “Offer”), applicants may apply for Notes in any Offer Series at the fixed issue price (the “Issue Price”) of £1.00 per Note.</p> <p>The currency for the Offer is Sterling.</p> <p>A minimum of one thousand (1,000) Notes in aggregate are made available under each Offer.</p> <p>The Proceeds of each Offer (being the aggregate Issue Price of all Notes) are expected to be £1,000 if the minimum number of Notes are issued and the subscription price is paid, and the maximum amount will be equal to the aggregate nominal amount of the relevant Series (plus accrued interest, if applicable) if the subscription price is paid.</p> <p>The minimum application size per Investor is £1,000.</p> <p>Castle Trust offers Notes from the date on which the Offer Period begins until 14.00 (London time) on the date on which the Offer Period ends or such earlier or later date as the Issuer may agree. Applications received after the end of the Offer Period are not accepted. Notes are allocated and transferred to Investors as successful applications are received and processed by Castle Trust.</p> <p>No Notes of any Offer Series are offered for sale after the end of the Offer Period (subject to the Issuer’s above-mentioned discretion to extend or shorten the Offer Period). The Issuer (as advised by Castle Trust) may reject any application in respect of the Offer in its absolute discretion.</p> <p>Multiple applications under the Offer are permitted. On receipt of an application, Castle Trust sends a notice within five Business Days detailing an Investor’s right to cancel their investment and informing the Investor of the number of Notes they have acquired. Dealing may begin once Castle Trust has sent such notification. There is a 14 day period commencing on the receipt of such notice by the Investor during which an Investor can withdraw or reduce their investment. The right to cancel notice is deemed to be received by the Investor two Business Days after it is posted by Castle Trust. Castle Trust will repurchase Notes in such instances at the Issue Price in accordance with the Fortress Bond Terms and Conditions.</p>

		<p>[Issue specific summary:</p> <p>Offer Period: [●] – [●]</p> <p>[Amount of any expenses and taxes specifically charged to the Investor: [Not Applicable]/[●]]</p> <p>[Names and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment: [None/[●]]</p>
E.4	Description of any Interests	<p>Castle Trust and CTCM act as initial purchaser and marketing manager (respectively) of the Notes and CTCM will be paid fees in relation to its role as marketing manager. Castle Trust and CTCM may perform other services for the Issuer and its affiliates.</p> <p>[Issue specific summary:</p> <p>[Save for certain fees payable to CTCM (equal in amount to £[●]) in connection with the issue of the Notes and the net amounts of the Notes advanced to Castle Trust under the Borrower Loan Agreement] [and save for [●]], no person involved in the issue of the Notes has an interest material to the offer.]</p>
E.7	Estimated expenses charged to Investor	<p>Investors who invest directly with Castle Trust are not subject to an initial charge.</p> <p>No other charges are levied on Investors by the Issuer.</p> <p>Investors may be subject to third party charges from financial intermediaries or service providers in relation to the Fortress Bonds.</p>

PART II

RISK FACTORS

Prospective investors should note that the risks relating to the Group, its industry and the Notes summarised in the section of this Base Prospectus headed “Summary” are the risks that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Issuer and Castle Trust face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed “Summary” but also, among other things, the risks and uncertainties described below.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons, which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Any risk that the Issuer considers to be material has been disclosed here.

Capitalised terms that are not defined in this section will have the meanings given to them elsewhere in this Base Prospectus.

Contents of this Part II

1	Risks relating to the Issuer
2	Risks relating to the Issuer’s business
3	Credit risk relating to the Issuer
4	Risks relating to Castle Trust – the Borrower
5	Financial Services Compensation Scheme
6	Borrower Loan Agreement risk
7	Risks relating to the Notes
8	Status
9	Risk of cancellation
10	Conditionality of the Offer

1 Risks relating to the Issuer

The Issuer is a recently incorporated company and as such has no historical trading and financial information. The Issuer has no material assets save for the Borrower's obligations under the Borrower Loan Agreement and therefore if the Borrower fails to meet those obligations the Issuer will not be able to meet its obligations to Investors and will have no means to do so.

2 Risks relating to the Issuer's business

The investment objective for the Notes issued in respect of each Series is achieved through making an Advance under the Borrower Loan Agreement. The Final Redemption Amount and Interest payments are funded by payments due to the Issuer under the Borrower Loan Agreement. The returns the Borrower gains from its Mortgage business and the investment in cash and Sterling fixed and floating interest rate instruments are intended to generate the funds to satisfy the Borrower's obligations under the Borrower Loan Agreement and so provide the Issuer with the funds it requires to pay the Interest and the Final Redemption Amount for each Series of Notes.

If these returns do not materialise or are lower than expected it could limit funds available to the Borrower to enable the Borrower to satisfy in full and on a timely basis its obligations under the Borrower Loan Agreement.

3 Credit risk relating to the Issuer

Investors should be aware that the Issuer has no material assets save for the Borrower's obligations under the Borrower Loan Agreement and the funding of Interest and the Final Redemption Amount for each Series of Notes comes entirely from the Borrower Loan Agreement. There is no other source of funding of Interest and the Final Redemption Amount. Therefore, the Issuer is subject to all the risks relating to income and expenses to which the Borrower is subject. Investors should review the "*Risks relating to Castle Trust*" for an understanding as to the risks associated with the Borrower.

Investors should be aware that the Issuer's only investments in respect of each Series are in the relevant Advance under the Borrower Loan Agreement. There is the same counterparty in respect of each Advance and accordingly there is no counterparty risk diversification. The obligations of the Borrower under the Borrower Loan Agreement are not collateralised.

The obligations in respect of the redemption of the Notes of each Series are solely obligations of the Issuer and neither the Borrower nor any other person has any obligation to the Investors for payment of any amount due in respect of the relevant Notes save that when Investors purchase Notes from Castle Trust, they do so on terms and conditions that incorporate an obligation on the part of Castle Trust to repurchase such Notes on the Maturity Date for an amount equal to the Final Redemption Amount and any Interest due but unpaid. Such Investors can opt for Castle Trust not to buy back their Notes and for the Notes to be redeemed from them directly **in which case such Investors will no longer be eligible claimants under the FSCS (see below).**

If in respect of any Advance referable to a Series the Borrower does not make the payment that it is obliged to pay to the Issuer under the relevant Advance for any reason, there will be a shortfall in the monies to pay the relevant Interest and Final Redemption Amount payable and, consequently, the relevant Investors may not receive the Final Redemption Amount, Interest payments, distributions or any other amounts.

4 Risks relating to Castle Trust – the Borrower

Castle Trust provides Mortgages to homebuyers and homeowners.

A Castle Trust Mortgage is, typically, a second-charge mortgage for (up to) 20% of the value of a property. The borrower must, typically, retain a minimum of 15% of their own equity in the property. Mortgages are only granted to good credit quality customers for purchase or remortgage. In most cases, there are no monthly payments.

On expiry of the mortgage term, sale of the property or earlier redemption, depending on the terms of the individual mortgage, Castle Trust typically recovers its principal plus either a profit share of, typically, up to

40% of any increase in the value of the mortgaged property or a profit share linked to the movement in the Index during the term of the Mortgage ("**Profit Share**"). In some cases these house priced linked returns may be partially or wholly substituted by the right to receive interest, which is typically deferred until the Mortgage is repaid.

If the value of the property declines during the mortgage term, Castle Trust does not, typically, participate in such a loss ("**Loss Share**").

Mortgages are provided for terms of between 1 and 30 years but borrowers may redeem part or all of their Mortgage before the end of its term. After the first year there are, typically, no early redemption charges for doing so. Mortgages which have an element of return linked to house price movements typically incorporate a minimum defined repayment amount.

In most cases Castle Trust Mortgages are subordinated to a first charge mortgage from a traditional lender (see above). A borrower is free to refinance his first charge mortgage at any time, provided the amount borrowed under that primary mortgage is not increased. The only exception to this is when the borrower uses an additional amount borrowed under the primary mortgage to repay part or all of their Castle Trust Mortgage.

Castle Trust is the only counterparty for the purposes of the Borrower Loan Agreement and each Advance made by the Issuer under it. This means that the risks Castle Trust faces as a result of its Mortgage lending operation and its cash investment operation may adversely impact its solvency and will directly affect its ability to meet payments due to the Issuer under the terms of the Borrower Loan Agreement. Various factors could adversely impact Castle Trust's solvency including the following:

4.1 *Castle Trust's exposure to the creditworthiness of borrowers*

Members of Castle Trust's management team and board have significant experience in managing the creditworthiness of borrowers. However, Castle Trust may be exposed to the risk of borrowers defaulting on their repayment obligations. In particular, if a borrower defaults on his primary mortgage, the borrower will be required to pay an interest charge as well as to repay Castle Trust's Mortgage early. If a borrower has defaulted then it is likely that he will also struggle to pay such interest charge and will also struggle to repay the Castle Trust Mortgage. Such a default by individual borrowers is an inherent risk of the business but would have little impact on Castle Trust's business. However, systemic default by many borrowers would, if it occurred, have a significant impact on Castle Trust's business.

4.2 *Castle Trust's exposure to macroeconomic factors*

Macroeconomic factors including, but not limited to, developments in the on-going UK and global economic environment could adversely impact Castle Trust's business and operating results. The global economy has recently been experiencing a period of significant turbulence and uncertainty. Castle Trust's performance depends to a certain extent on a number of macroeconomic factors outside the control of Castle Trust which impact on UK house buying and mortgage lending, including political, financial and economic conditions. Factors which impact on house buying and mortgage lending include, among other things, gross domestic product growth, unemployment rates, consumer confidence, social and industrial unrest, the availability and cost of credit, interest rates, taxation, and regulatory changes.

The future and long-term impact that UK macroeconomic factors will have on Castle Trust is difficult to predict. The weak economic conditions in the UK over recent years have led to deterioration in consumer confidence and lower volumes of residential property transactions which could reduce the level of demand for Castle Trust's Mortgages. There can be no assurance as to levels of future economic growth and any deterioration in the UK's economy could have an adverse impact on the future results of operations of Castle Trust. Moreover, any future economic growth may be modest. The impact and duration of the UK economic weakness has proven very difficult to predict and this will apply to any further deterioration or any recovery.

Macroeconomic factors, including the recent economic weakness in the UK could result in an increased risk that borrowers may face personal financial difficulties which impact their ability to service the required repayments on their primary mortgages, which in turn could result in borrowers being unable to repay the Mortgage. Such a default by individual borrowers is an inherent risk of the business but would have little impact on Castle Trust's business. However, a systemic failure by a significant proportion of Mortgage

borrowers at any given time may have an adverse effect on Castle Trust's financial condition and future prospects.

4.3 *Castle Trust's regulatory risk*

Castle Trust's management team and board have significant experience in managing regulatory relationships. Castle Trust provides some services which are subject to regulation by the FCA and such regulation is likely to increase, including (but not limited to) as a result of the transfer of the regulation of consumer credit from the Office of Fair Trading to the FCA on 1 April 2014.

If for any reason these changes meant that Castle Trust was unable to issue Mortgages then the Issuer may not be able to continue to issue Notes until and unless it could provide an alternative means of funding the returns for new Notes.

Failure of Castle Trust to implement and maintain appropriate processes and controls to ensure that it does not sell services or products which are not suitable for clients and to ensure that the conduct of Castle Trust's other activities comply with the relevant regulations, or failure of Castle Trust to review and update its regulatory permissions and the status of its authorised persons so as to ensure that its existing and new activities as they develop, are consistent with Castle Trust's regulatory permissions and authorisations, could lead to public reprimand, the imposition of significant fines, the revocations of permissions or authorisations and/or regulatory sanctions. Any of these could lead to adverse publicity and reputational damage as well as financial loss, all of which could have a material adverse effect on the business, results of operations, financial condition and prospects of Castle Trust. However, Castle Trust considers this risk to be low.

Implementation of the proposed EU Directive on Credit Agreements Relating to Residential Property may lead to a change to regulations governing buy to let mortgages. The proposed extension of the scope of the directive to include buy to let lending may adversely impact Castle Trust. Castle Trust would face increased regulation in relation to its buy to let lending and could have to comply with regulatory provisions relating to (i) advertising, marketing and pre-contract information disclosure, and (ii) creditworthiness and sustainability assessments when underwriting buy to let mortgages. The ability to provide buy to let mortgages may be subject to stricter regulatory requirements which could negatively affect Castle Trust's business, results of operations, profitability or financial condition, and which could adversely impact the ability of Castle Trust to make repayments under the Borrower Loan Agreement, thereby negatively impacting the Issuer's ability to fulfil its obligations under the Notes.

4.4 *Castle Trust's asset and liability matching risk*

Castle Trust's Mortgages are not readily tradable and, if the time from origination to repayment is longer than usual in the UK mortgage market, Castle Trust may not have sufficient liquid resources to meet its obligations as the Borrower. Between Q4 1999 and Q1 2013 the implied average duration has varied from 4.1 years to 9.5 years (Source: Castle Trust calculated the implied average duration as the average outstanding lending over a year divided by the repayments in that year. Lending and repayments data Bank of England statistics ref LPQB4C6 and LPQVTXH).

Asset and liability matching is core to Castle Trust's business model and members of Castle Trust's management team and board have significant experience in managing the matching of assets and liabilities. Castle Trust seeks to match the expected duration of its balance sheet liabilities to the expected average duration of its balance sheet assets within its board risk limits which include liquidity risk limits. It does this through the management of the duration profile of the funding it raises and the assets it purchases. To provide a liquidity buffer for fluctuations around the expected average duration, Castle Trust targets retaining a minimum of 20% of funds raised from Fortress Bonds in liquid assets such as money market, cash and cash equivalents.

Castle Trust seeks to manage the interest rate exposure present in both its assets and liabilities in the same manner.

In addition to interest and duration risk, the Castle Trust balance sheet is impacted by movements in the price of UK residential property through its provision of Mortgages and issue of house price linked funding. Castle Trust seeks to match the constituents of the Index meaning that the residential property exposure of its assets should match that of its liabilities. However, there remains the risk that the Index will

outperform Castle Trust's assets and therefore it may be unable to meet its liabilities under the Borrower Loan Agreement if Castle Trust holds insufficient cash or fixed or floating rate income securities. Changes to the methodology, rules or data used by the Index Sponsor in calculating the Index may reduce the ability of Castle Trust to match its assets and liabilities. The probability of index tracking error having such an extreme impact that Castle Trust will be unable to meet its liabilities is low. This is because, in the event that Castle Trust sees general falls in the value of properties for which it has provided Mortgages, then, providing that such properties are a reflective sample of properties that make up the Index, the Index will fall in a similar manner, reducing Castle Trust's liabilities. In circumstances where there is a greater than 25% fall in national property values, the likelihood is increased that some borrowers will have moved into negative equity, thereby exposing Castle Trust to greater potential for a loss on foreclosure. The probability of this occurring is considered by Castle Trust to be low because historical trends indicate that it is very unlikely to happen but it may have a significant impact on Castle Trust's business if it were to occur.

4.5 *Castle Trust's risk of losing key employees*

The ability to successfully operate and grow the Castle Trust business is largely dependent on the efforts, abilities and services of senior management and other key employees. Castle Trust's future success will also depend on, among other factors, its ability to attract and retain qualified personnel, either through internal training and promotion, direct hiring or the acquisition of other businesses employing such professionals. In particular, Castle Trust's management team have developed an important understanding of both the market for Mortgages and house price linked investment products as well as experience of going through the regulatory process with the FCA and the ISE. As Castle Trust develops the Mortgage market and builds on relationships with primary mortgage lenders and enhances its investment proposition it will need to retain additional skilled employees to maintain such relationships. An inability to attract and retain key employees could materially adversely impact on Castle Trust's business, operating results or financial condition.

4.6 *Castle Trust's risks in relation to third party service providers and suppliers*

Castle Trust's ability to operate and grow its business in a controlled manner is significantly dependent on people, processes and systems provided by third party outsource providers and suppliers. Third parties provide a wide range of services for Castle Trust including (i) in relation to its investment products: transaction processing, client and financial record keeping, client and broker communications, client money and anti-money laundering controls, management information and reporting, and complaint handling; (ii) in relation to its mortgage products: loan originations processing, post completion servicing, client and broker communications, client and financial record keeping, management information and reporting, and complaint handling; and (iii) IT systems architecture, software and data services. Any significant or persistent failure by any third party to deliver services in accordance with their contractual obligations to Castle Trust could result in adverse publicity, reputational damage or otherwise materially adversely impact Castle Trust's business, operating results or financial condition.

4.7 *Castle Trust's risk as a new business*

Castle Trust has been trading since October 2012, a period of approximately 18 months. Whilst Castle Trust has completed £18m of Mortgages as at 31 May 2014 and it is the board's opinion that the company's positive growth trend is now established. There is a risk that demand for Mortgages in the future will either fail to grow or will diminish. Members of Castle Trust's management team and board have significant experience in establishing and running new businesses, particularly in retail financial services. If the development of Castle Trust's Mortgage franchise did not achieve anticipated growth rates, the board may seek to alter or extend the company's business model by designing and launching mortgage products which meet the evolving needs of its customers and prospective customers or by using the subscription proceeds to generate Interest and Final Redemption Amounts in ways that are different from those described in this Base Prospectus.

4.8 *Risk of Castle Trust taking on further counterparty liabilities*

Castle Trust is a new business seeking opportunities to expand its markets and its product lines. Aside from the Income Housa, Growth Housa and Protected Housa products (described below), discussions of new products are currently only at the exploratory stage and no decisions have yet been taken in respect

of any products that might be offered or the structures that might be used for these products.

On 4 October 2012 the Group launched two products, an Income Housa and a Growth Housa.

An Income Housa is an investment for a fixed term of 3, 5 or 10 years, giving investors the opportunity to share in the performance of UK house prices through the Halifax House Price Index (“HHPI”) with a fixed income every three months. The Income Housa is a ‘loan note’ issued by Castle Trust Income Housa plc, a Jersey company (“CTIH”) and a sister company to the Issuer. The level of interest an investor receives depends on the investment term such investor chooses at the start and is paid out every three months for the full term. CTIH then repays the loan note at the end of the term. The value of the loan note at the end of the investment term is directly linked to the change in the HHPI, so an investor’s original investment will be adjusted for the rise or fall in the HHPI over the term.

Growth Housas are Participating Preference Shares of Castle Trust PCC and its cell company Castle Trust Growth Housa PC with similar properties to Income Housas. In a similar manner to Income Housas, Growth Housas are offered in 2 classes each month: 5 year shares and 10 year shares. As with the Income Housa, the Growth Housa is an investment product which is designed to grant the investor exposure to the potential growth or fall of the HHPI over the life of the product. It will provide a return such that the amount invested will be adjusted by the returns providing an enhanced exposure to the upside in the HHPI and a reduced exposure to the downside. The precise terms of the return payable to Investors depend on the duration of the product and whether the investment is held until redemption or early redeemed at the Group’s discretion.

On 1 February 2014, the Group launched the Protected Housa. The Protected Housa is similar to the Growth Housa, being a share in Castle Trust PCC – Castle Trust Growth Housa PC but is for a fixed term of five years and offers a different return on the HHPI. The Protected Housa delivers participation in any growth in HHPI over the 5 year term to the customer, or the return of their original investment should the HHPI level be lower at the end of the term than at the start.

Castle Trust acts as counterparty in each of the Income Housa, Growth Housa and Protected Housa transactions through the provision of investment products which generate the relevant return. Castle Trust’s liabilities under such products will rank *pari passu* with its liabilities under the Borrower Loan Agreement.

It is possible that Castle Trust will launch additional investment products to be offered alongside the Income Housas, the Growth Housas, the Protected Housas and the Fortress Bonds. Whilst no decision has yet been made as to the structure of any new product (including as to whether such new product might be offered through existing Castle Trust entities or through a new company), if a counterparty were required then it is likely that Castle Trust would again act as such counterparty. It is most likely, however, that the obligations of Castle Trust under any new products would rank *pari passu* with its obligations in respect of the Income Housas, the Growth Housas, the Protected Housas and the Fortress Bonds.

If Castle Trust were to act as counterparty to additional investment products, and its liabilities under these additional investment products were to rank *pari passu* with its liabilities under the investment products in respect of Income Housas, Growth Housas and the Protected Housas and its liabilities under the Borrower Loan Agreement, the creditworthiness of Castle Trust would be reduced in proportion to the amount of additional liability that it accepts as counterparty to such alternative investment products if, for example, the new product pays a return which is not wholly correlated with Castle Trust’s portfolio of Mortgages and liquid assets.

4.9 Possible exposure of Castle Trust to fraud

It is Castle Trust’s belief that the incidence of fraud has historically been higher in the buy to let market than amongst owner occupiers. With the entry of Castle Trust into the buy to let market, and as an originator and potentially purchaser of loan assets, Castle Trust is exposed to possible fraud by borrowers, purported borrowers, their professional advisors such as solicitors, accountants or valuers as well as by employees. Attempted fraud typically involves borrowers, either acting alone or in concert with professional advisers, seeking to obtain funds by adopting a false identity or using a false inflated property valuation or purporting to own a property or seeking a release of security without redeeming the underlying loan. In addition, solicitors or conveyancers could abscond with completion monies, although redress under the indemnity arrangements required by the Solicitors Regulation Authority is normally

available in such circumstances in relation to solicitors.

Castle Trust has in place processes and procedures and industry standard anti-fraud analytic systems to counter fraud, however, it is possible that large scale fraud could adversely affect Castle Trust's revenues and/or profits which could in turn adversely impact the Issuer's ability to fulfil its obligations under the Notes.

4.10 *Competition in Castle Trust's mortgage markets*

The UK financial services market is highly competitive. Competitors in the owner-occupier and buy to let mortgage markets range from large multi-product high street banks to small and highly specialised operations. Castle Trust's buy to let mortgage operations exist in areas of the market that are at present less regulated than other financial sectors. This limits barriers to entry to the market which creates the potential for an increase in the number of new competitors, or speed with which existing competitors can launch new products.

The market is expected to remain highly competitive in all of Castle Trust's business areas, which could adversely affect Castle Trust's business, results of operations and financial condition.

5 **Financial Services Compensation Scheme ("FSCS")**

The FSCS is the UK's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a firm is unable to, or unlikely to be able to, pay claims against it. The FSCS is funded by annual levies imposed on firms authorised by the FCA, including Castle Trust.

When investing, Investors purchase their Notes from Castle Trust, which is a purchase governed by the Fortress Bond Terms and Conditions. Under the Fortress Bond Terms and Conditions, on the maturity of the Notes, Castle Trust will repurchase the Notes for an amount equal to the Final Redemption Amount and Interest due but unpaid.

Castle Trust is authorised and regulated by the Financial Conduct Authority to carry out regulated activity and is a participant in the Financial Services Compensation Scheme established under the Financial Services and Markets Act 2000. The FSCS can pay compensation to Investors if an investment firm (such as Castle Trust) is unable to meet its financial obligations. Such compensation is only available to Investors who have purchased their Notes directly from Castle Trust (or those Investors who have inherited their Notes from someone who themselves purchased their Notes directly from Castle Trust) and have not opted out of Castle Trust's buy back obligation. FSCS compensation is not available for Investors who purchased their Notes on the secondary market. If an Investor has suffered a loss as a result of Castle Trust failing to meet its financial obligations (for example, if it failed to buy back the Notes because it had become insolvent) then the Investor would be able to make a claim under the FSCS. Most Investors, including most individuals and some small businesses, are covered by the FSCS. In respect of investments, an eligible investor is entitled to claim up to £50,000 of losses. For further information about the FSCS, including the amounts covered and eligibility to claim, please ask Castle Trust for more detail or refer to the FSCS website www.fscs.org.uk.

There is a risk, however, that the FSCS may cease to operate or will not be sufficiently funded to meet the compensation claims of Investors and accordingly they may not be compensated for the full amount of the relevant Final Redemption Amount and Interest due but unpaid.

6 **Borrower Loan Agreement risk**

The Issuer's sole asset is the Borrower Loan Agreement, the financial contract with the Borrower, which is designed to enable the Issuer to meet its liabilities under the Notes. The Borrower Loan Agreement contains an obligation on the Borrower to pay an amount equal to the Interest payments due to Investors as they fall due and an amount not less than the Final Redemption Amount as Notes mature. Other than via litigation for contractual breach, the Issuer has no access to the assets of the Borrower in the event that the Borrower fails to meet its payment obligations under the Borrower Loan Agreement. Therefore, in such circumstances the Issuer will in turn be unable to meet its obligations to Investors.

7 Risks relating to the Notes

7.1 *The capital of Investors subscribing for Notes may be at risk*

As described above (see “Financial Services Compensation Scheme”), Investors who have purchased their Notes directly from Castle Trust (or those Investors who have inherited their Notes from someone who themselves purchased their Notes directly from Castle Trust) and have not opted out of Castle Trust’s buy back obligation would be eligible for compensation by the FSCS if an Investor has suffered a loss as a result of Castle Trust failing to meet its financial obligations (for example, if it failed to buy back the Notes because it had become insolvent). FSCS compensation is not available for Investors who purchased their Notes on the secondary market.

There is a risk, in relation to Investors eligible for compensation by the FSCS that, if the Issuer and/or Castle Trust goes out of business or becomes insolvent and the FSCS ceases to operate or is not sufficiently funded to meet the compensation claims of Investors, Investors may lose all or part of their investment in the Notes.

In addition, for those Investors who purchased their Notes on the secondary market and for whom FSCS compensation is not available, they may lose all or part of their investment in the Notes if the Issuer goes out of business or becomes insolvent.

7.2 *No secondary market for the Notes*

There is currently no secondary market for the Notes and investors should be aware that there is no assurance and no expectation that an active trading market for the Notes will develop or, if developed, be sustained. Neither the Issuer nor Castle Trust is under an obligation to make a market in the Notes.

Investors should be aware that investment in any Notes should be viewed as an investment for the full Investment Term of such Notes.

Fortress Bond products are sold as term investments and Castle Trust expects that most Investors will not wish to sell or redeem them at a date that is sooner than full term. At this early stage in the operations of the Issuer, it is not anticipated that the market for Fortress Bond products will become large enough to incentivise an independent third party to encourage the development of a secondary market.

If Noteholders wish to exit their investment in Notes and cannot trade them publicly, they may, where the Notes include an early encashment feature (referred to as an investor put) request Castle Trust to repurchase their Notes prior to their Maturity Date. Each Business Day, Castle Trust will agree to repurchase Notes from a Noteholder at a price reflecting the period of investment subject to an early redemption charge (which will be set out in the applicable Final Terms).

If Castle Trust is not able to repurchase Notes, there may not be a market maker to offer to buy and sell the Notes in the secondary market during their Investment Term.

7.3 *The market price of the Notes (traded independently of Castle Trust) may fluctuate significantly in response to a number of factors, many of which will be beyond the Issuer’s control.*

If an active trading market develops (although there is no expectation that such a market will develop independently of Castle Trust), the market price of the Notes may fluctuate significantly in response to a number of factors, most of which are beyond the Issuer’s control, including trade size, cost of funding, interest rates, credit risk, supply and demand as well as a bid/offer spread. Any or all of these events could result in a material decline in the price of the Notes. **Investors should note that any Notes purchased on the secondary market will not be covered by the FSCS in respect of the Final Redemption Amount payable for such Notes on the maturity of such Notes, or any Interest due but unpaid by the Issuer.**

Even if an active trading market develops, the price which can be obtained for Notes in the market at any time may be less than the Final Redemption Amount or even the Issue Price in respect of those Notes. **Any Investor who disposes of any Notes prior to their Maturity Date may receive back less than the amount which he or she invested in the Notes.**

7.4 *Changes in taxation may affect the value of the investments held by an Investor or the Final Redemption Amount.*

Any change in the Issuer's tax status, or in taxation legislation or in the interpretation or application of tax legislation in the UK, or in any other tax jurisdiction affecting an Investor, could affect the value of the investments held by an Investor, the amount paid to the Issuer under the Borrower Loan Agreement, the Issuer's ability to achieve the stated investment objective of each Series and/or alter the post-tax returns to Investors. Statements in this document concerning the taxation of Investors resident in the UK are based upon current UK tax law and practice which is subject to change, possibly with retrospective effect. Any such change could adversely affect the ability of the Issuer to meet the stated investment objective or adversely affect the ability of the Issuer to pay the Interest or the Final Redemption Amount in relation to the Notes on the relevant Final Repayment Date to Investors. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Issuer will endure indefinitely.

Notes qualify to be held by Investors in a SIPP to shelter them from tax that might otherwise be payable. It is expected that Notes qualify to be held by Investors in an ISA as from 1 July 2014 pursuant to changes to the ISA regulations which are due to be implemented by such date. There is a risk that the regulations may change or HMRC's rules may change such that Notes could become ineligible to be held in a SIPP or not become eligible to be held in an ISA from 1 July 2014, or any gains from the Notes held in an ISA or SIPP may become taxable.

It is not currently anticipated that there will be any withholding obligation on account of tax affecting payments made under the Borrower Loan Agreement. If, however, there is a change in tax legislation at any time which imposes an obligation to withhold on account of tax from payments by the Borrower to the Issuer under the Borrower Loan Agreement, the amount payable by the Borrower may be reduced by the amount of such withholding. This may affect the ability of the Issuer to pay the Interest and/or Final Redemption Amount to Investors. **In particular, it should be noted that if a change in taxation law were to result in the obligation to withhold on account of tax from payments to Investors under the Notes, the amount of the Interest and Final Redemption Amount actually received by Investors would be reduced. The Issuer will not make any additional payments to Investors in the event that any withholding obligation is imposed on payments by the Issuer under the Notes issued in respect of any Series.**

7.4 *Interest rate risks*

The Notes may bear interest at a fixed rate. Potential investors should note that if interest rates rise, then the income payable on such Notes might become less attractive and, to the extent that investors are able to sell the Notes, the price that investors could realise on the sale of the Notes may fall.

However the market price of the Notes from time to time has no effect on the total income investors receive on maturity of the Notes if the investor holds the Notes until maturity. Further, inflation will reduce the real value of the Notes over time, which may affect what investors could buy with their investment in the future and may make the fixed rate payable on the Notes less attractive in the future, again affecting the price that investors could realise on any sale of the Notes.

7.5 *Investors are relying solely on the creditworthiness of the Issuer*

The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain debts preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer. Whilst the Issuer has advanced amounts to Castle Trust under the Borrower Loan Agreement and Castle Trust is therefore obliged to repay each Advance to the Issuer equal in amount to a corresponding Series of Notes, Castle Trust does not guarantee or otherwise provide credit support for the Notes and each investor in the Notes is relying on the creditworthiness of the Issuer and no other person. If the Issuer goes out of business or becomes insolvent, Noteholders may lose some or, in the worst case scenario, all of their investment in the Notes.

7.6 *US Foreign Account Tax Compliance Withholding*

Sections 1471 through 1474 (inclusive) of the US Internal Revenue Code ("**FATCA**") impose a new

reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments by any non-US financial institution (a foreign financial institution or “**FFI**” (as defined by FATCA)) that (i) does not become a “**Participating FFI**” by entering into agreement with the US Internal Revenue Service (“**IRS**”) to provide certain information on its account holders or (ii) is not otherwise exempt from or in deemed-compliance with FATCA.

After consultation with a number of potential partner countries, the US has released a model intergovernmental agreement (“**model IGA**”) to facilitate FATCA implementation. Pursuant to FATCA and the model IGA, an FFI in a signatory country could be treated as a deemed-compliant FFI, an exempt FFI or a “**Reporting FFI**” not subject to FATCA withholding on any payments it receives and, with respect to payments it makes from sources within the US, would not be required to withhold. A Reporting FI is, however, required to report certain information on its account holders to its home government. On 12 September 2012, the US and the UK entered into an agreement (the “**US-UK IGA**”) based largely on the model IGA.

The Issuer expects to be treated as a Reporting FFI pursuant to the US-UK IGA and does not anticipate being obliged to withhold any amounts under FATCA from payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FFI or that it would not be required to withhold under FATCA or pursuant to the US-UK IGA. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold amounts under FATCA if (a) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FFI, or otherwise exempt from or in deemed-compliance with FATCA or (b) an investor (other than an exempt investor) does not provide information sufficient to determine whether the investor is a US person or should otherwise be treated as holding a “United States Account”.

If an amount in respect of FATCA withholding were to be deducted or withheld from interest, principal or other payments on the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. If any FATCA withholding is imposed, a beneficial owner of Notes that is not a FFI generally will be able to obtain a refund only to the extent an applicable income tax treaty with the US entitles it to an exemption from, or reduced rate of, tax on the payment that was subject to withholding under FATCA.

FATCA is particularly complex and its application is uncertain at this time. Prospective investors should consult their own tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

7.7 *Change of law*

The Conditions of the Notes are based on English law in effect as at the date of the issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative after the date of issue of the relevant Notes.

8 **Status**

The Notes are unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves.

Potential investors rank equally with other creditors of the Issuer and will not be preferred.

9 **Risk of cancellation**

The Issuer may, in its absolute discretion, cancel the offer and issue of Notes at any time prior to the end of the Offer Period. If such a cancellation occurs, all application monies for the Notes will be returned (without interest) to each prospective investor at the prospective investor's risk by no later than 30 days after the date of such cancellation.

If this were to occur, prospective investors would suffer opportunity costs in relation to their investment and would not receive any compensation reflecting any alternative use of their monies during such period.

10 **Conditionality of the Offer**

The Offer is conditional on the Issuer:

- (i) having received the approval of the ISE for the Notes of each Series to be admitted to the Official List of the ISE and to trading on its regulated market (subject only to their issue); and
- (ii) having made (or the Issuer being satisfied that it is reasonably likely to be able to make) the Advance under the Borrower Loan Agreement in respect of each Series on terms that the Issuer, at the time that each such Advance is made (or, if earlier, on the Issue Date), considers to be such as to enable it to meet the investment objective of each Series.

If either of these conditions is not satisfied in respect of the Notes of a relevant Series, the Issuer shall not issue any Notes of that Series pursuant to the Offer and the application monies for the Notes shall be returned (without interest) to each prospective investor at the prospective investor's risk by no later than 30 days after the date the Offer Period closes.

In addition, the terms and conditions of each Series will be determined by the Issuer at the time of issue and specified in the applicable Final Terms. Offers of Notes are conditional on their issue. Any offer or sale of Notes to an investor by a Financial Intermediary, Castle Trust or CTCM will be made in accordance with any terms and other arrangements in place between such Financial Intermediary, Castle Trust or CTCM (as applicable) and such investor including as to price, allocations and settlement arrangements.

If this were to occur, prospective investors would suffer opportunity costs in relation to their investment and would not receive any compensation reflecting any alternative use of their monies during such period.

PART III

OVERVIEW OF CASTLE TRUST AND ITS BUSINESS

This part of the Base Prospectus provides background information on Castle Trust and overview of its business. It also describes the role that the money invested in Notes plays within that business.

This Part III is arranged under the following subheadings:

BACKGROUND TO CASTLE TRUST AND ITS MARKETS

- 1 Introduction
- 2 History
- 3 UK residential property mortgage market, retail deposit and investment markets

BUSINESS OVERVIEW OF CASTLE TRUST

- 1 Overview of the Castle Trust business model
- 2 Mortgages
- 3 Target market
- 4 Mortgage underwriting process
- 5 Primary lenders
- 6 Kent Reliance
- 7 Housas
- 8 Mortgages funded by the Housas and Fortress Bonds
- 9 Distribution
- 10 Key service providers
- 11 Head office
- 12 Competitors
- 13 Strategy for growth
- 14 Castle Trust's asset and liability management
- 15 Regulatory capital
- 16 Current trading
- 17 Directors, key management team and employees
- 18 Incentive arrangements
- 19 Dividends policy for Castle Trust
- 20 Use of proceeds

BACKGROUND TO CASTLE TRUST AND ITS MARKETS

1 Introduction

Castle Trust is a recently established UK mortgage and investment firm. The core of Castle Trust's business is the provision of Mortgages to UK customers and house-price or interest rate linked investments to investors who, Castle Trust believes, are not being adequately served by the product range available from existing banks and investment firms. Mortgages are funded by shareholder equity and by the issue of Housa investments and Fortress Bonds, which pay the net proceeds of such issues to Castle Trust to allow Castle Trust to offer its Mortgages. Further details regarding Mortgages and Housas can be found on pages 38 and 39, respectively.

Castle Trust, which was incorporated in 2010 and commenced trading on 1 October 2012, operates predominantly from its head office in Central London, and had 38 permanent employees as at 31 May 2014.

Castle Trust intends to establish a diversified lending portfolio of Mortgages. Potential borrowers are primarily reached through carefully selected distribution partners providing mortgage advice to customers. Castle Trust has developed products and underwriting technology and processes to enable it to make lending decisions quickly, expected to often be on an automated basis.

Castle Trust believes that by virtue of its ability to gain exposure to the UK housing market and interest rates via Mortgages and the absence of large fixed overheads in the form of a branch network, Castle Trust is able to offer competitively priced retail investments, currently being Housas and Fortress Bonds. Castle Trust intends to have all of its lending entirely funded by house price or interest rate linked investments or its own equity and, accordingly Castle Trust has no exposure to wholesale funding. To reduce liquidity risk, Castle Trust intends to actively manage the blend of Housa investments and Fortress Bonds (ranging from one to ten years) with the expected duration profile of the Mortgage portfolio (which is based on UK experience) using its systems and controls.

As at 31 May 2014, Castle Trust had over £37m of shareholder equity and held over £26m of liquid assets. In September 2012, Castle Trust received a £50.6m injection of share capital from its sole shareholder, Castle Trust Holdings (Jersey) Limited, to support the business in its operations and provide an adequate buffer above its regulatory capital requirements. This followed Castle Trust meeting all conditions required for business launch.

2 History

Castle Trust was incorporated in 2010.

On 11 August 2011, Castle Trust was licensed by the OFT to provide consumer credit products and on 5 September 2012 was authorised by the FCA to undertake regulated investment business with retail customers. In 2012, Castle Trust signed administration agreements with IFDS and Target Servicing.

Castle Trust launched its Mortgage business (for homeowners) on 1 October 2012 and its investment (Housa) business on 4 October 2012.

In relation to its Mortgage business, Castle Trust broadened its target market and distribution network in November 2013 by launching a mortgage product specifically for the buy to let market, and further in February 2014 by launching mortgage products (for both existing homeowners and buy to let investors) giving borrowers the option to repay Castle Trust based on the national house price index. These products represent a diversification from the original mortgage proposition which focused exclusively on owner occupier borrowers with repayments linked to individual property prices.

In relation to its investment business, Castle Trust launched a protected investment product in February 2014 to complement its original Housa products by offering investors exposure to UK housing returns.

Castle Trust received interim permission from the FCA to provide consumer credit products as from 1 April 2014 (when responsibility for consumer credit regulation passed from the OFT to the FCA).

As at 31 May 2014, 154 Mortgages have been issued in an amount of £18m.

3 UK residential property mortgage market, retail deposit and investment markets

Commercial Overview of UK Mortgage Lending

Since late 2008 many UK banks have encountered significant difficulties as the UK (and wider global) economy has experienced weak economic conditions. Certain UK banks continue to face a number of key challenges which, in the opinion of Castle Trust, include:

- the management of significantly impaired legacy loan books;
- balance sheet restructurings, in particular addressing liquidity, funding and capital issues;
- sizeable and inefficient infrastructure including multiple IT systems; and
- in some cases the impact of being wholly or partly nationalised.

Castle Trust believes that the above challenges and distractions faced by the established UK banking sector provide Castle Trust with a significant opportunity, as a well-capitalised, long term funded investment firm to grow within its chosen markets.

Set out below is a brief overview of the core markets in which Castle Trust intends to operate.

UK mortgage market

In July 2013, the Bank of England reported that total mortgage loans outstanding were £1,268 billion (Source: Bank of England).

Castle Trust targets certain specific segments of the UK mortgage market, being good credit quality customers who would like to withdraw equity from their property to invest sensibly or for other productive use, in exchange for sharing potential future profits or losses.

UK retail deposit and investment markets

The UK retail deposit market was estimated by the Bank of England to be worth in excess of £1 trillion as at 30 December 2013 (Source: Bank of England). Castle Trust does not offer deposits. However, some Fortress Bond customers may be switching their holding from deposit and current accounts into Fortress Bonds.

The UK investment market was estimated by the Investment Management Association to be worth in excess of £784 billion as at 31 March 2014 for UK domiciled funds, held, amongst other things, across equities, fixed income, money market, mixed asset, property, other and ISAs (Source: Investment Management Association). Castle Trust believes that some Fortress Bond customers switch to Fortress Bonds from their existing investment holding classes.

Castle Trust estimates Castle Trust's target retail customer base in the UK for Fortress Bonds to be in excess of £100 billion.

BUSINESS OVERVIEW OF CASTLE TRUST

1 Overview of the Castle Trust business model

The Castle Trust business model is based on the provision of loans to the owners of UK residential property secured by a mortgage. Castle Trust generates its margins on Mortgages through the accrual of interest or, instead of collecting interest, by participating (on the basis of a pre-defined formula) in any rise in the value of the property upon which its Mortgages are secured. In some cases Castle Trust's returns are based on the movements of the Index rather than upon the value of the individual mortgaged

property. Castle Trust Mortgages may, in some cases, include both house price linked and interest accruing features.

Each Mortgage represents a relatively small proportion (typically up to 20%) of the value of each individual property. These individual granular exposures are pooled to achieve broad diversification. The element of exposures to house price movements which Castle Trust assumes through its Mortgages is offered to investors who seek exposure to UK housing returns through Castle Trust's House investments. The element of exposure to UK interest rates which Castle Trust assumes through its Mortgages is offered to investors through the issue of Fortress Bonds.

By providing a means for property owners and investors to share risk and return, Castle Trust believes it is making the housing finance market in the UK more efficient, creating real value in the system by reducing systemic risk, and allowing all parties to benefit.

Castle Trust manages the house price and interest rate risk on its balance sheet through its exposure to its liabilities with a portfolio of liquid assets and Mortgages the returns of which are directly and predictably linked to interest rates and UK residential property. The product design, pricing and matching between Castle Trust's assets and liabilities means that Castle Trust's profitability from providing these products is expected to be positive irrespective of whether the Index rises or falls.

2 Mortgages

A Castle Trust Mortgage is typically a second-charge mortgage for (up to) 20% of the value of a property, advanced alongside (and subordinated to) a mortgage from a traditional lender. The borrower must, typically, retain a minimum of 15% of their own equity in the property. Mortgages are only granted to good credit quality customers for purchase or remortgage. In most cases, there are no monthly payments.

On expiry of the mortgage term, sale of the property or earlier redemption, depending on the terms of the individual mortgage, Castle Trust typically recovers its principal plus **either** a profit share of, typically, up to 40% of any increase in the value of the mortgaged property or a profit share linked to the movement in the Index during the term of the Mortgage ("**Profit Share**"). In some cases, these house price (or Index) linked returns may be partially or wholly substituted by the right to receive interest, typically which is deferred until the Mortgage is repaid.

If the value of the property declines during the mortgage term, Castle Trust does not, typically, participate in such a loss.

Mortgages are provided for terms of between 1 and 30 years but borrowers may redeem part or all of their Mortgage before the end of its term. After the first year there are, typically, no early redemption charges for doing so. Mortgages which have an element of return linked to house price (or Index) movements typically incorporate a minimum defined repayment amount.

In most cases Castle Trust Mortgages are subordinated to a first charge mortgage from a traditional lender (see above).

A borrower is free to refinance his first charge mortgage at any time, provided the amount borrowed under that primary mortgage is not increased. The only exception to this is when the borrower uses an additional amount borrowed under the primary mortgage to repay part or all of their Castle Trust Mortgages.

A Castle Trust Mortgage cannot be transferred to a new property. In this instance, the Mortgage must be repaid but the borrower is free to reapply for a new Mortgage from Castle Trust in relation to the new property.

Castle Trust Mortgages are governed by English law.

3 **Target market**

There are two categories of target customer for Castle Trust's Mortgages:

- a) existing homeowners; and
- b) investors in tenanted residential property ("**Buy to Let Investors**").

Castle Trust intends to achieve a diverse mortgage portfolio across all UK geographic regions and property types over time.

4 **Mortgage underwriting process**

Castle Trust's Mortgage underwriting process is similar to that of many primary mortgage lenders. Appropriate credit checking is conducted using credit reference agencies and industry standard mortgage fraud detection processes have been incorporated into the underwriting process. Appropriate affordability and repayment assessments are applied.

5 **Primary lenders**

Where a customer has an existing primary mortgage and a Castle Trust Mortgage is subsequently taken out, the primary lender could be any existing first charge lender which allows second charge mortgages. A significant majority of first charge lenders in the UK accept second charge mortgages.

6 **Kent Reliance**

Kent Reliance is a trading name of OneSavings Bank plc which, like Castle Trust, is financially backed by J.C. Flowers & Co.

On 11 July 2013, Castle Trust announced that it would offer its Mortgage product for home purchases in parallel with a three-year fixed term mortgage offered by Kent Reliance aimed at first time buyers. This Castle Trust Mortgage and the Kent Reliance mortgage were independent products administered separately by Castle Trust and Kent Reliance respectively. Kent Reliance withdrew its product on 28 November 2013 but the Castle Trust Mortgage product for home purchases remains available.

This parallel offer has been disclosed due to the related nature of Castle Trust and Kent Reliance rather than any anticipated significant impact on strategy. Given the limited take-up of this parallel offer in relation to home purchases, the withdrawal by Kent Reliance of its product has had no material impact on Castle Trust's business. Castle Trust continues to offer Mortgages to existing homeowners and this comprises a significant part of the Mortgage business.

7 **Housas**

Income Housas (notes issued by CTIH), Growth and Protected Housas (shares issued by the PCC) have the same essential features, being fixed term investments offering returns linked to the value of the UK housing market by reference to the performance of the Index.

Growth Housas deliver a multiple of any increase of the Index (for example 150% for a 5 year investment) and a reduced factor of any decrease of the Index (for example 50% for a 5 year investment). Protected Housas' capital returns match the Index unless the Index is lower at maturity than at inception of the investment. Where this occurs the investor is entitled to receive the original principal amount invested without reduction. This capital protection does not apply to investors who encash the Housa before maturity. Income Housas' capital returns match the Index and pay a fixed quarterly coupon.

Housas provide those saving to buy a home with the opportunity to reduce the risk of being priced out of the property market, by allowing them to invest in a product with returns linked to the UK housing market (the asset for which they are saving). They also offer investors the opportunity to diversify their portfolios

to include exposure to the UK housing market without the risks and expenses associated with a buy to let investment. Both income and capital gains may be sheltered from tax if held within a SIPP or ISA.

8 Mortgages funded by the Housas and Fortress Bonds

The funds received by the PCC (which issues Growth Housas and Protected Housas), CTIH (which issues Income Housas) or the Issuer will be paid under the Investment Product or Borrower Loan Agreement (as the case may be) to Castle Trust. Castle Trust will use a maximum of 80% of such funds to offer Mortgages, keeping a minimum of 20% of funds received in liquid assets with a maturity of less than two years. This is to ensure that Castle Trust has sufficient liquid resources to meet its expected redemptions over the coming 12 months. Over the longer term, these liquid assets provide a buffer against the peaks and troughs in the rate at which Mortgages are redeemed. The Investment Products are designed to mature at the same time as the Mortgages mature. Advances under the Borrower Loan Agreement are designed to mature at the same time as the corresponding Fortress Bonds.

Castle Trust invests all investments and assets excluding Mortgages and assets held for operational reasons (for example fixed assets) in accordance with its investment policy. Whilst the Castle Trust Board retains the authority to vary the investment policy, or authorise exceptions, restrictions under this policy currently include:

- all investments must have a maturity of less than two years;
- no more than 10% of investments can be held with a single counterparty, or £5m if greater. For Castle Trust's principal banking relationship, HSBC, this limit is increased to £10m if greater to cover banking requirements and excludes client money accounts; and
- a minimum long term credit rating of A- is required for bank deposits and a minimum credit rating of AA is required for Sterling liquidity funds.

Castle Trust will pay the amounts payable to Investors at maturity of the Housas or Fortress Bonds (which will be equal to the investment return or the Final Redemption (as applicable) due on those maturing Growth Housa shares, Income Housa Notes or Fortress Bonds), enabling the PCC, CTIH and the Issuer to redeem the shares and loan notes they have issued.

Further details in relation to this funds flow can be found in Part VIII of this document.

9 Distribution

Castle Trust distributes Mortgages exclusively via an approved group of mortgage adviser intermediaries in the UK. Each mortgage adviser group is subject to initial due diligence and on-going monitoring and review by Castle Trust with the aim of ensuring appropriate systems and controls over distribution of Mortgage products. To mitigate index tracking error the intention is to have an appropriate geographic spread of mortgage intermediaries across the UK advising on Mortgages.

Castle Trust primarily distributes Housas and Fortress Bonds directly to consumers as well as via FCA authorised investment intermediaries, as well as directly to consumers. All larger investment intermediaries with whom Castle Trust deals are subject to due diligence and on-going review by Castle Trust, with the aim of controlling and monitoring the quality of distribution to ensure suitability of advice and the management of compliance risk.

10 Key service providers

Castle Trust has appointed specialist third party service providers to support the business. Target Servicing has been appointed to provide administration services in relation to the Mortgage products. IFDS have been appointed to provide administration services in respect of the Housa and Fortress Bond products.

11 Head office

Castle Trust operates mainly from its head office premises in Central London where Castle Trust employs staff fulfilling management, finance, risk, legal compliance, distributor management, credit, underwriting, IT, marketing, HR and administration roles. Castle Trust had 38 permanent employees as at 31 May 2014.

12 Competitors

Whilst Castle Trust's key competitors vary across its product lines, in the opinion of Castle Trust, the general level of competition within the Castle Trust's chosen lending and funding markets is indirect via different product sets. Castle Trust believes that in its two markets, the principal source of competition is likely to be:

- Mortgages: lenders providing traditional mortgages;
- Housas and Fortress Bonds: asset managers, life companies and investment trusts competing with offerings in other asset classes including equity, fixed income and commercial property and deposit takers providing savings products.

13 Strategy for growth

Castle Trust's strategy is to build an established UK retail presence in the mortgage and investment markets through a focus on offering propositions which deliver to customer needs in carefully selected segments of the market where Castle Trust can operate with competitive advantage.

Castle Trust operates its Mortgage lending in two key business lines which it seeks to grow:

Buy to let: in the buy to let business line, Castle Trust offers equity loans where the return to be repaid by the customer is materially dependent upon the return on the investment property. It also offers loans where the return may be linked to a combination of a house price index and an interest rate where on a customer by customer basis the return may be either purely interest rate based or house price index based.

Owner occupied: in the owner occupied business line, Castle Trust offers equity loans where the return to be repaid by the customer is materially dependent upon the return on their home. For CCA exempt customers, Castle Trust also offers loans where the return may be linked to a combination of a house price index and an interest rate where on a customer by customer basis the return may be either purely interest rate based or house price index based.

Castle Trust intends to continue growing and diversifying its Mortgage business through professional and responsible lending across existing and new lending segments and the introduction of new distribution partners. Castle Trust intends to develop further innovative solutions for borrowers in the UK residential property market including variations of its current mortgage product for different types of borrower.

As Castle Trust's Mortgage business expands, it will fund its business through house price linked products (Housas) and interest linked products (including Fortress Bonds). As at the date of this document, Castle Trust has no specific plans to launch any additional funding or investment products within the next 12 months. However, growth of the Mortgage business or other developments may mean that Castle Trust does develop such plans.

For the avoidance of doubt, any new investment product offered by Castle Trust would not be offered under this Base Prospectus.

14 **Castle Trust's asset and liability management**

Asset and liability matching is a core part of the Castle Trust business model. Castle Trust has developed financial risk systems and processes to monitor and manage the risks to which it is exposed. The three most important risks are: house price risk; index tracking error and duration risk. These are discussed in turn below.

House price risk is the difference between the Index exposure of the Housas and the house price exposure of the mortgages. For example, if Castle Trust has issued too many Mortgages compared to Housas, then Castle Trust could make a loss if house prices fall. This risk will be managed by adjusting the rate at which Housas and Fortress Bonds are issued. Castle Trust will not issue more Mortgages than it can fund via Housas and Fortress Bonds and its equity base and, if required, will scale back Mortgage issuance accordingly. A fall in house prices reduces the value of both Castle Trust's assets (the Mortgages) and liabilities. The net impact of this is to mitigate the impact of falling house prices on Castle Trust. Further information in relation to the management of house price risk can be found on pages [159] and [160].

Index tracking error is the risk that the returns on a portfolio of individual houses do not follow the returns on the Index. Castle Trust has developed methodologies and systems to manage its tracking error across geography, borrower type, property type and property age. Where a variance is identified which requires management action, this is effected primarily through controlling gross issuance of assets and liabilities. Mortgage gross issuance is monitored and controlled according to geographic distribution, borrower type, property type and property age. Liability distribution is monitored to maintain appropriate balance by duration and by mix.

Duration risk is the risk that the portfolio of Mortgages will mature before or after the portfolio of liabilities. Castle Trust intends to manage the effects of duration risk by: investing a proportion of the funds raised from liability issuance into liquid assets; controlling the distribution of liability issuance to balance the average term of the liabilities with the term of the portfolio of assets; and in certain circumstances, not accepting or offering early redemptions of the liabilities. In general, duration risk will decrease as Castle Trust's balance sheet grows because the duration of a portfolio of mortgages is much more stable and predictable than the duration of an individual mortgage. The risk management systems model the assets and liabilities over their lifetime and the net cash flows arising. This is the basis for monitoring and controlling duration risk. The contractual liability of the primary assets (Mortgages) is typically much longer than their expected duration (due to people moving house and remortgaging). The capital management and liquidity policies are designed to address any experienced mismatch between the actual duration of such assets and the liabilities as they occur. Further information in relation to the management of duration risk can be found on page 160 under the heading "Liquidity Risk Management".

Castle Trust's financial risk management is overseen by the board risk committee which reports to the Castle Trust Directors. The Castle Trust Board benefits from board members with extensive experience of asset and liability matching and financial risk control: Dr David Morgan AO, former CEO of Westpac Banking Corporation; Tim Hanford, chair of the Risk Committee of Pension Insurance Corporation and a former director of Schroders; and the Chief Financial Officer, Keith Abercromby, who has held board level appointments across a number of UK financial institutions including Norwich Union, Clerical Medical and Liverpool Victoria Friendly Society prior to joining Castle Trust.

Further information can be found in Part XIV of this document.

15 **Regulatory capital**

Castle Trust is a IFPRU investment firm subject to the regulatory capital rules of the FCA.

As at 31 May 2014, Castle Trust had in excess of £37m core Tier 1 regulatory capital.

Castle Trust's regulatory capital position has been, and will continue to be, monitored as part of the Group ICAAP within which Castle Trust's capital resources and requirements are calculated separately. The ICAAP is updated annually with the capital requirements forming an integral part of Castle Trust's five year planning and budgeting process.

16 **Current trading**

Castle Trust launched its Mortgage business on 1 October 2012, and its Housa business on 4 October 2012. Its principal activities over the last 12 months until the date of this Base Prospectus have been building the necessary commercial relationships in order to grow the Castle Trust business – comprising the Housa investment products and the Mortgage lending products. This process could only begin in earnest once the business had commenced its operations, and significant progress has been made since October 2012.

£7m Housas have been issued to external investors as at 31 May 2014. Housas are now available on some of the largest intermediary wrap platforms in UK (such as Nucleus and Transact) and on some direct to customer investment sites, which Castle Trust believes will enhance Housa distribution.

As at the date of this document, the business received is within expectations for the second year of trading and does not breach any of Castle Trust's internal risk limits. Nor, as at the date of this document, does the Board consider the investment or mortgage business received to present a financial risk to current holders of, or potential investors in, Housas or Fortress Bonds. The equity capital of Castle Trust continues to be materially larger than the aggregate Income, Growth and Protected Housa issuances.

17 **Directors, key management team and employees**

Directors of Castle Trust

Sir Callum McCarthy (Non-Executive Chairman)

Non-executive director of the Industrial and Commercial Bank of China and IntercontinentalExchange. Chairman (non director) of Promontory Financial Group (UK). Previously the Chairman of the FSA (now split into FCA and PRA), J.C. Flowers & Co. Europe, Chairman and Chief Executive of Ofgem and its predecessors, CEO of Barclays Bank North America and Barclays Bank Japan. In his role as former Chairman of the FSA, Sir Callum's role included oversight of prudential and conduct regulation of all regulated financial institutions, including banks and building societies which have in the order of £1,000 billion of exposure to residential property via mortgages.

Dr David Morgan, AO (Non-Executive Director)

Managing Director of J.C. Flowers & Co. in charge of Europe and Asia Pacific, and non-executive director of OneSavings Bank (a regulated UK residential mortgage provider). From 1999 to 2008, David was the CEO of Westpac Banking Corporation and helped it grow to be one of the largest banks in Australia. It is one of the top 20 banks worldwide by market capitalisation. While Dr Morgan was CEO, Westpac was described as one of the world's most socially responsible banks, and in 2002 released a Social Impact Report that outlined the bank's plan to meet the highest international standards in the area of corporate social responsibility. While Dr Morgan was CEO, Westpac was assessed as the global sustainability leader for the banking sector in the Dow Jones Sustainability Index from 2004–2007. In 2009, Dr Morgan was awarded an Order of Australia in the Australia Day Honours by the Federal Government for his service to the finance sector as a leader in the development of policies affecting the regulation of financial institutions, corporate social responsibility, and economic reform. Before joining Westpac, David was the second most senior member of the Australian Treasury. David has an MSc (with distinction) and a PhD in Economics from the London School of Economics.

Dame Deirdre Hutton CBE (Independent Non-Executive Director)

Chair of the Civil Aviation Authority, non-executive director of Thames Water and Pro-Chancellor at Cranfield University, former deputy chair of the FSA, chair of the National Consumer Council, Scottish Consumer Council and the Personal Investment Authority Ombudsman Bureau. In her role as former deputy chair of the FSA, Dame Deirdre's role included oversight of prudential and conduct regulation of all regulated financial institutions, including banks and building societies which have in the order of £1,000

billion of exposure to residential property via mortgages.

The Rt Hon The Lord Deben (Independent Non-Executive Director)

A former Secretary of State for the Environment (including the Ministry of Housing and Local Government, where his responsibilities included housing market investment policy). A Minister under Margaret Thatcher and John Major and now a director of a number of businesses concerned with environmental, social and ethical issues, including Chairman of Valpak and Sancroft.

Mr Tim Hanford (Non-Executive Director)

Managing Director of J.C. Flowers & Co.. UK LLP, prior to which he was Head of Private Equity at Dresdner Bank and a member of the Institutional Restructuring Unit's Executive Committee. Other previous experience includes serving as an Executive Director of various Schroder Group companies, based in Hong Kong and Tokyo, where he was responsible for structured finance. He currently serves on the boards of OneSavings Bank plc, Pension Insurance Corporation Ltd, Compagnie Européenne De Prévoyance, Investment Trade Bank (Open Joint-Stock Company) and Cabot (Group Holdings) Limited. He holds an MS degree from Stanford University's Graduate School of Business, where he was a Sloan Fellow, and a BSc degree in Chemical Engineering from Birmingham University.

Mr Patrick Gale (Independent Non-Executive Director)

Non-executive director of Aztec Group, and a member of the risk, remuneration and audit committees, a senior adviser to Boston Consulting Group and formerly CEO of Sesame (the UK's largest IFA network).

Mr Richard Ramsay (Independent Non-Executive Director)

Chairman of Midas Income & Growth Trust plc and Redcentric plc and a director of Castleton Technology plc and John Laing Environmental Assets Group Limited, all quoted companies, and chairman of Wolsey Group Limited, URICA Ltd and Northcourt Ltd, all private companies. Previously a director of the Shareholder Executive, Managing Director of Regulation and Financial Affairs at Ofgem and a director of Intelli Corporate Finance Ltd, Ivory & Sime plc, Aberdeen Football Club and Barclays de Zoete Wedd.

Mr Sean Oldfield (Chief Executive Officer)

Sean undertook the necessary work to establish the business of Castle Trust in the UK prior to its being funded by J.C. Flowers & Co.. Roles before that include being a division director at Macquarie Bank in London, running the Public Market Strategies Group, establishing a business in Australia which provided a shared equity mortgage product and a mergers and acquisitions practitioner with Macquarie Bank in Sydney, Singapore, London and Madrid. Sean has degrees in Chemical Engineering (Hons) and Commerce (major in Finance) from the University of Sydney.

Mr Keith Abercromby (Chief Financial Officer)

Keith has over 25 years' experience in financial services and is a qualified actuary. Prior to joining Castle Trust he was Group Finance Director for Liverpool Victoria Friendly Society "LV=", a mutual offering asset management, banking, mortgages, life insurance and general insurance. Before this he was Finance Director for Norwich Union Life and its subsidiaries (NU Life, CU Life, GA Life plus others). Having joined the Halifax in 1995, Keith held a number of board roles including CEO of Halifax Financial Services and Halifax Life and Finance Director for the HBOS Insurance & Investment Division, Clerical Medical and Halifax Life.

Key Management Team members

Mr Matthew Wyles (Senior Adviser to the Board)

Matthew spent the first 20 years of his career in insurance, first in underwriting and then as an Executive Director in the Global Reinsurance Division at Willis plc. After eight years as a main board director of the Portman Building Society, he joined the Board of Nationwide in 2007 as Group Executive Director, Non-Retail. From 2009 to 2013 he served as Group Executive Director, Distribution, responsible for the branch

network, call centres, internet banking and regulated & intermediary distribution. Matthew was Chairman of the Council of Mortgage Lenders for two years in 2009 and 2010.

Mr Barry Searle (Chief Operating Officer)

Barry has over 20 years' experience within financial services in building and managing mortgage and savings operations. Barry was Operations Director at Private Label Mortgage Services, the largest Independent Mortgage packager when bought by GMAC RFC Limited in 2000. He was the Operations Director and then, after a period as the Marketing Director, became the Chief Operating Officer in 2003, responsible for Operations, IT, HR and facilities. GMAC RFC went from a start-up in 2000 to the 10th largest mortgage lender in the country in 2006. Barry was a Founding Director of Portillion Ltd, a start-up mortgage and savings bank, which closed in 2012, and then Chief Operating Officer of the Legal and General Mortgage division until December 2013.

Mr Tony Pauley (Managing Director)

Tony was a principal at Mercer, part of the Marsh & McLennan Companies Group, for 11 years (1999 to 2010). Most recently Tony was the technology leader responsible for the launch of Mercer Dynamic De-risking Solution (MDDS), in the UK and Ireland. Before that Tony was responsible for replacing Mercer's pension-valuation systems globally (a £30million project spanning six years). As Global Business Architect for Mercer's Retirement business, Tony was responsible for making sure that the pension systems met local laws in the UK, US, Canada, and Germany, as well as maintaining SAS70 certification of Mercer's Retirement Technology Group. Before his experience at Mercer, Tony was with Towers Perrin from 1995 to 1999.

Mr Mark Banham (General Counsel)

Mark has been General Counsel at Castle Trust since April 2011, having worked in financial services since 1998. Prior to Castle Trust, he was Head of Legal for the alternative asset management business of Phoenix Group (assets of £70bn) from 2008, supporting their fund of hedge fund, private equity and property businesses. Previous roles include Legal & Product Development Director at Skandia Investment Management Limited, as well as positions at Hogan Lovells, HSBC Alternative Investments and Aurum Funds. Mark is a Barrister (Inner Temple, 1996), with a Postgraduate Diploma in Law, and an Economics degree from Cambridge University.

Employees

Castle Trust had 38 permanent employees as at 31 May 2014, including two executive directors (but excluding non-executive directors). All of Castle Trust's employees are based in the UK.

18 Incentive arrangements

Castle Trust believes that an important factor in Castle Trust's success is its ability to motivate and retain its key employees.

The remuneration committee has reviewed the structure of remuneration for executive directors and senior management with a view to developing and implementing remuneration policies which both provide an appropriate motivational framework and align the interests of the senior management with the performance of the business and the interests of the shareholders.

As part of this exercise, the remuneration committee decided that the introduction of the Long Term Incentive Plan (the "**Plan**") would support Castle Trust's business strategy in the future.

The Plan, which was adopted in December 2010, allocates incentive points and aligns participants' longer term economic interests with those of shareholders. The Plan also reflects the remuneration committee's policy of linking remuneration to the performance of Castle Trust.

In addition to the Plan, Castle Trust operates discretionary bonus schemes (each a "**Bonus Scheme**") in relation to certain employees. Any award of bonuses under a Bonus Scheme is made at the discretion of

the remuneration committee.

Castle Trust believes, on the basis that it is a Tier Three Firm for the purposes of the FCA Remuneration Code, that the terms of both the Plan, the Bonus Schemes and the other aspects of the remuneration arrangements of Castle Trust are compliant with the requirements of the FCA Remuneration Code in force as at the date of this Base Prospectus.

19 Dividends policy for Castle Trust

Castle Trust started trading on 1 October 2012 and did not pay a dividend in respect of the first year of trading. Prior to approving a dividend, the Castle Trust Board will satisfy itself that after any such dividend had been paid, Castle Trust would retain surplus capital resources in excess of its regulatory capital requirements.

20 Use of proceeds

The proceeds raised from the Housa offers will enable Castle Trust to lend to UK residential property owners as referred in the paragraph headed “UK residential property mortgage market, retail deposit and investment markets” of this Part III (with a minimum of 20% of proceeds retained for liquid asset investments) thereby generating the necessary returns from Mortgages which, together with the return on the liquid assets investments, are designed to provide the proceeds to fund returns to investors in Housas and Fortress Bonds.

PART IV

FORM OF THE NOTES

Capitalised terms that are not defined in this section will have the meanings given to them elsewhere in this Base Prospectus.

This section sets out how the way in which the Notes are issued and how Investors hold them.

The Notes of each Series are in registered form and are issued outside the United States in reliance on the exemption from registration provided by Regulation S and may only be offered and sold to non-U.S. persons outside the United States.

The Notes of each Series are initially be represented by a global certificate in registered form, without receipts, interest coupons or talons (a “**Global Certificate**”) which is delivered to, and registered in the name of, the Nominee. Persons holding beneficial interests in Notes are entitled or required, as the case may be, to receive physical delivery of individual note certificates (“**Individual Certificates**” and together with the Global Certificate, the “**Certificates**”) in respect of their entire holding of a Series of Notes, if they wish to hold the legal title to their Notes. The Register of legal title to Notes is managed by the Registrar whilst the Nominee keeps a record of all beneficial interests in Notes it holds itself.

Payments of principal, interest and any other amount in respect of Notes represented by a Global Certificate will, in the absence of provision to the contrary, be made to the person shown on the Register on the relevant Record Date as the registered holder of the Global Certificate. Where the Nominee is the registered holder, any payment of principal, interest or other amount will be paid by the Issuer on behalf of the Nominee to that person registered with the Nominee as holding a beneficial interest in that Note. None of the Issuer, the Trustee, Castle Trust nor the Registrar has any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Individual Certificates will, in the absence of provision to the contrary, be made to persons shown on the Register on the relevant Record Date in the manner provided in Condition 7 (*Payments*).

Each of the persons shown in the records of the Nominee as the beneficial holder of a Note represented by a Global Certificate must look solely to the Nominee for such person's share of each payment made by the Issuer to the registered holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the applicable procedures of the Nominee. Such persons have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by a Global Certificate and such obligations of the Issuer are discharged by payment to the registered holder of the Global Certificate in respect of each amount so paid.

Whenever a Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate being exchanged within five Business Days of the delivery by or on behalf of the registered holder of the Global Certificate to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Trust Deed and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Interests in a Global Certificate may be exchanged in whole (but not in part) for duly authenticated and completed Individual Certificates if: (a) the Investor whose Notes are represented by such Global Certificate wishes to transfer legal title for Notes held by that Investor to another person pursuant to Condition 3.2 and as described below; or (b) the Global Certificate becomes void as described below.

If (a) Individual Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate or (b) any of the Notes evidenced by the Global Certificate has become due and payable in accordance with the Note Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered Noteholder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate, then the Global Certificate (including the obligation to deliver Individual Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the Noteholder will have no further rights thereunder (but without prejudice to the rights which the Noteholder or others may have under the Trust Deed).

Interests in a Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Note. No beneficial owner of an interest in a Note is able to transfer such interest, except in accordance with the applicable procedures of the Nominee.

Amendment to Note Conditions

The Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Note Conditions set out in this Base Prospectus. The following is a summary of certain of those provisions:

Meetings: The registered Noteholder of a Global Certificate shall (unless such Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders. All holders of Notes are entitled to one vote in respect of each Note comprising such holder's holding, whether or not represented by a Global Certificate.

Notices: So long as any Notes are represented by a Global Certificate, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the registered holder of the Global Certificate and the Trustee.

PART V

PRO FORMA FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Series of Notes issued under the Programme pursuant to this Base Prospectus.

[Date]

CASTLE TRUST DIRECT PLC

Issue of £[Aggregate nominal Amount of Series] [Title of Notes]

Offered by CASTLE TRUST CAPITAL PLC

Under the Castle Trust Direct Programme for the Issuance of Notes

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) of the Notes set forth in the Base Prospectus dated [●] [and the supplemental Prospectus[es] dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Base Prospectus and these Final Terms. The Base Prospectus is available for viewing at and copies may be obtained during normal working hours from the Issuer’s registered office at 10 Norwich Street, London EC4A 1BD. For the purposes of Article 14 of the Prospectus Directive, the Base Prospectus and the Final Terms have been published on the Castle Trust Capital plc website: <http://www.castletrust.co.uk/information/>. A summary of the individual issue is annexed to these Final Terms.

1	Issuer	Castle Trust Direct plc
2	Series Number:	[●]
3	Aggregate Nominal Amount of Series:	[●]
4	Issue Price:	100% of the Aggregate Nominal Amount [plus accrued interest from [●]].
5	(a) Issue Date:	[●]
	(b) Interest Commencement Date:	[[●]/[Issue Date]/[Not Applicable]]
	(c) Calculation Amount:	[£1,000]/[●]
6	Maturity Date:	[●]/[Interest Payment Date falling in [●]]
7	Interest Basis:	[[●]% Fixed Rate] (as such rate may be increased by the Issuer (if at all and at its absolute discretion) during the Offer Period and notified to Noteholders prior to the end of

- such period)
[[LIBOR/Bank of England Base Rate] +/- [•]%
Floating Rate (as such rate may be increased
by the Issuer (if at all and at its absolute
discretion) during the Offer Period and notified
to Noteholders prior to the end of such period)]
- 8 Redemption/Payment Basis: Subject to any early redemption, the Notes will
be redeemed on the Maturity Date at [100]% of
their nominal amount.
- 9 Change of Interest Basis or [[•]/[Not Applicable]]
Redemption/Payment Basis:
- 10 Put/Call Options: [Investor Put]/[Not Applicable]
[Issuer Call]/[Not Applicable]
- 11 Date [Board] approval for [•]
issuance of Notes obtained:

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 12 Fixed Rate Note Provisions [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [•]% per annum payable [annually/semi-
annually/quarterly/monthly/ on the Maturity
Date] (as such rate may be increased by the
Issuer (if at all and at its absolute discretion)
during the Offer Period and notified to
Noteholders prior to the end of such period) in
arrear
- (b) Interest Payment Date(s): [[•] in each year up to and including the
Maturity Date]/[•]
- (c) Fixed Coupon Amount(s): [•] [per Calculation Amount] (as such amount
may be increased to reflect an increase to the
Rate of Interest by the Issuer (if at all and at its
discretion) during the Offer Period and notified
to Noteholders prior to the end of such period)
- (d) Broken Amount(s): [•] per Calculation Amount payable on the
Interest Payment Date falling [in/on] [•]/[Not
Applicable]
- (e) Determination Date(s): [[•] in each year/Not Applicable]
- (f) Day Count Fraction: [Actual/Actual (ICMA)]/[Actual/365 or
Actual/Actual]/[Actual/365 Fixed]/[Actual
360]/[30/360 or 360/360 or bond basis]
- (g) Other terms relating to the [None]/[•]
method of calculating
interest for the Notes:
- 13 Floating Rate Note Provisions [Applicable/Not Applicable]

- (a) Specified Period(s)/Specified Interest Payment Dates: ☐ in each year from (and including) [the Maturity Date]/☐
- (b) Business Day Convention: ☐ Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*
- (c) Manner in which the Rate of Interest and Interest Amount is to be determined: ☐ Screen Rate Determination/Bank of England Base Rate Determination
- (d) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuer): ☐ shall be the Calculation Agent
- (e) Screen Rate Determination: ☐ Applicable/Not Applicable
- a. Reference Rate: ☐ month LIBOR
- b. Interest Determination Date: ☐
- c. Relevant Screen Page: ☐
- (a) Bank of England Base Rate Determination: ☐ Applicable/Not Applicable
- a. Designated Maturity: ☐ Daily/☐
- b. Interest Determination Date: ☐
- c. Relevant Screen Page: ☐ Reuters UKBASE/☐
- (b) Margin(s): ☐ +/- ☐% per annum (as such rate may be increased by the Issuer (if at all and at its absolute discretion) during the Offer Period and notified to Noteholders prior to the end of such period)
- (c) Minimum Rate of Interest: ☐
- (d) Maximum Rate of Interest: ☐
- (e) Day Count Fraction: ☐ Actual/Actual (ICMA)/☐ Actual/365 or Actual/Actual/☐ Actual/365 Fixed/☐ Actual/360/☐ 30/360 or 360/360 or bond basis/☐ unadjusted/adjusted/☐ Not Applicable

- (f) Determination Date(s): [[•] in each year/Not Applicable]
- (g) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]

PROVISIONS RELATING TO REDEMPTION

- 14 Issuer Call Applicable
(Applicable only for Notes held by Castle Trust Capital plc)
- Optional Redemption Amount and method, if any, of calculation of such amount(s): [[•] per Calculation Amount]/[•]
- 15 Investor Put [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[•] per Calculation Amount]/[•]
- (c) Notice period: [•]
- (d) Optional Redemption Charge: [•]
- 16 Final Redemption Amount [[•] per Calculation Amount]/[•]
- 17 Final Repayment Date: [•]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the £1,500,000,000 Castle Trust Direct Programme

THIRD PARTY INFORMATION

[[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Castle Trust Direct plc

By:
.....
Duly authorised

By:
.....
Duly authorised

PART B – OTHER INFORMATION

1 ADMISSION TO TRADING

Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. It is expected that the first dealing day will be [•].

2 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save as discussed in [the section headed “Subscription and Sale” of the Base Prospectus [and save for [•]], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.]

RELATIONSHIPS MATERIAL TO THE ISSUE/OFFER BETWEEN THE ISSUER AND THE BORROWER

The Issuer will make a new Advance under the Borrower Loan Agreement in respect of the Offer Series on [•].

3 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(a) Reasons for the offer: [•] [Not Applicable]

(b) Estimated net proceeds: [•]

(c) Estimated total expenses: [•]

4 [YIELD (*Fixed Rate Notes only*)

Indication of yield [•]
[Calculated on the Issue Date.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5 OPERATIONAL INFORMATION

(a) ISIN Code: [•]

(b) Other Final Terms: [•]

(c) Offer Period: [•] - [•]

(d) Amount of any expenses and taxes specifically charged to the Investor [Not Applicable]/ [•]

(e) Any other clear and objective conditions attached to the consent which are relevant for the use of the Base Prospectus [•] / [Not applicable]

(f) [Names and address of the entities which have a firm commitment to act as [None/[•]]

intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment:

ANNEX – ISSUE SPECIFIC SUMMARY

PART VI

TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions (the “**Conditions**” and each a “**Condition**”) that, subject to completion or amendment in accordance with the provisions of the applicable Final Terms, are applicable to the Notes in definitive form (if any) issued in exchange for the Global Certificate representing each Series. The terms and conditions applicable to any Note represented by a Global Certificate differ from those terms and conditions which would apply to any Note were it in definitive form to the extent described under “Form of the Notes” above.*

This Part VI is arranged under the following subheadings:

- 1 Introduction
- 2 Form, denomination and title
- 3 Transfers
- 4 Status
- 5 Interest
- 6 Redemption
- 7 Payments
- 8 Taxation
- 9 Prescription
- 10 Meetings of noteholders; modification and waiver
- 11 Replacement of certificates
- 12 Further issues
- 13 Notices
- 14 Definitions
- 15 Law and jurisdiction

1 INTRODUCTION

1.1 Programme

Castle Trust Direct plc (the “**Issuer**”) has established a programme (the “**Programme**”) for the issuance of up to £1,500,000,000 in aggregate principal amount of notes (the “**Notes**”).

1.2 Final Terms

Notes issued under the Programme are issued in series (each a “**Series**”). Each Series is the subject of final terms applying to such Notes (the “**Final Terms**”). The terms and conditions applicable to any particular Series of Notes are these Conditions as completed by the Final Terms, which are the “**applicable Final Terms**” in respect of each Series.

1.3 Offer Period

Each Series shall be offered to Investors for the period specified in the applicable Final Terms and beginning no earlier than on the date on which the Notes are admitted to trading on the regulated market of the Irish Stock Exchange plc (the “**ISE**”) and ending on the last day of the specified period (the “**Offer Period**”).

1.4 Trust Deed, Registrar and Administration Agreement and Marketing and Agency Agreement

The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated [•] 2014 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and JTC Trustees (UK) Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed), have the benefit of a registrar and administration agreement dated 3 July 2014 made between the Issuer, the Trustee

and JTC (Jersey) Limited as registrar (the “**Registrar**”) (as amended and/or supplemented and/or restated from time to time) (the “**Registrar and Administration Agreement**”) and a marketing and agency agreement dated 3 July 2014 made between the Issuer, the Trustee and Castle Trust Capital Management Limited (“**CTCM**” and, in its capacity as calculation agent, the “**Calculation Agent**”) (as amended and/or supplemented and/or restated from time to time) (the “**Marketing and Agency Agreement**”).

1.5 The Notes

References in these Conditions to the “**Notes**” are to the Notes of one Series which are the subject of the applicable Final Terms.

1.6 Summaries

The holders and the Noteholders (each as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Registrar and Administration Agreement and the applicable Final Terms which are applicable to them. Copies of the Trust Deed and the Registrar and Administration Agreement are available for inspection by Noteholders during normal business hours at the specified offices of each of the Issuer, the Trustee and the Registrar, the initial specified offices of which are set out below. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. The Trustee acts for the benefit of the Noteholders in accordance with the provisions of the Trust Deed.

Words and expressions defined in the Deed of Covenant or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. In the event of any inconsistency between the Deed of Covenant and the applicable Final Terms, the applicable Final Terms shall prevail.

2 FORM, DENOMINATION AND TITLE

2.1 The Notes are issued in registered form and initially represented by a global certificate in registered form, without receipts, interest coupons or talons (a “**Global Certificate**”) which is delivered to, and registered in the name of a nominee or nominee (the “**Nominee**”), initially being CTCM, who has sub-delegated the role to Castle Trust Capital Nominees Limited (“**CTCN**”), for all Noteholders save for those persons holding beneficial interests in Notes (“**Beneficial Noteholders**”) who choose for legal title to the Notes to be transferred to themselves or another person in accordance with Condition 3.2 who will be issued an individual certificate in registered form, without receipts, interest coupons or talons (an “**Individual Certificate**” and, together with each Global Certificate, the “**Certificates**”).

2.2 The Notes are in the minimum denomination of £1.00 or integral multiples thereof.

2.3 The Notes may be a Fixed Rate Note or a Floating Rate Note, depending upon the interest basis shown in the applicable Final Terms.

2.4 Title to the Notes shall pass by registration in the register (the “**Register**”) that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Registrar and Administration Agreement. References in these Conditions to “**Noteholder**” or “**holder**” means the person in whose name a Note is registered in the Register. A Certificate is issued to each Noteholder in respect of its registered holding of each Series.

2.5 A Noteholder is (except as otherwise required by applicable law or regulatory requirement) treated as its absolute owner of its Notes for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the Noteholder.

3 TRANSFERS

3.1 A Note may, upon the terms and subject to the conditions set forth in this Condition 3 and the

Trust Deed, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, £1.00) upon the surrender of the relevant Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the persons who have executed the form of transfer. A new Certificate will be issued to the transferee and, in the case of a transfer of part only of a holding of Notes, a new Certificate in respect of the balance not transferred will be issued to the transferor.

- 3.2 Subject to the Trust Deed and Condition 3.6 below, if the Issuer consents and provided that the relevant Beneficial Noteholder has given the Nominee 10 Business Days' notice at its specified office of such Beneficial Noteholder's intention to exchange its beneficial interest in Notes for legal title to such Notes, such Beneficial Noteholder may exchange beneficial title to its holding of Notes by surrendering its evidence of beneficial entitlement to the relevant holding of Notes to the Nominee, together with such evidence as the Nominee may reasonably require to prove the title of the Beneficial Noteholder and the authority of the person(s) who have requested the exchange. An Individual Certificate will be issued to the Beneficial Noteholder in respect of its holding of Notes and a new Global Certificate in respect of the balance of the Notes of the Series in respect of which such Beneficial Noteholder has exchanged its beneficial interest for a legal interest shall be delivered to, and registered in the name of the Nominee in accordance with Condition 3.5 below.
- 3.3 Subject to the Trust Deed and Condition 3.6 below, Notes may be transferred by execution of the relevant form of transfer under the hand of the Noteholder or, where the transferor is a corporation, under its common seal or under the hand of two of its officers duly authorised in writing. Where the form of transfer is executed by an attorney or, in the case of a corporation, under seal or under the hand of two of its officers duly authorised in writing, a copy of the relevant power of attorney certified by a financial institution in good standing or a notary public or in such other manner as the Registrar may require or, as the case may be, copies certified in the manner aforesaid of the documents authorising such officers to sign and witness the affixing of the seal must be delivered with the form of transfer. In this Condition 3, "transferor" shall, where the context permits or requires, include joint transferors and shall be construed accordingly.
- 3.4 All transfers or exchanges of Notes (or interests therein) and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Trust Deed, including (without limitation) that no transfer or exchange of a Note may be effected unless:
- 3.4.1 such Note (or interest therein) is transferred or exchanged in a transaction that does not require registration under the Securities Act and is not in violation of the United States Investment Company Act of 1940, as amended;
- 3.4.2 such transfer or exchange is effected in accordance with the provisions of any restrictions on transfer specified in the legends (if any) set forth on the face of the Certificate issued in relation to such Note; and
- 3.4.3 in the case of a transfer, the transferee delivers to the Registrar a form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed on the Certificate issued in relation to such Note.
- 3.5 A Certificate to be issued upon the transfer, or exchange of interests in, a Note will, within three Relevant Banking Days of the transfer date (each as defined below) be available for collection by each relevant holder at the specified office of the Registrar or, at the option of the holder requesting such transfer, be mailed (by uninsured post at the risk of the holder(s) entitled thereto) to such address(es) as may be specified by such holder. For these purposes, a form of transfer received by the Registrar after the Record Date in respect of any payment due in respect of Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment. For the purposes of these Conditions:

“Relevant Banking Day” means a day, other than a Saturday or Sunday:

- 3.5.1 on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located; and
 - 3.5.2 the **“transfer date”** shall be the Relevant Banking Day following the day on which the relevant Note shall have been surrendered for transfer in accordance with Condition 3.1 above or, as the case may be, expiry of the 10 Business Days’ notice period for exchange referred to in Condition 3.2 above.
- 3.6 No holder may require the transfer of, or exchange of interests in, a Note to be registered during the period of 15 days ending on the due date for the payment of any principal or interest in respect of such Note.

4 **STATUS**

The Notes constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall at all times rank at least equally with all other unsecured and unsubordinated obligations of the Issuer other than such obligations as may be preferred by law.

5 **INTEREST**

5.1 **Interest on Fixed Rate Notes**

If no Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, the following provisions shall apply with respect to a Fixed Rate Note:

- 5.1.1 **Accrual of interest:** Each Note will bear interest from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Final Terms will be the day after the end of the Offer Period) at the rate (expressed as a percentage) equal to the Rate of Interest. Interest is payable in arrear on each Interest Payment Date(s) and/or on the Maturity Date.
- 5.1.2 **Calculation of interest:** Interest will be payable in respect of each Fixed Interest Period. In these Conditions, **“Fixed Interest Period”** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or Maturity Date (if no Interest Payment Dates are specified in the applicable Final Terms).

Unless Day Count Fraction is specified as “Not Applicable” in the Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Certificate, the aggregate outstanding nominal amount of the Notes represented by such Global Certificate; or
- (b) in the case of Fixed Rate Notes which are represented by an Individual Certificate, the aggregate outstanding nominal amount of such Notes,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest £0.01, half of £0.01 being rounded upwards or otherwise in accordance with applicable market convention.

- 5.2 If a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, the amount of interest payable on each Interest Payment Date or Maturity Date (if no Interest Payment Dates are specified in the applicable Final Terms) in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms,

amount to the Broken Amount so specified.

5.3 Interest on Floating Rate Notes

5.3.1 **Interest Payment Dates:** Each Floating Rate Note will bear interest from (and including) the Interest Commencement Date (which unless otherwise specified in the Final Terms will be the day after the end of the Offer Period) and such interest will be payable in arrear on either:

5.3.1.1 the Specified Interest Payment Date(s) (each an “**Interest Payment Date**”) in each year, as specified in the applicable Final Terms; or

5.3.1.2 if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) in any case where Specified Periods are specified in accordance with Condition 5.3.1.2 above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (b) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (c) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (d) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

5.3.2 **Rate of Interest:** The Rate of Interest payable from time to time in respect of the Floating Rate Notes will be determined in the manner specified in the applicable Final Terms (as such rate may be increased by the Issuer (if at all and at its absolute discretion) during the Offer Period and notified to Noteholders prior to the

end of such period).

5.3.2.1 *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (a) the offered quotation; or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being LIBOR unless otherwise specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR) on the Interest Determination Date (as specified in the applicable Final Terms) in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any) all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Marketing and Agency Agreement contains (or the applicable Final Terms will contain) provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (a) above, no such offered quotation appears or, in the case of (b) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

5.3.2.2 *Bank of England Base Rate Determination for Floating Rate Notes*

Where Bank of England Base Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the Bank of England Base Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any) all as determined by the Calculation Agent.

“Bank of England Base Rate” means the most recent published rate for deposits for a period equal to the Designated Maturity (as specified in the applicable Final Terms) which appears on the Relevant Screen Page (as specified in the applicable Final Terms) as of 5:00 p.m., London time, on the Interest Determination Date (as specified in the applicable Final Terms) or, if such Relevant Screen Page is not available, such replacement page as the

Calculation Agent shall select, or if the Calculation Agent determines no suitable replacement page exists, the rate determined by the Calculation Agent in good faith and in a commercially reasonable manner.

- 5.3.3 **Determination or Calculation by Trustee:** If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Trustee shall be binding on the Issuer, the Registrar, the Noteholders and the Trustee may rely on the advice of a professional adviser in making such determinations or calculations or appoint an agent on behalf of the Issuer to do so.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.3.3 by the Trustee, shall (in the absence of manifest error) be binding on the Issuer, the Registrar and all Noteholders and (in the absence of wilful default) no liability to the Issuer or the Noteholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

- 5.3.4 **Minimum Rate of Interest and/or Maximum Rate of Interest:** If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.3.2 above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If no other Minimum Rate of Interest for any Interest Period is specified in the applicable Final Terms, then the Minimum Rate of Interest in respect of such Interest Period shall be deemed to be zero and in no event shall the Rate of Interest for such calculation period in accordance with Condition 5.3.2 above be less than zero.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.3.2 above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

- 5.3.5 **Determination of Rate of Interest and calculation of Interest Amounts:** The Issuer will (or will cause) at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Issuer will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (a) in the case of Floating Rate Notes which are represented by a Global Certificate, the aggregate outstanding nominal amount of the Notes represented by such Global Certificate; or
- (b) in the case of Floating Rate Notes which are represented by an Individual Certificate, the aggregate outstanding nominal amount of such Notes,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest £0.01, half of £0.01 being rounded

upwards or otherwise in accordance with applicable market convention.

5.3.6 **Notification of Rate of Interest and Interest Amounts:** The Calculation Agent will cause the Rate of Interest (including as increased by the Issuer (if at all and at its absolute discretion) during the Offer Period) and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter (or, in the case of an increase to the Rate of Interest, no later than the end of the Offer Period). Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this Condition 5.3.6, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

5.3.7 **Certificates to be final:** All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3.8 **Interest calculations without a day count fraction:** If any amount of interest is to be determined and Day Count Fraction is specified as “Not Applicable” in the applicable Final Terms such amount of interest will be calculated as specified in the applicable Final Terms and any reference to a Day Count Fraction in this Condition 5 will be deemed not to apply.

5.4 For the purposes of these Conditions:

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5:

5.4.1 if “**Actual/Actual (ICMA)**” or “**Act/Act (ICMA)**” is specified in the applicable Final Terms:

- (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (a) the number of days in such Determination Period and (b) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; or
- (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in

the applicable Final Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year;

- 5.4.2 if “**Actual/Actual (ISDA)**”, “**Actual/Actual**”, “**Act/Act**” or “**Act/Act (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Fixed Interest Period divided by 365 (or, if any portion of that Fixed Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Fixed Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Fixed Interest Period falling in a non-leap year divided by 365);
- 5.4.3 if “**Actual/365 (Fixed)**”, “**Act/365 (Fixed)**”, “**A/365 (Fixed)**” or “**A/365F**” is specified in the applicable Final Terms, the actual number of days in the relevant Fixed Interest Period, divided by 365;
- 5.4.4 if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Fixed Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- 5.4.5 if “**Actual/360**”, “**Act/360**” or “**A/360**” is specified in the applicable Final Terms, the actual number of days in the relevant Fixed Interest Period, divided by 360;
- 5.4.6 if “**30/360 (ICMA)**” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) up to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12-30 day months) divided by 360;
- 5.4.7 if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the relevant Fixed Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Fixed Interest Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Fixed Interest Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Fixed Interest Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Fixed Interest Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Fixed Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day

included in the Fixed Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30; and

“Determination Period” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or Final Interest Payment Date is not a period commencing on the First Determination Date prior to, and ending on the First Determination Date falling after, such date).

- 5.5 **Cessation of accrual:** Each Note (or in the case of redemption of part only of a Note, that part only of such Note) will cease to bear interest from the date for its redemption unless payment of principal is improperly withheld or refused, in which event it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Registrar or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

6 REDEMPTION

- 6.1 **Redemption at Maturity:** Unless previously redeemed and cancelled, the Notes will be redeemed at their Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date, subject as provided in Condition 7 (*Payments*).

6.2 Redemption at option of the Issuer (Issuer Call):

- 6.2.1 the Issuer shall, at its sole discretion, redeem all of the Notes in which Castle Trust Capital plc (**“Castle Trust”**) holds an interest (save for such Notes which Castle Trust indicates it will transfer to an Investor subject to receipt of cleared funds) on the day before the Interest Commencement Date at the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms;
- 6.2.2 where Castle Trust has failed to discharge the inter-company debt owed to the Issuer in consequence of the initial subscription for Notes by the end of day falling four Business Days after the day before the Interest Commencement Date, the Issuer shall, at its sole discretion, redeem all of the Notes in which Castle Trust holds an interest on the day falling five Business Days after the day before the Interest Commencement Date at the Issue Price; or
- 6.2.3 the Issuer shall, at its sole discretion, redeem all or any of the Notes which are held by Castle Trust at any time giving not less than 5 days' notice to redeem at the Optional Redemption Amount.

6.3 Redemption at the option of the Noteholders (Investor Put):

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving the Issuer notice (in accordance with Condition 13) within the Notice Period specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem in whole (but not in part in the case of a Note represented by an Individual Certificate) and at the Optional Redemption Amount (as specified in the applicable Final Terms) less any Optional Redemption Charge (as specified in the applicable Final Terms) together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise this option the Noteholder must deposit the Certificate representing its Note(s) with the Registrar at its specified office, accompanied by a duly completed and signed notice of exercise (a **“Put Notice”**) in the form (for the time being current) obtainable from the specified office of the Registrar or the Nominee within the notice period and in which the Noteholder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. In the case of beneficial holders of Notes, it shall

not be necessary to deposit a Certificate in connection with the exercise of this option.

6.4 **Agreed redemption:** All or any of the Notes held by an Investor which is an individual who is deceased may be redeemed by mutual agreement between the Issuer and such Investor's executor at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Investor's executor on the Issuer giving not less than 15 nor more than 30 days' notice to the relevant Investor's executor (which notice shall be irrevocable).

6.5 **Cancellation:** Notes redeemed by the Issuer shall be cancelled (together with all certificates) and may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 PAYMENTS

7.1 **At Maturity:** Payments of the Final Redemption Amount and any interest on the Notes due on the Maturity Date for such Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Registrar by cheque drawn in Sterling, or, if requested by the Noteholder, by BACS to a Sterling account of the relevant payee, and shall be made within three Business Days of the Maturity Date or, if the repayment of the Advance under the Borrower Loan Agreement to which the Notes relate is delayed, within three Business Days of such later date on which the amount of each repayment is actually received by the Issuer in cleared monies (the "**Final Payment Date**").

7.2 **Interest:** Interest on the Notes shall be paid to the person shown on the Register at the close of business on the Interest Payment Date or the Maturity Date (as applicable). Payments of interest on each Note shall be made in Sterling by cheque drawn on a bank and mailed to the holder or by BACS to a Sterling account of the relevant payee (or to the first named of joint holders) of such Note at its address appearing in the Register, in each case within three Business Days of the relevant Interest Payment Date.

7.3 General provisions applicable to payments:

7.3.1 All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8 (*Taxation*). No commission or expenses shall be charged to the Noteholders in respect of such payments.

7.3.2 The holder of a Global Certificate shall be the only person entitled to receive payments in respect of Notes represented by such Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Certificate in respect of each amount so paid. Each of the persons shown in the records of the Nominee as the beneficial holder of a particular nominal amount of Notes represented by such Global Certificate must look solely to Castle Trust for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Certificate.

7.4 Appointment of Agents:

7.4.1 The Registrar is initially appointed by the Issuer and its specified office is listed below. The Registrar acts solely as agent of the Issuer and does not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Registrar, provided that the Issuer shall at all times maintain a Registrar and such other agents as may be required by any other stock exchange on which the Notes may be listed.

7.4.2 The Nominee is initially appointed by the Issuer and its specified office is listed below. The Nominee acts solely as agent of the Issuer and does not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Nominee, provided that the Issuer shall at all times maintain a Nominee and such other

agents as may be required by any other stock exchange on which the Notes may be listed.

- 7.5 **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means, subject to Condition 9, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets settle payments and are open for general business in the relevant place of presentation.

8 **TAXATION**

Payments made under the Notes shall be made free and clear of any deductions or withholding except to the extent that such deduction or withholding is required by law.

9 **PRESCRIPTION**

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 **TRUSTEE**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its trusts, rights, powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the general interests of the Noteholders as a class and will not have regard or be responsible for any consequence for individual Noteholders as a result of such Noteholders being connected in any way with a particular territory or taxing jurisdiction and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

11 **MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER**

- 11.1 **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters (which include, amongst other things, a change to the investment objective of any particular Series of Notes) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.
- 11.2 **Modification:** The Notes, the Trust Deed and these Conditions may be amended or modified without the consent of the Noteholders if in the opinion of the Trustee, such amendment or modification is to correct a manifest error or is of a formal, minor or technical nature or is not materially prejudicial to the interests of the Noteholders.

The Conditions of the Notes also provide that the Trustee may, without the consent of the Noteholders, agree to (a) any modification of any of the provisions of the Trust Deed or the Conditions of the Notes that is of a formal, minor or technical nature or is made to correct a manifest error, or (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Notes or Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter. Any such authorisation, waiver or modification shall be binding on the Noteholders.

12 **ENFORCEMENT**

The Trustee may at any time after the Notes shall have become immediately due and payable, at its discretion and without further notice, institute such proceedings as it may think fit to enforce repayment thereof together with accrued interest and any other moneys payable pursuant to the Conditions or the Trust Deed but it shall not be bound to do so unless:

(i) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

13 **REPLACEMENT OF CERTIFICATES**

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, among other things, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) or otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders create and issue further securities upon such terms as the Issuer may determine at the time of their issue.

15 **NOTICES**

Notices to the holders of the Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes with the Registrar.

16 **DEFINITIONS**

In these Conditions, unless otherwise defined in the applicable Final Terms the following terms shall have the following meanings:

Bank of England Base Rate Determination: has the meaning given to such term in Condition 5.3.2.2;

Borrower: Castle Trust;

Borrower Loan Agreement: the intercompany loan agreement dated 3 July 2014 and made between the Issuer (as lender) and the Borrower (as amended and/or supplemented and/or restated from time to time);

Broken Amount: as specified in the applicable Final Terms;

Business Day: a day (excluding Saturdays, Sundays and public holidays) on which commercial banks in Dublin and London are normally open for business;

Business Day Convention: as specified in the applicable Final Terms;

Day Count Fraction: as specified in the applicable Final Terms;

Designated Maturity: as specified in the applicable Final Terms;

Determination Date: as specified in the applicable Final Terms;

Extraordinary Resolution: has the meaning given to such term in the Trust Deed;

Final Payment Date: has the meaning given in clause 7.1 above, as supplemented by the applicable Final Terms;

Final Redemption Amount: the amount payable on the relevant Maturity Date in respect of the relevant Notes, as specified in the applicable Final Terms;

Fixed Coupon Amount: has the meaning given to such term in the applicable Final Terms;

Floating Rate Convention: has the meaning given to such term in Condition 5.3.1(a);

Following Business Day Convention: has the meaning given to such term in Condition 5.3.1(a);

Interest Amount: in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

Interest Commencement Date: the day after the end of the Offer Period of the relevant Notes or such other date as may be specified as the Interest Commencement Date in the applicable Final Terms;

Interest Determination Date: as specified in the applicable Final Terms;

Interest Payment Date: the date on which the Interest is paid to the Investor being the date(s) specified in the applicable Final Terms;

LIBOR: in respect of any specified period, the interest rate benchmark known as the London interbank offered rate which is administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate);

Margin: as specified in the applicable Final Terms;

Maturity Date: in relation to the Notes issued in respect of a Series, the date on which such Notes will be compulsorily redeemed or repurchased as specified in the applicable Final Terms;

Maximum Rate of Interest: as specified in the applicable Final Terms;

Minimum Rate of Interest: as specified in the applicable Final Terms;

Modified Following Business Day Convention: has the meaning given to such term in

Condition 5.3.1(a);

Optional Redemption Amount: as specified in the applicable Final Terms;

Person: any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Preceding Business Day Convention: has the meaning given to such term in Condition 5.3.1(a);

Rate of Interest: the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the applicable Final Terms (as such rate may be increased by the Issuer (if at all and at its absolute discretion) during the Offer Period and notified to Noteholders prior to the end of such period);

Reference Rate: as specified in the applicable Final Terms;

Relevant Date: in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Registrar, the Trustee or any Investor whose Notes are represented by an Individual Certificate (as the case may be) on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

Relevant Screen Page: means the Bloomberg or Reuters screen page specified as such in the applicable Final Terms;

Reserved Matter: means any proposal to change any date fixed for payment of the Final Redemption Amount or interest in respect of the Notes, to reduce the amount of the Final Redemption Amount or any interest payable on any date in respect of the Notes, to change the investment objective of any particular Series of Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

Screen Rate Determination: has the meaning given to such term in Condition 5.3.2.1;

Securities Act: the United States Securities Act of 1933, as amended;

Specified Interest Payment Date: as specified in the applicable Final Terms;

Specified Period: as specified in the applicable Final Terms; and

Sterling: the lawful currency of the United Kingdom.

17 LAW AND JURISDICTION

17.1 **Governing law:** The Trust Deed, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

17.2 **English courts:** The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the Notes.

Specified Offices

Registrar:

JTC (Jersey) Limited
Elizabeth House
9 Castle Street
St. Helier
Jersey JE2 3RT

Nominee:

CTCM
10 Norwich Street
London EC4A 1BD

Who has sub-delegated to:

CTCN
10 Norwich Street
London EC4A 1BD

Issuer:

Castle Trust Direct plc
10 Norwich Street
London EC4A 1BD

PART VII

THE OFFER

This part sets out information relevant to each offer of Notes.

This Part VII is arranged under the following subheadings:

- 1 The Notes
- 2 Issue Price
- 3 Minimum Offer size
- 4 Minimum application size per Investor
- 5 Expenses and taxes charged to the Investor
- 6 Offer Period
- 7 Conditions of Offer
- 8 Cancellation of the Offer
- 9 Final Redemption Amount
- 10 Interest
- 11 Listing and settlement
- 12 Final Offer details

1 The Notes

Investors purchase their Notes from Castle Trust. Castle Trust contracts with the Investor to repurchase their Notes on the Maturity Date for an amount equal to the Final Redemption Amount and any Interest due but unpaid on the Notes.

Castle Trust is authorised and regulated by the Financial Conduct Authority to carry out regulated activity and is a participant in the Financial Services Compensation Scheme (“**FSCS**”) established under the Financial Services and Markets Act 2000. The FSCS can pay compensation to Investors if an investment firm (such as Castle Trust) is unable to meet its financial obligations. If an Investor has suffered a loss as a result of Castle Trust failing to meet its financial obligations (for example, if it fails to buy back the Notes because it has become insolvent) then the Investor would be able to make a claim under the FSCS.

Most Investors, including most individuals and some small businesses, are covered by the FSCS. However, Investors will only be covered if they have purchased their Notes directly from Castle Trust or inherited them from someone who purchased the Notes directly from Castle Trust. They will not be eligible for FSCS compensation if they purchase their Notes on the secondary market.

In respect of investments, an eligible investor is entitled to claim up to £50,000. For further information about the FSCS, including the amounts covered and eligibility to claim, please ask Castle Trust for more detail or refer to the FSCS website www.fscs.org.uk. CTCM is the Marketing Manager for these Notes and Investors have no right of recourse against CTCM.

The key features of the Notes are:

- the Notes are Sterling-denominated, have a fixed investment term and are governed by English law;
- Investors receive interest on their Notes which varies according to the term of the Notes and the basis on which interest is paid on their Notes;
- an application has been made to list and admit to trading the Notes on the regulated market of the ISE by way of an offer for sale;
- the Notes are issued in registered global form; and
- the Advance under the Borrower Loan Agreement for each Series of Notes are the Issuer’s sole assets and the Borrower Loan Agreement is unsecured.

It should be noted that separate Series of Notes are created from time to time for the Notes to be issued

with varying terms and interest rates (each being a distinct “**Offer Series**”).

Notes are issued to Castle Trust, which borrows the subscription amount from the Issuer with the amount left outstanding on inter-company account. The Notes are then allocated and transferred to Investors on a fully paid basis only and following the receipt by Castle Trust of a fully completed application form and the relevant Investment Amount. Any Notes issued to Castle Trust not transferred to Investors and in respect of which the amount owed by Castle Trust on inter-company account has not been or will not be paid by close of business on the fifth Business Day following the expiry of the Offer Period, are redeemed by the Issuer at the end of the Offer Period. In the event that any Notes are held by Castle Trust at the end of the Offer Period that are not subsequently transferred to Investors by the close of business on the fifth Business Day following the expiry of the Offer Period, the Issuer redeems such Notes held by Castle Trust no later than that time.

The currency for the Offer is Sterling.

2 Issue Price

Under the Offer, applicants may apply for Notes in any Offer Series at the fixed Issue Price of £1.00 per Note.

3 Minimum Offer size

A minimum of one thousand (1,000) Notes in aggregate are made available under each Offer.

The Proceeds of each Offer (being the aggregate Issue Price of all Notes) are expected to be £1,000 if the minimum number of Notes are issued and the subscription price is paid, and the maximum amount will be equal to the Aggregate Nominal Amount of the relevant Series (plus accrued interest, if applicable) set out in the applicable Final Terms, if the subscription price is paid.

No Offer is underwritten. Notes that Castle Trust holds at the end of each Offer are automatically redeemed by the Issuer. The number of Notes available under each Offer should not therefore be viewed as indicative of the number of Notes that will remain issued after each Offer.

4 Minimum application size per Investor

The minimum application size per Investor is £1,000.

5 Expenses and taxes charged to the Investor

Investors are not charged any expenses or taxes by the Issuer (save for such tax that the Issuer is required to withhold or any transaction charges specifically incurred in the course of making payments due on the Notes).

6 Offer Period

Castle Trust offers Notes from the date on which the Offer Period begins until 14.00 (London time) on the date on which the Offer Period ends or such earlier or later date as the Issuer may agree. Applications received after the end of the Offer Period are not accepted. Notes are allocated and transferred to Investors as successful applications are received and processed by Castle Trust.

No Notes of any Offer Series are offered for sale after the end of the Offer Period (subject to the Issuer's above-mentioned discretion to extend or shorten the Offer Period). The Issuer (as advised by Castle Trust) may reject any application in respect of the Offer in its absolute discretion.

Multiple applications under the Offer are permitted. On receipt of an application, Castle Trust sends a notice within five Business Days detailing an Investor's right to cancel their investment and informing the Investor of the number of Notes they have acquired. Dealing may begin once Castle Trust has sent such notification. There is a 14 day period commencing on the receipt of such notice by the Investor during which an Investor can withdraw or reduce their investment. The right to cancel notice is deemed to be received by the Investor two Business Days after it is posted by Castle Trust. Castle Trust will repurchase

Notes in such instances at the Issue Price in accordance with the Fortress Bond Terms and Conditions.

7 Conditions of Offer

The Offer is conditional upon the Issuer:

- (a) having received the approval of the ISE for the Notes in the Offer Series to be admitted to the Official List of the ISE and to trading on its regulated market (subject only to their issue); and
- (b) having made (or the Issuer being satisfied that it is reasonably likely to be able to make) the Advance in respect of such Offer Series under the Borrower Loan Agreement on terms that the Issuer, at the time that such Advance is made (or, if earlier, on the Issue Date), considers to be such as to be reasonably likely to enable it to meet the investment objective of each Offer Series.

If either of these conditions is not satisfied in respect of the Notes in the Offer Series, the Issuer shall not issue any Notes pursuant to the Offer and shall return the application monies (without interest) for such Notes to each applicant at the applicant's risk by no later than 30 days after the date that the Offer Period closes.

In addition, the terms and conditions of each Offer Series will be determined by the Issuer at the time of issue pursuant to the Note Conditions and specified in the applicable Final Terms. Any offer or sale of Notes to an investor by a Financial Intermediary, Castle Trust or CTCM will be made in accordance with any terms and other arrangements in place between such Financial Intermediary, Castle Trust or CTCM (as applicable) and such investor including as to price, allocations and settlement arrangements.

8 Cancellation of the Offer

The Issuer reserves the right, in its absolute discretion, to cancel the Offer and the issue of the Notes in the Offer Series at any time prior to the end of the Offer Period. If such a cancellation event occurs, all application monies relating to applications for Notes under the Offer will be returned (without interest) to each applicant at the applicant's risk by no later than 30 days after the date on which the Offer of the Notes is cancelled. Application monies will be returned by cheque mailed to the applicant's address (where provided by the applicant), or by interbank credit transfer back to the bank account from which such monies were first received or by any other method as the Issuer deems to be appropriate.

9 Final Redemption Amount

The Final Redemption Amount is the amount payable with respect to each Note on the relevant Maturity Date which will be specified in the applicable Final Terms and, subject to the terms of the relevant Offer Series, will usually be the Investment Amount.

10 Interest

Each Note bears interest from (and including) the first day following the end of the Offer Period at the rate per annum as stated in the applicable Final Terms. Interest is payable in arrear on the Interest Payment Date(s) (if any) stated in the applicable Final Terms and/or on the Maturity Date. Interest is calculated on the full nominal amount outstanding of the Notes and is paid to Investors by Castle Trust by way of BACS or cheque within three Business Days after the Interest Payment Date. In respect of each Note, interest is calculated as stated in the applicable Final Terms (as such rate may be increased by the Issuer (if at all and at its absolute discretion) during the Offer Period and notified to Noteholders prior to the end of such period) and in accordance with the Note Conditions – see the section headed “Terms and Conditions of the Notes”.

11 Listing and settlement

An application is made to the ISE for the Notes in each Offer Series to be admitted to the Official List of the ISE and to trading on its regulated market and issued to Castle Trust. No application has been made for the Notes to be listed on any other stock exchange. The regulated market of the ISE is a regulated market for purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC)).

Unless an investor requests that the Notes be registered in his name, legal title to the Notes vests in the Nominee with the beneficial interest being held by the Investor. On a transfer of the beneficial interest, the beneficial interest vests with the transferee only when the beneficial accounts maintained by the Nominee are updated to reflect such transfer. Every transfer of legal title of the Notes, once entered in the Register, shall vest in the transferee legal title in the Notes transferred.

Neither the admission of the Notes to the Official List of the ISE nor to trading on its regulated market shall constitute a warranty or representation by the ISE as to the competence of service providers to, or any other party connected with the Issuer, the adequacy of information contained in this Base Prospectus or the suitability of the Notes for investment purposes.

For the purposes of the Prospectus Directive, the United Kingdom is the Issuer's Home Member State.

12 **Final Offer details**

Details of the total number of Notes issued and admitted to the Official List of the ISE pursuant to each Offer will be available from the ISE website (<http://www.ise.ie/Debt-Securities/Individual-Debt-Securities-Data>) within 30 days after each Offer has been made (having allowed for Investor's cancellation rights to be exercised).

PART VIII
SECTION 1
SUBSCRIPTION AND SALE

This part sets out information on how Notes are issued and purchased by Investors.

This Part VIII Section 1 is arranged under the following subheadings:

- 1 Subscription
- 2 Purchase
- 3 Sale
- 4 Diagram of the Issue structure

1 Subscription

The Registrar has been appointed to maintain the Register in which all issues, transfers and redemptions of Notes issued in respect of each Series are recorded.

In respect of each Series, all Notes are issued to the Nominee, who holds the legal title thereto on behalf of Castle Trust. Once issued the Notes are admitted to trading on the regulated market of the ISE on the same business day. Castle Trust borrows the subscription amount from the Issuer with the amount left outstanding on the inter-company account.

2 Purchase

Castle Trust offers for sale the Notes to potential investors and once sold, Castle Trust uses the Investment Amount to pay up the amounts due on the relevant number of Notes and arranges for the beneficial interest in the relevant number of Notes to be transferred to the Investor (apart from where the Investor wishes for the Notes to be registered in his name in which case legal title will be transferred). In the event that, as a result of transferring an ISA to be invested in a Fortress Bond, an Investor transfers an Investment Amount that is not a whole number of pounds, Castle Trust rounds the number of loan notes allocated to such Investor up to the nearest whole loan note. Castle Trust subscribes the missing fraction of a pound on behalf of the Investor.

The Issuer advances all subscription monies received from Castle Trust (less certain fees payable to CTCM) to Castle Trust as an Advance under the Borrower Loan Agreement. In practice, the Issuer offsets its liability to make the Advance under the Borrower Loan Agreement against Castle Trust's obligation to discharge the inter-company debt to reduce the number of money flows required in accordance with the Umbrella Agreement.

Any Notes issued to Castle Trust not transferred to Investors and in respect of which the amount owed by Castle Trust on intercompany account has not been or will not be paid by close of business on the fifth Business Day following the expiry of the Offer Period, are redeemed by the Issuer at the end of the Offer Period. In the event that any Notes are held by Castle Trust at the end of the Offer Period that are not subsequently transferred to Investors by the close of business on the fifth Business Day following the expiry of the Offer Period, the Issuer redeems such Notes held by Castle Trust no later than that time. Thereafter, the Nominee only holds Notes on behalf of Investors and Castle Trust's debt to the Issuer in respect of subscribing for the Notes is discharged.

Notes are issued in global registered form. Legal title to the Notes is held by the Nominee (unless an Investor requests that the Notes be registered in his name) and so it is named on the register as the holder of the Notes. Each Investor is issued a customer reference number by Castle Trust's third party administrator, IFDS(UK) Ltd, for Notes which are held on their behalf by the Nominee.

Any change in address of an Investor should be notified to the Nominee.

Notes are transferable by instrument in writing signed by (or, in the case of a transfer by a body corporate,

signed on behalf of or sealed by) the transferor being delivered to the Registrar.

In the case of the death of one of the joint Investors, the survivor or survivors will be the only person or persons recognised by the Issuer or the Registrar as having any title to or interest in the Notes registered in the names of such joint Investors.

3 **Sale**

The distribution of this Base Prospectus and the applicable Final Terms and the offering or purchase of the Notes may be restricted in certain jurisdictions. Persons receiving a copy of this Base Prospectus and/or the applicable Final Terms in any such jurisdiction may not treat any such document as constituting an offer, invitation or solicitation to them to subscribe for Notes unless in that jurisdiction, such an offer, invitation or solicitation could lawfully be made to them without compliance with any registration or other legal requirement. It is the responsibility of any persons in possession of this Base Prospectus and/or the applicable Final Terms and any persons wishing to apply for Notes pursuant to this Base Prospectus, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Applicants should inform themselves as to the legal requirements of so applying, and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

CTCM performs marketing activities for the Issuer in respect of the Notes to potential investors pursuant to the Marketing and Agency Agreement (which, among other things, is a reduced scope marketing agreement) such activities being all marketing activities required to be undertaken by an authorised person and which the Issuer is not authorised to carry out itself. As at the date of this Base Prospectus, this scope is limited to the approval of non-real time communications to be issued by the Issuer and engaging in real time communications with potential investors and intermediaries in connection with the marketing of the Notes.

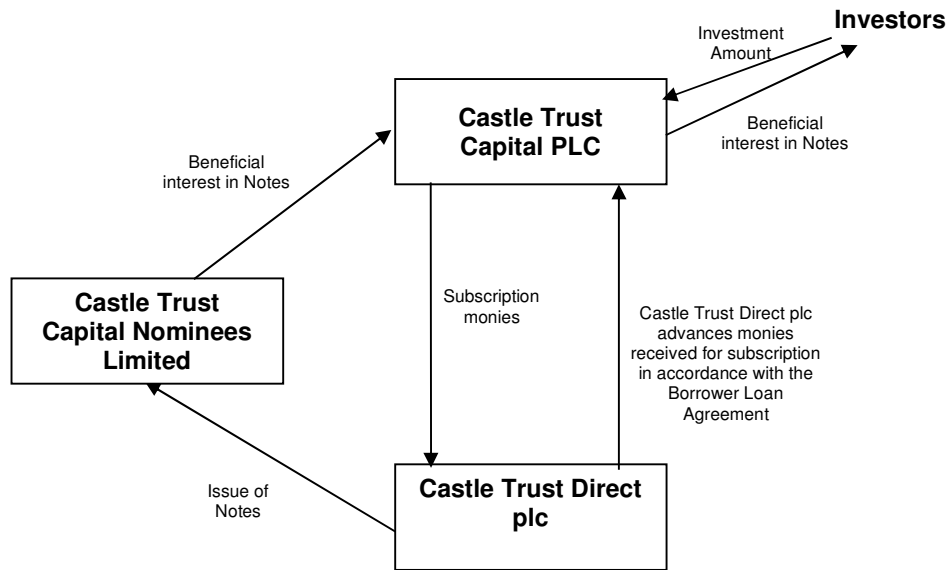
This document is not for distribution in the US, Australia, Canada or Japan. The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, including outside the United States in offshore transactions in reliance on Regulation S.

Subject to certain exceptions, the Notes may not, directly or indirectly, be offered or sold within Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan. No action has been taken by the Issuer, Castle Trust or CTCM that would permit an offer of Notes or possession or distribution of this document (or other offer or publicity material or application form relating to the Notes) in any jurisdiction where action for that purpose is required, other than the United Kingdom.

No incorporation of website information

The content of any of the websites of the Issuer, Castle Trust or CTCM does not form part of this document and prospective investors should not rely on it.

4 **Diagram of the Issue structure**



SECTION 2

INFORMATION ON PAYMENTS AND REDEMPTION OF NOTES

This part sets out how returns are paid to Investors.

This Part VIII Section 2 is arranged under the following subheadings:

- 1 Payment of Interest
- 2 Payment at Maturity
- 3 Market for Notes and Early Redemption
- 4 Redemption at Maturity

1 Payment of Interest

Interest is payable on the date(s) stated in the applicable Final Terms. Castle Trust pays the Interest to Investors directly on the direction of the Issuer. Interest is funded by Castle Trust's obligations under the Borrower Loan Agreement. A minimum of 20% of the Investment Amount paid by Investors is retained in liquid assets such as money market, cash and cash equivalents. This is intended to ensure that Castle Trust has sufficient liquid reserves in order to fund the Interest payments and the Final Redemption Amount payments due pursuant to the Borrower Loan Agreement.

2 Payment at Maturity

Payment of the Final Redemption Amount in respect of Notes which are redeemed on their Maturity Date shall be made by the Issuer to Investors within three Business Days of the Maturity Date or, if the repayment of the Advance under the Borrower Loan Agreement of the Series to which the Notes relate is delayed, within three Business Days of such later date on which the amount repaid is actually received by the Issuer in cleared monies.

The payment of redemption proceeds will be made by Castle Trust at the direction of the Issuer by cheque or BACS made payable to each relevant Investor (or all named holders in the case of joint holders) and sent by first class post to the name and address of the Investor (or to the name and address of the first named holder in the case of joint holders) as appearing in the Register; all at the risk of the Investor(s) concerned.

An Investor may make a request in writing (signed by all holders in the case of joint holders) in the form of a Payment Instruction Form to Castle Trust for the payment of redemption proceeds to be made by BACS or by cheque, whereupon the Issuer will be deemed authorised to deduct any bank charges to be incurred in effecting such alternative payment method from the Investor's entitlement before such payment is made. A Payment Instruction Form for this purpose is available from CTCM.

Any further details of the mechanics for redemption of Notes at the Maturity Date for the relevant Series will be notified to Investors at that time.

3 Market for Notes and Early Redemption

Investors should be aware that investment in any Notes should be viewed as an investment for the full Investment Term of such Notes.

Except where an Investor Put is specified in the applicable Final Terms and save as described below in relation to the executors of deceased Investors, Noteholders may not request Castle Trust to repurchase their Notes prior to their Maturity Date.

Where Investor Put is specified in the applicable Final Terms, Investors may within the applicable notice period require the Issuer to redeem their Notes at the end of the applicable notice period for the Optional Redemption Amount less the Optional Redemption Charge. As below, provisions in the Borrower Loan Agreement enable the Notes to be redeemed in return for a proportional part of each Advance being

prepaid and cancelled.

If Castle Trust does acquire Notes prior to their maturity, specific provisions in the Borrower Loan Agreement enable the Notes to be redeemed (with the agreement of the Issuer) in return for a proportionate part of each Advance being prepaid and cancelled. Investors should be aware that the price offered, will be based on the actual period of investment and will take into consideration any income paid prior to repurchase. It is not expected that Castle Trust would hold any Notes so acquired for any material length of time and would not offer them to new investors. Castle Trust may realise profits or sustain losses in the amount of any differences between the prices at which it buys Notes and the amounts it receives on redemption of such Notes and the proportionate prepayment and cancellation of each relevant Advance. Any profit made by Castle Trust may be retained by it for its absolute use and it is not liable to account to the Issuer in respect of such profits.

However, there is no assurance and no expectation that an active trading market for the Notes will develop independently of Castle Trust or, if developed, be sustained until Notes reach their Maturity Date. If Castle Trust is not able to repurchase Notes, there may not be a market maker to offer to buy and sell the Notes in the secondary market during their Investment Term, and Noteholders may have to wait for the relevant Maturity Date to realise the value of their investment.

Any Investor who disposes of any Notes prior to their Maturity Date will receive back less than if such Investor were to hold its Notes until the Maturity Date and an Investor may get back less than the amount he or she invested in the Notes if an early encashment charge applies.

4 Procedure for executors of deceased Investors requesting early redemption of Notes or Investors exercising an Investor Put

Executors of deceased Investors wishing to have the relevant Investor's Notes redeemed early or Noteholders who wish to exercise the Investor Put should contact Castle Trust at PO Box 11040, Chelmsford, Essex CM99 2DD (or by telephone on 0844 620 0160) to request an "early encashment form". This form must be completed and submitted to Castle Trust following the instructions provided with the form. Investors will receive, in the case of requested early redemption, a redemption amount equal to the Investment Amount together with accrued Interest up to the date of redemption or, in the case of the exercise of an Investor Put, the Optional Redemption Amount less any Optional Redemption Charge.

5 Redemption at Maturity

On or about the Maturity Date for the Notes issued in respect of a Series, the Advance made by the Issuer in relation to that Series will be repayable in order to generate the Final Redemption Amount per Note and such Notes will be redeemed in full at the applicable Maturity Date by the Issuer.

The payment obligations of the Borrower under the Borrower Loan Agreement on or around the Maturity Date are designed to enable the Issuer, in turn, to pay to Investors on or around the Final Payment Date the Final Redemption Amount in respect of their Notes on the redemption of those Notes together, if appropriate, with interest accrued to (but excluding) the Maturity Date. Except where Investor Put is specified in the applicable Final Terms and save in the case of any agreement between the Issuer and the executor of a deceased Investor, an Investor has no right to require the Issuer to redeem or purchase any of its Notes prior to the Maturity Date.

The Fortress Bond Terms and Conditions and the application form contain a buy back arrangement in favour of Castle Trust over Notes held by Investors under which, as part of selling the Notes to an Investor, it agrees to purchase the Notes held by that Investor on the Maturity Date if they have not been redeemed by 14.00 on that day and the Nominee will be deemed authorised to sell the Investor's Notes to Castle Trust on the Maturity Date for an amount equal to the Final Redemption Amount together, if appropriate, with interest due but unpaid on such Notes. However, the Issuer intends to redeem the Notes and pay any accrued interest prior to this buy-back taking place. The Note redemption will be funded by the amount due from Castle Trust under the maturing Advance under the Borrower Loan Agreement. The Umbrella Agreement will offset the Advance repayment and the redemption of the Notes payment and because the Final Redemption Amount and due but unpaid Interest will then lie with Castle Trust, Castle Trust will pay to Investors their Final Redemption Amount and due but unpaid Interest.

Investors who purchase their Notes from Castle Trust, an FCA authorised firm, will qualify for the FSCS in the event that Castle Trust is unable to meet the repayment to that Investor of an amount equivalent to the Final Redemption Amount and due but unpaid Interest. The buyback arrangement will only apply to Investors who initially acquired their Notes from Castle Trust and so it will not apply to Investors who acquire Notes on the secondary market. Those Investors who have bought their Notes on the secondary market will not qualify for the FSCS.

If the buyback has occurred, immediately following Castle Trust's purchase of the Notes from the Investors, the Issuer will redeem the Notes for an amount equal to the Final Redemption Amount and will pay, if appropriate, Interest due but unpaid. The Note redemption by the Issuer will be funded by the payment due from Castle Trust under the now mature Advance. As Castle Trust will be the holder of the Notes having bought them back from Investors, these payments will be offset under the Umbrella Agreement.

Please refer to the Risk Factors section for information on the circumstances in which the Issuer's ability to pay to Investors the full amount scheduled to be paid in respect of the Notes may be adversely affected.

SECTION 3

INFORMATION ON THE OPERATION OF THE OFFER SERIES

This part sets out the objective of the Offer Series and the rights (including rights on redemption) attaching to the Notes.

This Part VIII Section 3 is arranged under the following subheadings:

- 1 Objective of the Notes
- 2 Suitability
- 3 Borrower Loan Agreement
- 4 Calculations and determinations
- 5 Taxation

1 Objective of the Notes

The Notes provide the Investors in the Series with the Final Redemption Amount plus interest on the Investment Amount.

The Issuer solely invests the Proceeds in respect of a Series in making an Advance to the Borrower that is solely for the purposes of achieving the investment object of that Series, as described below under the heading “Borrower Loan Agreement”. No hedging transactions are undertaken by the Issuer in respect of any Series.

2 Suitability

Applicants should determine the suitability of an investment in any Notes in light of their own circumstances. In particular, applicants should:

- have sufficient knowledge and experience to make an evaluation of an investment in the relevant Notes and the merits and risks of investing in such Notes;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in any Notes, including the risk of loss of such investment and, where their currency is not Sterling, any currency risk; and
- be able to meet the Minimum Application Size.

The Offer is made to and an investment in the Notes may be suitable for investors (both retail and institutional investors) who seek a competitive return on their capital or who wish to diversify their existing low risk investment portfolios.

3 Borrower Loan Agreement

The Issuer makes an Advance to the Borrower under the Borrower Loan Agreement in respect of each Series. Each Advance is governed by the Borrower Loan Agreement. Descriptions of certain provisions of the Borrower Loan Agreement in this Base Prospectus are summaries only and are subject to the detailed terms of the Borrower Loan Agreement. The Borrower Loan Agreement is designed such that all Proceeds from subscriptions for Notes (less certain costs payable by the Issuer) can be on-lent by the Issuer to the Borrower as a new Advance. In consideration, the Borrower is obligated to pay to the Issuer amounts not less than the Interest as it falls due and amounts equal to the Final Redemption Amount as the Notes mature.

The Borrower Loan Agreement (and each Advance thereunder) backing the issue has the characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes.

The terms of the Borrower Loan Agreement are such that Castle Trust is obliged to meet the payments (which are at least equal to the Interest payments and the Final Redemption Amounts) as they fall due

and payable prior to the Issuer being obliged to make the equivalent payments to Investors. Therefore, the Issuer should always have the necessary funds to meet Interest and Final Redemption Amount payments. Castle Trust will meet such obligations through returns it earns on the Mortgages it lends and its liquid investments. The Borrower Loan Agreement has the capacity to produce funds to service any payments due and payable on the Notes.

On receipt of the Investment Amount from the Issuer, having received the same from Investors, Castle Trust uses a maximum of 80% of such funds to offer Mortgages, keeping a minimum of 20% of funds received in liquid assets with a maturity of less than two years. Applicants should note that the principal assets of the Issuer comprise the obligations owed to the Issuer by the Borrower in respect of each Advance under the Borrower Loan Agreement. The Borrower Loan Agreement is governed by English law. The Borrower does not provide collateral to meet its obligations under the Borrower Loan Agreement and the Borrower Loan Agreement shall therefore be unsecured. Any assets or arrangements which the Borrower acquires or enters into to hedge its obligations under the Borrower Loan Agreement do not form part of the assets of the Issuer. **The Interest and Final Redemption Amounts payable to the Investors are dependent on the Borrower's ability to meet its payment obligations under the Borrower Loan Agreement.**

Each Advance will be repayable on the maturity of the relevant Notes. The Borrower Loan Agreement is entered into by the Issuer and the Borrower, and each Advance is made thereunder by the Issuer to the Borrower, for the sole purpose of providing this investment opportunity. The relationship between the Issuer and the Borrower is material because the payments due from the Borrower to the Issuer to allow the Issuer to meet the Interest payments, Optional Redemption Amounts, Final Redemption Amounts and any other amounts due in respect of the Notes, are the only source of income for the Issuer. Further, the Borrower has a material interest in the offer because the net Proceeds are advanced to the Borrower under the Borrower Loan Agreement. The Borrower uses such monies for its Mortgage business.

The Borrower Loan Agreement is structured such that there is a new Advance made with each fresh issue of Notes and therefore each Advance is repayable at the same time as each Series matures. It should be noted, however, there is not a separate identifiable pool of Mortgages or liquid assets for each Advance. **Accordingly the same assets may be used to support the Borrower's obligations under multiple Advances and therefore the Issuer proposes to issue further securities, each month, backed by the same assets.** Each new issue of Notes will be announced to the market (including Noteholders).

Details of the total number of Notes issued and admitted to the Official List of the ISE pursuant to each Offer are available from the ISE website (<http://www.ise.ie/Debt-Securities/Individual-Debt-Securities-Data>).

For further information in relation to the Borrower Loan Agreement, please see pages 142 and 143.

4 Calculations and determinations

CTCM is the calculation agent (the "**Calculation Agent**") responsible for calculating the Interest and Final Redemption Amounts payable on the Notes. The Calculation Agent shall make calculations and determinations in its sole discretion with respect to Interest and the Final Redemption Amounts and any other amounts payable in respect of the Notes, acting in good faith and in a commercially reasonable manner.

5 Taxation

Currently, it is not expected that withholding tax will be deducted from any part of the Interest or the Final Redemption Amounts paid by the Issuer. Further taxation information for Investors is set out in Part XIII of this Base Prospectus.

PART IX

OPERATING AND FINANCIAL REVIEW OF CASTLE TRUST

The operating and financial review of Castle Trust should be read in conjunction with the historical financial information for the 2 years ending 30 September 2012 and 30 September 2013, as covered by an Independent Accountant's report, and the unaudited interim condensed consolidated financial statements of Castle Trust for the 26 weeks ended 31 March 2014 which is contained in Part X of this document.

Unless otherwise indicated, the selected financial information included in this Part IX has been extracted without material adjustment from Castle Trust's statutory consolidated financial statements for the 2 years ending 30 September 2012 and 30 September 2013, as covered by an Independent Accountant's report and Castle Trust's unaudited interim condensed consolidated financial statements for the 26 weeks ended 31 March 2014 contained in Part X of this document.

This Part IX is arranged under the following subheadings:

- 1 Overview
- 2 Risk management and exposure to risk
- 3 Liquidity
- 4 Credit Risk
- 5 Results and Dividends

1 Overview

Following the receipt of the necessary regulatory authorisations, Castle Trust commenced trading on 1 October 2012 as a provider of mortgages and investment products. Castle Trust Capital plc was granted permission by the Financial Services Authority (now the FCA) to carry out regulated investment activities on 5 September 2012.

Castle Trust has established an experienced Board and management team and has implemented a robust legal, regulatory and operational framework for its business.

In the financial period to 31 March 2014, a number of significant developments have taken place:

- 1.1 Castle Trust opened for business on 1 October 2012. The business offers fixed term investments ("**Housas**") giving customers the opportunity to share in the returns of UK house prices (as measured by the Halifax House Price Index). In addition it offers new forms of equity mortgage that give the borrower flexibility in how to buy, extract equity from or re-mortgage their residential property.
- 1.2 Sales of Housas to 31 March 2014 total £5,088,604.
- 1.3 Mortgage completions to 31 March 2014 amounted to £9,663,079 over 99% of which completed in the 6 months since 30 September 2013.

2 Risk management and exposure to risk

Castle Trust measures and monitors risk on a regular basis and formally reviews its risk position at the Risk Committee every quarter. The main risks to which Castle Trust is exposed are Liquidity and Credit risk. Neither risk is sought, but these risks are inherent in Castle Trust's business model, and as such are regularly measured and monitored, and appropriately managed.

3 Liquidity

Liquidity risk is inherent within the Castle Trust business model. However, active management of the duration profile of the assets and liabilities significantly reduces the company's exposure to liquidity risk. In addition, a minimum 20% buffer will be maintained once Mortgage lending builds, to ensure that the funds created from Housa and Fortress Bond investments are not loaned beyond this level.

Triggers which define risk tolerance have been determined by the Risk Committee, which has been delegated authority from the main Board. These risk limits can only be changed with Board approval, and are reviewed on a quarterly basis.

4 Credit Risk

Credit risk is inherent in the Castle Trust Mortgage products. This risk is managed in the loan origination and servicing processes. Castle Trust has modelled the scenarios which might lead to a change in these risks, and these are measured and monitored on a quarterly basis by the Risk Committee.

5 Results and Dividends

The results of Castle Trust for the period ended 31 March 2014 are set out in the unaudited condensed consolidated interim statement of comprehensive income on page 118. Castle Trust has made a loss in the six month period ended 31 March 2014 amounting to £4,511,155 (31 March 2013: £3,942,567). No dividend has been recommended to date.

PART X
FINANCIAL INFORMATION
SECTION 1
FINANCIAL INFORMATION ON THE ISSUER

Financial Information

Since the date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as of the date of this document.

SECTION 2

FINANCIAL INFORMATION ON CASTLE TRUST

(a) **Independent accountant's report**

The Independent accountant's report on the historical financial information of Castle Trust is included on pages 88 and 89 of this Base Prospectus.

(b) **Consolidated historical financial information for the two years ended 30 September 2012 and 30 September 2013**

The consolidated historical financial information of Castle Trust for the 2 years ended 30 September 2012 and 30 September 2013 is included on pages 90 to 116 of this Base Prospectus.

(c) **Unaudited condensed consolidated interim financial information for the period ended 31 March 2014**

The unaudited condensed consolidated interim financial information of Castle Trust for the period ended 31 March 2014 is included on pages 117 to 140 of this Base Prospectus.

The Directors
Castle Trust Direct plc
10 Norwich Street
London
EC4A 1BD

3 July 2014

Dear Sirs

We report on the financial information of Castle Trust Capital plc for the years ended 30 September 2012 and 2013 set out in Section 2b ("Financial Information"). This financial information has been prepared for inclusion in the prospectus dated 3 July 2014 of Castle Trust Direct plc ("the Company") on the basis of the accounting policies set out in note 2 to the financial information. This report is required by item 11.1 of Annex IX of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.4R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.1 of Annex IX to Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

Responsibilities

The Directors of Castle Trust Capital plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 3 July 2014, a true and fair view of the state of affairs of Castle Trust Capital plc as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.4 (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex IX of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF CASTLE TRUST FOR THE TWO YEARS ENDED 30 SEPTEMBER 2012 AND 30 SEPTEMBER 2013

Consolidated Statement of Comprehensive Income

**For the years ended 30 September 2013
and 30 September 2012**

	Note	2013	2012
		£	£
Interest and similar income	3	176,061	40,649
Interest and similar expense	4	(19,735)	(3,591)
Net interest income		156,326	37,058
Fees and commission income		737	-
Fees and commission expense		(625)	-
Net fee and commission income		112	-
Net trading income		156,438	37,058
Net loss on financial assets and liabilities at fair value through profit or loss		(35,544)	-
Total operating income		120,894	37,058
Personnel expenses	5	(3,813,401)	(3,435,222)
Depreciation of property and equipment	8	(20,293)	(20,293)
Other operating expenses	6	(4,273,688)	(3,174,775)
Total operating expenses		(8,107,382)	(6,630,290)
Loss before tax from continuing operations		(7,986,488)	(6,593,232)
Income tax expense	7	(2,854)	(9,552)
Total comprehensive loss		(7,989,342)	(6,602,784)
Loss for the year attributed to:			
Non-controlling interests		38,117	-
Equity holders of the parent		(8,027,459)	(6,602,784)
Total comprehensive loss		(7,989,342)	(6,602,784)

The results for all years presented comprise continuing operations.

Consolidated Statement of Financial Position

As at 30 September 2013 and 30 September 2012

		2013	2012
		£	£
Assets			
Property and equipment	8	7,464	27,757
Other receivables	9	127,669	95,318
Mortgage assets	10	19,000	-
Non-current assets		154,133	123,075
Investments	11	42,438,978	45,904,466
Trade and other receivables	12	113,122	107,633
Prepayments		254,562	-
Cash and cash equivalents		2,666,290	6,097,580
Current assets		45,472,952	52,109,679
Total Assets		45,627,085	52,232,754
Equity			
Share capital	13	6,478,000	6,478,000
Share premium	13	45,540,000	45,540,000
Retained earnings		(9,071,755)	(1,044,296)
Non-controlling interests		38,117	-
Total equity		42,984,362	50,973,704
Non-current liabilities			
Financial liabilities at fair value through profit and loss	14	1,801,008	-
Current tax liabilities		2,854	9,552
Trade and other payables	15	697,509	1,212,681
Employee benefits	16	141,352	36,817
Current liabilities		841,715	1,259,050
Total liabilities		2,642,723	1,259,050
Total equity and liabilities		45,627,085	52,232,754

Consolidated Statement of Changes in Equity

For the years ended 30 September 2013 and 30 September 2012

Attributable to the equity holders of the parent						
	Share Capital	Share Premium	Retained earnings	Total	Non- controlling interest	Total equity
	£	£	£	£	£	£
At 1 October 2011	912,000	8,208,001	(7,203,513)	1,916,488	-	1,916,488
Total comprehensive loss for the year	-	-	(6,602,784)	(6,602,784)	-	(6,602,784)
Issue of ordinary shares	5,566,000	50,094,000	-	55,660,000	-	55,660,000
Transfer to retained earnings	-	(12,762,001)	12,762,001	-	-	-
At 30 September 2012	6,478,000	45,540,000	(1,044,296)	50,973,704	-	50,973,704
Total comprehensive loss for the year	-	-	(8,027,459)	(8,027,459)	38,117	(7,989,342)
At 30 September 2013	6,478,000	45,540,000	(9,071,755)	42,946,245	38,117	42,984,362

The share premium reduction was approved and authorised by the board of directors on 14 October 2011 in accordance with section 642 of the Companies Act 2006. The purpose of the reduction was to reduce retained losses so that the Group's net assets were not less than the aggregate of its called up share capital and un-distributable reserves in line with section 92 (1) (c) of the Companies Act 2006 to facilitate the re-registration of Castle Trust Capital Limited as Castle Trust Capital plc.

Consolidated Statement of Cash flows

For the years ended and 30 September 2013 and 30 September 2012

	Notes	2013 £	2012 £
Cash flows from operating activities			
Loss before tax from continuing operations		(7,986,488)	(6,593,232)
Adjustments to reconcile loss before tax to net cash flow:			
Depreciation of property and equipment	8	20,293	20,293
Interest income	3	(176,061)	(40,649)
Fair value movements through profit or loss		35,535	-
Mortgage issued		(19,000)	-
Taxation paid		(2,168)	-
Interest paid		(12,369)	(3,591)
		(8,140,257)	(6,617,179)
Working capital adjustments:			
Increase in other receivables		(32,351)	-
Increase in trade and other receivables		(5,489)	(133,935)
Increase in prepayments		(254,562)	-
Decrease in trade and other payables		(471,741)	(389,687)
Increase in employee benefits		104,535	-
Net cash used in operating activities		(8,799,865)	(7,140,801)
Cash flow from investing activities			
Decrease/(increase) in investments		3,465,488	(42,896,045)
Interest received		144,981	36,173
Net cash inflow/(outflow) from investing activities		3,610,469	(42,859,872)
Cash flow from financing activities			
Proceeds from the issue of share capital		-	55,660,000
Distributions paid on Housa investments		(7,366)	-
Proceeds from issue of Housas	14	1,765,472	-
Net cash inflow from financing activities		1,758,106	55,660,000
Net (decrease)/increase in cash at bank and in hand		(3,431,290)	5,659,327
Cash at bank and in hand brought forward		6,097,580	438,253
Cash at bank and in hand carried forward		2,666,290	6,097,580

Notes to the historical financial information

For the years ended 30 September 2013 and 30 September 2012

1. Corporate information

Castle Trust Capital plc ("Castle Trust") is incorporated and domiciled in the UK.

Castle Trust together with its four subsidiaries ("the Group") had no income during the year except for interest earned on liquidity funds. The main expenses of the Group arise in the provision of sales and marketing, operations, and investment management services.

The financial information contained in this document which relates to Castle Trust does not constitute full statutory accounts as referred to in section 434 of the Companies Act. Statutory consolidated audited accounts of Castle Trust, on which the auditors have given unqualified reports and which contained no statement under section 498(2) or (3) of the Companies Act, have been delivered to the Registrar of Companies in respect of the two years ended 30 September 2013.

2. Accounting Policies

2.1 Basis of preparation

This consolidated historical financial information has been prepared for inclusion in the prospectus of Castle Trust Direct plc ("the issuer") dated 3 July 2014 in compliance with item 11.1 of Annex IX of the Commission Regulation (EU) 809/2004 and in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) on the historical cost basis, except for financial instruments that are measured at fair value.

The consolidated historical financial information is presented in sterling and all values are rounded to the nearest pound (£) except where otherwise indicated.

2.2 Basis of consolidation

This historical financial information comprises the consolidated financial information of Castle trust and its subsidiaries for the years ended 30 September 2013 and 30 September 2012.

Subsidiaries are consolidated from either the date of acquisition, being the date on which the Group obtains control, or from the date at which the Group is deemed to have gained control. Subsidiaries continue to be consolidated until the date when control ceases.

The financial information of the subsidiaries used in the preparation of the consolidated historical financial information is prepared for the same reporting period as the parent company, using consistent accounting policies, except for Castle Trust PCC, whose financial reference date is 31 October. Financial information for Castle Trust PCC has been drawn up specifically for use in the consolidated historical financial information to cover the Group's accounting year.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated historical financial information requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The policies presented in this section are consistent with the IFRS accounting standards adopted by the Group that will apply for the year ended 30 September 2014.

2.3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated historical financial information:

(i) Consolidation of special purpose entities

The Group's Ultimate Controlling Party sponsors the formation of special purpose entities (SPEs), which may or may not be directly or indirectly-owned subsidiaries of Castle Trust Capital plc. The Group consolidates the SPEs that it controls. In determining whether the Group controls an SPE, judgement is exercised to establish the following:

- whether the activities of the SPE are being conducted on behalf of the Group to obtain benefits from the SPE's operation;
- whether the Group has the decision-making powers to control or to obtain control of the SPE or its assets;
- whether the Group has rights to obtain the majority of the benefits of the SPE's activities; and
- whether the Group retains the majority of the risks related to the SPE or its assets in order to obtain benefits from its activities.

2.3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated historical financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Going concern

The Group's directors have made an assessment of its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated historical financial information has been prepared on the going concern basis.

(ii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from some observable market data (including the Halifax House Price Index ('HHPI')) but some judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as discount rates and early redemption assumptions.

(iii) Deferred tax assets

The status, measurement and treatment of deferred tax assets is disclosed in note 7 however these assets are not recognised in the consolidated historical financial information. The decision to not recognise the assets is based on the Group's estimation of profits arising in the short to medium term against which the brought forward losses might be relieved. As profits against which to offset losses are not expected to arise in the foreseeable future, no asset has been recognised. The status, measurement and treatment of these potential assets are monitored on an on-going basis.

2.4 Summary of significant accounting policies

2.4.1 Financial Instruments – Classification

The particular accounting policies adopted for financial instruments are disclosed in the individual policy statements associated with each item below.

(i) Financial assets at fair value through profit and loss recognised in the Statement of Comprehensive Income

Financial assets at fair value through profit and loss relate to mortgages originated by the group and to the Castle Trust Capital plc's investment in Housas. The mortgage assets have no coupon and an explicit risk and reward sharing on the realised value of the underlying property. The Housa assets include a coupon in addition to a share of risk and reward as described in note 14 below. The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them.

(ii) Financial assets at amortised cost

The Group classifies its investments in short term deposits and liquidity funds as loans and receivables. Trade debtors and other receivables are classified as loans and receivables.

(iii) Financial liabilities at fair value through profit or loss

The Group designates its liabilities to Redeemable Preference ('Growth Housas') shareholders and its Loan Note ('Income Housas') holders upon initial recognition as financial liabilities at fair value through profit and loss.

(iv) Financial liabilities at amortised cost

Trade creditors and amounts due to staff or payable in relation to staff (employee benefits) are recorded at amortised cost. In most instances, this equates to historic cost, as these liabilities are extinguished in a short time frame.

2.4.2 Financial instruments – initial recognition

(i) Date of recognition

All financial assets and liabilities are initially recognised on the date that the Group becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

2.4.3 Subsequent measurement

Subsequent to initial measurement, the Group re-measures financial instruments at fair value through profit or loss at fair value. Changes in the fair value are recognised in the Statement of Comprehensive Income. Interest and dividend income earned from such instruments are recorded separately. Other financial assets and financial liabilities are subsequently measured at amortised cost.

(i) Financial assets at fair value through profit of loss

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

Valuation of the mortgage portfolio is based on the modelled value of the dwellings underlying the individual mortgages in the portfolio. The Halifax house Price index (HHPI) provides the initial model input (adjusted for actual experience) and the index for each dwelling is adjusted for expected individual asset volatility (adjusted for actual experience) to provide the valuation. This valuation is verified by testing the estimated asset value distribution using an Automated Valuation Model 'AVM' sample valuation and these are verified on a random basis using surveyor valuations.

A gain or loss is only recognised to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. One such factor is the change in the spot price of the underlying property. This would have the effect of recognising profit and losses over the expected life of the underlying portfolio.

(ii) Financial assets at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

(iii) Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in net gains/losses on financial liabilities at fair value through profit and loss in the Statement of Comprehensive Income.

The fair value of financial liabilities at fair value through profit and loss is determined by using appropriate modelling techniques. When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using Black Scholes options pricing models and discounted cash flows. The models incorporate various inputs as follows:

(iii) Financial liabilities at fair value through profit and loss

- Movement in HHPI: This is the percentage movement in HHPI from the Initial Index Level of each share class to the latest published value of HHPI as of the end of the year;
- Elapsed Term: This is the amount of time that has elapsed from the closing date of each share class to the end of the year;
- Expected future movement in the HHPI: This is the assumed annual rate that the HHPI is expected to grow at in the future;
- Volatility of the movement in HHPI: This is the assumed annualised volatility of the future HHPI returns; and
- Product Terms: These are terms that are specific to each share class such as profit share, loss share, coupon rate and term.

(iii) Financial liabilities at fair value through profit and loss continued

IFRS 13 requires disclosures relating to the fair value measurements using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. At the year end, assets and liabilities at fair value through profit or loss have been classified at Level 3, because their fair value has been derived from unobservable data.

A gain or loss is only recognised to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. One such factor is the change in the HHPI index. This would have the effect of recognising profit and losses over the expected life of the underlying portfolio.

2.4.4 De-recognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

and either:

- The Group has transferred substantially all the risks and rewards of the asset, or;
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.4.5 Impairment of financial assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2.4.6 Treatment of interest income and expense on financial assets and liabilities at fair value through profit and loss

Interest income and expense on financial assets and financial liabilities at fair value through profit and loss are presented in the Statement of Comprehensive Income within interest and similar income and interest and similar expense respectively. Interest expense is calculated based on the Effective Interest rate associated with the underlying financial assets and financial liabilities at fair value through profit and loss.

2.4.7 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprise current account balances that are available on demand.

2.4.8 Client monies

The Group holds client monies on behalf of Housa investors prior to the underlying investments being recorded in their name. Castle Trust does not obtain the rewards, nor is exposed to the risks of ownerships. Client monies are not included in the balance sheet of the Group on that basis. The amount of client monies held as at 30 September 2013 was £55,000 (2012 - £nil).

2.4.9 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Computer equipment: 3 years
- Office equipment: 3 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Other operating income in the Statement of Comprehensive Income in the year the asset is derecognised.

2.4.10 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

2.4.11 Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

See Note 7 for further description of the current status of deferred tax assets.

2.4.12 Dividends payable on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the period that are approved after the reporting date are disclosed as an event after the reporting date.

2.4.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income.

2.4.14 Segmental Reporting

The Group does not collate or report separately Management Information data by segment. All business is transacted within the UK, and consequently, no segmental analysis is presented.

2.5 Standards issued but not yet effective

The following standards and interpretations have an effective date after the date of this consolidated historical financial information.

The Group has not early adopted them and plans to adopt them from the effective dates adopted by EU.

IFRS 9 Financial Instruments

IFRS9, "Financial instruments", issued in November 2009: This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets, hedge accounting and impairments and is likely to affect the Group's accounting for financial assets. The standard currently has no effective date and the most likely effective date is 1 January 2018, however, the standard has not yet been endorsed by the EU. The Group is yet to assess IFRS9's full impact and will complete its impact assessment when the standard is complete however it is expected that there will not be a significant impact on the Group.

IFRS 10 – Consolidated Financial Statements, IAS 27 Separate Financial Statements

The standard becomes effective for annual periods beginning on or after 1 January 2014. It replaces the requirements of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014. There are currently no Group entities that are not already considered under the control of Castle Trust Capital plc, therefore implementation of IFRS 10 will not have a material impact on the current financial position of the group.

IFRS 12 – Disclosure of Involvement with other entities

The standard becomes effective for annual periods beginning on or after 1 January 2014. It includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and Special Purpose Entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis

Even if the Group concludes that it does not control an entity, the information used to make that judgement will be transparent to users of this consolidated historical financial information to make their own assessment of the financial impact were the Group to reach a different conclusion regarding consolidation. The Group will need to disclose more information about the consolidated and unconsolidated structure entities with which it is involved or has sponsored. However, the standard will not have any impact on the financial position or performance of the Group.

3. Interest and similar income

	30 September 2013	30 September 2012
	£	£
Interest earned in the UK on:		
Investments	176,061	40,649

4. Interest and similar expense

	30 September 2013	30 September 2012
	£	£
Bank Charges	11,288	3,591
Current account	1,081	-
Interest expense on financial liabilities at fair value through profit and loss	7,366	-
	<u>19,735</u>	<u>3,591</u>

5. Personnel expenses

	30 September 2013 £	30 September 2012 £
Wages and salaries	2,823,239	2,716,299
Social security costs	365,033	349,712
Company contributions to defined contribution pension plan	123,818	198,761
Termination costs	394,644	-
Other personnel costs	106,667	170,450
	<u>3,813,401</u>	<u>3,435,222</u>

Monthly average number of people employed during the year of which:

Finance, legal and administration	24	20
Operations	6	6
	18	14

(a) Directors remuneration:

	30 September 2013	30 September 2012
Aggregate remuneration in respect of qualifying services (£)	720,001	683,954
Number of directors accruing benefits under defined contribution pension schemes in respect of qualifying services	-	1
Company contributions paid to defined contribution pension schemes in respect of qualifying services (£)	-	32,999
The highest paid director received a salary of (£)	300,000	300,000

6. Other operating expenses

	30 September 2013 £	30 September 2012 £
Rental charges paid under operating leases	382,604	407,926
Other operating expenses	3,891,084	2,766,849
	<u>4,273,688</u>	<u>3,174,688</u>

Included within Group other operating expenses is the costs of contractors of £470,748 (2012: £435,530).

Included within Professional fees are the following expenses related to services provided by the group's auditors:

	30 September 2013 £	30 September 2012 £
Audit of the Company's statutory financial statements	44,000	20,000
Non audit services:		
Taxation compliance services	10,823	13,080
Audit related assurance services	73,700	9,000
Other assurance services	-	90,600
Total Company auditors' remuneration	128,523	132,680
Audit of Group subsidiaries' financial statements	78,000	10,000
Audit related assurance services of Group subsidiaries	129,000	-
Other assurance services	65,000	-
Total Subsidiary auditors' remuneration	272,000	10,000
Total Group auditors' remuneration	400,523	142,680

7. Income tax

	30 September 2013	30 September 2012
The components of income tax expense for the years ended:		
Current tax	£	£
Current income	-	9,552
Under-provision of prior year tax	2,854	-
Total	2,854	9,552
Reconciliation of total group tax charge		
Accounting loss before tax	(7,986,488)	(6,548,296)
At prevailing UK statutory income tax rate of 23.5% (2012: 25%)	(1,876,825)	(1,637,074)
Tax relating to prior year loss before tax	2,854	-
Disallowable expenses	1,629	-
Losses for which a deferred tax asset is not recognised	1,875,196	1,646,626
Income tax expense reported in the consolidated Statement of Comprehensive Income	2,854	9,552

7. Income tax

The effective tax rate is calculated as the average rate for the year under review, being 24% to 31/3/13 and 23% thereafter. Therefore the Company is subject to an average tax rate calculated over the two six month periods of its statutory accounting year.

As at 30 September 2013, the Group had total trading expenses of £18,673,681 (2012 - £10,694,123) and decelerated capital losses of £1,004,074 (2012 - £983,781) in respect of which a deferred tax asset of £3,935,551 (2012 - £2,335,581) has not been recognised due to uncertainty surrounding the availability of taxable profits against which these could be offset. The tax rate applied in determining the value of the asset not recognised is a rate of 20% which is applicable from April 2015.

8. Property and equipment

Office and computer equipment Cost	30 September 2013 £	30 September 2012 £
At 1 October	59,733	59,733
Additions	-	-
At 30 September	<u>59,733</u>	<u>59,733</u>
Depreciation and Impairment		
At 1 October	31,976	11,683
Depreciation charge for the year	<u>20,293</u>	<u>20,293</u>
At 30 September	<u>52,269</u>	<u>31,976</u>
Net book value		
At 1 October	<u>27,757</u>	<u>48,050</u>
At 30 September	<u>7,464</u>	<u>27,757</u>

9. Other receivables

	30 September 2013 £	30 September 2012 £
Deposit on property rental	46,650	64,300
Amounts due from related parties	<u>81,019</u>	<u>31,018</u>
	<u>127,669</u>	<u>95,318</u>

The fair value of other receivables approximates to cost as presented in the Statement of Financial Position and these related notes. They are subject to devaluation over time due to the impact of inflation and when the impact of inflation results in a material difference, revised fair values will be disclosed.

10. Mortgage assets	30 September	30 September 2012
	2013	
	£	£
Assets backed by charge on residential property	19,000	-
<hr/>		
11. Current asset investments	30 September	30 September
	2013	2012
	£	£
Amounts held on fixed term deposit for more than 3 months	4,900,000	-
Amounts invested in HSBC Sterling Liquidity Fund	37,538,978	45,904,466
	42,438,978	45,904,466
<hr/>		

Amounts on fixed term deposit are invested in Lloyds 12 month deposit accounts. To date, two tranches have been invested, the first an amount of £2,500,000 was invested on 28 March 2013, and the second, an amount of £2,400,000, was deposited on 6 June 2013. Interest is paid on release of the invested funds at the end of the contract. Deposits are valued at cost, with no anticipation of interest, on the basis that if funds were to be extracted before the deposit term, no interest would be received. This approximates to fair value, as the anticipation of interest less the effect of inflation are not expected to create a material difference to cost.

The HSBC Sterling Liquidity fund is 'AAA' rated. Funds are priced daily and can be recalled at one day's notice. These are short term investments with one month duration. The fund can invest in certificates of deposit, commercial papers, medium term notes, variable rate notes, floating rate notes, bankers acceptances, government bonds, treasury bills, Eurobonds, asset backed securities and corporate bonds. Daily prices reflect the market value of those funds at the balance sheet date, which approximates to fair value. As these prices are published daily and are publically available, they are classified at level 1 in the fair value hierarchy.

12. Trade and other receivables	30 September 2013	30 September 2012
	£	£
Accrued income	37,024	2,298
VAT receivable	75,187	105,335
Other debtors	911	-
	113,122	107,633
<hr/>		

The fair value of trade and other receivables approximates to cost as presented in the Statement of Financial Position and these related notes, as the receipt of the related cash is not more than three months from the date of the recognition of the asset and is not subject to significant credit risk. Accrued income consists of interest due and payable on the funds held in the HSBC liquidity fund, which are classified as investments in the Statement of Financial Position.

13. Share Capital	30 September 2013	30 September 2012
Issued capital		
Authorised, allotted, called up and fully paid		
Ordinary shares		
(Number)	64,780,001	64,780,001
Ordinary shares (£) at £0.10 par value per share	6,478,000	6,478,000

Movement in issued share capital for the year ended 30 September:

	Issued Capital £	Share Premium £	Total £
At 1 October 2012 and 30 September 2013	6,478,000	45,540,000	52,018,000
	Issued Capital £	Share Premium £	Total £
At 1 October 2011	912,000	8,208,001	9,120,001
Issue of share capital	5,566,000	50,094,000	55,660,000
Transfer to retained earnings	-	(12,762,001)	(12,762,001)
At 30 September 2012	6,478,000	45,540,000	52,018,000

The transfer to retained earnings reflected the cancellation of £12,762,001 Share Premium in the year to 30 September 2012.

14. Financial assets and liabilities at fair value through profit and loss

14.1 Fair value of financial liabilities

The table below shows the fair values of financial liabilities together with their notional amounts. These liabilities are measured at fair value as their performance is evaluated on the basis of the movement of the Halifax House Price Index (HHPI) as described in the prospectus. The gross notional amount is the basis upon which changes in the value of the liabilities are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or the credit risk.

As at 30 September 2013	Notional Amount £	Fair Value £
Liability to Income Housa customers	472,665	477,396
Liability to Growth Housa customers	1,292,817	1,323,612
	1,765,482	1,801,008

14.1 Fair value of financial liabilities

No comparatives are shown for this note, as these liabilities arose after 4 October 2012 when the Group first listed its investments.

Fair value modelling

In the period subsequent to 30 September 2013, the fair values of the Housa Liabilities have been modelled using a new model. The 'QRS' model uses stochastic cash flow simulation techniques, as opposed to the Housa Pricing System in use as at 30 September 2013, which used Black Scholes and other conventional finance techniques. The underlying assumptions behind both models are very similar, and the difference between the fair values of the Housa Liability as at 30 September 2013 calculated by each do not materially differ.

The QRS (and the Housa Pricing System) models incorporate various inputs including the movement in HHPI from issuance to the latest published value of HHPI as at 30 September 2013, the amount of time elapsed from issuance to 30 September 2013, the expected future movement in HHPI, the amount of variation or volatility in this future movement and the product terms, as described in more detail below. During the cooling off period, the fair value is determined as being the purchase price of the HHPI swap. The financial liabilities at fair value through profit and loss have been classified as Level 3, as the lowest level input identified is the discount rate which is derived from unobservable data.

Fair value measurement

The models incorporate various inputs as follows:

- Movement in HHPI: This is the percentage movement in HHPI from the Initial Index Level of each share class to the latest published value of HHPI as of the end of the year. As at 30 September 2013, the latest published value of HHPI was 550.5. The Initial Index Level varied from 517.2 for the November 2012 series to 556.7 for the August 2013 series.
- Elapsed Term: This is the amount of time that has elapsed from the closing date of each share class to the end of the year. As at 30 September 2013, this value varied between 11 months for the October 2012 series of Housas to 0 months for the September 2013 series.
- Expected future movement in the HHPI: This is the assumed annual rate that the HHPI is expected to grow at in the future and was 4.5% per annum. This is defined on a continuously compounded basis.
- Volatility of the movement in HHPI: This is the assumed annualised volatility of the future HHPI returns and was 12.67% per annum. This is defined consistently with market practice for financial option valuation approaches.
- Product Terms: These are terms that are specific to each share class such as profit share, loss share, coupon rate and term, as set out in further detail in sections 16.2 and 16.3 below. The product terms are defined in the terms and conditions of each Housa. In summary, the profit share was between 170% and 100%; the loss share was between 100% and 30%; the coupon rate was between 0% and 3% per annum and the term was 3, 5 or 10 years.
- Discount rates: The discount rates were calculated to be consistent with the assumptions about future house price growth. This calculation produced discount rates between 5% and 10% per annum.

14.2 Sensitivity of Fair Value movements

Castle Trust's model for calculating the fair value of its Housa liabilities includes unobservable inputs. Changing one of these inputs, whilst holding the others constant, would lead to higher or lower fair values. There is a strong interrelationship between the discount rates and the other inputs

described below. This interrelationship mitigates the majority of the effect of changes in the inputs on the fair value. Analysis of the sensitivity of the changes in one of the inputs combined with a change to the discount rate concluded that the fair value model is materially insensitive to changes in these unobservable inputs.

The most significant unobservable inputs are considered below:

Expected future movement in the HHPI: increasing this parameter will increase the modelled house prices at maturity, which will increase the modelled cash flows at maturity and therefore increase the fair value. However, any increase in this input produces an increase in the discount rates which largely mitigates the impact on the fair value.

Discount rates: increasing this parameter will reduce the fair values.

Volatility of the movement in HHPI: increasing this parameter will increase the range of expected house price outcomes. Given the product terms, this will increase the modelled cash flows at maturity and therefore increase the fair value.

Volatility of house prices: increasing this parameter will have a similar effect to increasing the 'Volatility of the movement in HHPI'.

The most significant input that materially changes the fair value of the Mortgage assets is the published HPPI value, analysed below:

	Increase HHPI by 10%	Decrease HHPI by 10%
Financial liabilities at fair value through profit & loss	£	£
Impact on net assets	(214,576)	136,870

14.3 Income Housas

The Income Housas are Loan Notes issued by Castle Trust Income HouSA plc and were first listed on the Channel Islands Stock Exchange on 4 October 2012. The loan notes are divided into classes. There are currently 3 classes offered each month: 3 year term, 5 year term, and 10 year term. The Income Housa is an investment product which is designed to provide a fixed return as set out below for the term from inception to maturity:

Investment Return

The Investment Return is the amount payable as calculated under the relevant investment product with respect to each Loan Note on its maturity date by Castle Trust as follows:

$$(\text{HHPI Percentage Change} \times \text{Investment Amount}) + \text{Investment Amount}$$

14.3 Income Housas

Interest

Each Loan Note bears interest from (and including) the first day following the end of the offer period at the rate per annum stated in the table below. Interest will be payable in arrears quarterly in each year up to (and including) the quarter immediately preceding the maturity date of the Loan Note.

Maturity Period of Loan Note	Annual interest
3 years	2%
5 years	2.5%
10 years	3%

Income Housas:

Nominal and fair values for the Growth Housa tranches issued in the year:

Maturity Period of Loan Note	Nominal Value	Fair Value
	£	£
5 year October 2012	2,425	2,531
5 year November 2012	30,000	31,387
5 year November 2012	19,400	20,135
10 year December 2012	15,000	15,448
5 year April 2013	25,162	25,909
10 year April 2013	23,040	23,626
5 year May 2013	116,220	117,597
5 year July 2013	85,275	85,289
10 year July 2013	11,520	11,527
3 year August 2013	25,000	24,741
5 year August 2013	43,010	42,593
3 year September 2013	20,000	20,000
5 year September 2013	51,613	51,613
10 year September 2013	5,000	5,000
Group total	472,665	477,396

14.4 Growth Housas

The Growth Housas are Participating Preference Shares of Castle Trust PCC and were first listed on the Channel Islands Stock Exchange on 4 October 2012. The Participating Preference Shares of the Cell are divided into classes. There are currently 3 classes offered each month: 3 year term shares, 5 year term shares, and 10 year term shares. The Growth Housa is an investment product which is designed to grant the investor exposure to the potential growth or fall of the HHPI over the life of the product. It will provide a return such that the amount invested will be adjusted by the returns providing an enhanced exposure to the upside in the HHPI and a reduced exposure to the downside. The precise terms of the return payable to Investors depend on the duration of the product and whether the investment is held until redemption or early redeemed at the Group's discretion.

Nominal and Fair values for the Growth Housa tranches issued in the year:

	Nominal value	Fair Value
	£	£
5 Year October 2012	5,000	5,324
10 Year October 2012	13,025	13,875
10 Year November 2012	20,075	21,504
10 Year December 2012	15,000	15,928
10 Year January 2013	20,000	21,106
5 Year February 2013	105,220	112,131
10 Year February 2013	82,250	87,728
5 Year March 2013	85,900	90,646
10 Year March 2013	6,610	6,981
5 year April 2013	104,925	109,207
10 Year April 2013	81,416	84,785
3 Year May 2013	4,000	4,075
5 Year May 2013	81,159	82,652
10 Year May 2013	44,310	45,130
5 Year June 2013	74,768	75,767
10 Year June 2013	60,810	61,626
3 Year July 2013	30,893	30,849
5 Year July 2013	81,120	80,918
3 year August 2013	149,520	147,643
5 Year August 2013	74,520	73,464
3 Year September 2013	77,777	77,776
5 Year September 2013	53,537	53,536
10 Year September 2013	17,472	17,472
Total	1,292,807	1,323,612

Investment return on the Growth Housas

The Investment Return is the amount payable as calculated under the relevant Investment Product with respect to each Participating Preference Share on the relevant Maturity Date calculated by Castle Trust as follows:

$$((\text{Return Multiple} \times \text{HHPI Percentage Change}) + 1) \times \text{Investment Amount}$$

Where:

The 'Return Multiple' is:

- (i) if the Final HHPI Level is greater than the Initial HHPI Level:

Maturity Period of Participating Preference Shares	Return multiple
3 years	1.25
5 years	1.5
10 years	1.7

- (ii) if the Final HHPI Level is lower than the Initial HHPI Level:

Maturity Period of Participating Preference Shares	Return Multiple
3 years	0.75
5 years	0.5
10 years	0.3

14.5 Financial Instruments

Fair value hierarchy

All financial instruments for which fair value is recognised are categorised within the fair value hierarchy, described as follows based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period, as shown below:

Financial Instruments measured at fair value at 30 September 2013	Level 1	Level 2	Level 3
Financial liabilities measured at fair value through profit and loss	-	-	1,801,008
Mortgage assets	-	-	19,000

Note that there are no comparative financial instruments for the year ended 30 September 2012.

Housa Liabilities are measured at fair value on a recurring basis, and as discussed above, their valuation is categorised at level 3. The following table shows a reconciliation from the opening balances to the closing balances, including the total realised and unrealised gains for the period that are recognised in other comprehensive income. There were no transfers into level 3 assets other than the completions in the period, and no transfers out other than redemptions.

	Income Housas £	Growth Housas £	Total £
Opening balance as at 1 October 2012	-	-	-
Creations in the period	472,665	1,792,817	2,265,482
Redemptions in the period	-	(500,000)	(500,000)
Realised loss on financial liabilities at fair value through profit & loss	-	18,931	18,931
Unrealised loss on financial liabilities at fair value through profit or loss	4,731	11,864	16,595
Closing balance as at 31 March 2014	477,396	1,323,612	1,801,008

14.6 Risk Management

Financial risk management

The Group's activities expose it to various types of financial risk that are associated with financial instruments and markets in which it participates. The Group's overall risk management objective is to minimise the potential adverse effects of these financial risks on its performance and maximise the correlation of the company's performance to the HHPI. The Investment Manager monitors and reports to the directors the performance of the Group, at least quarterly.

14.6.1 Credit risk

Retail credit risk is inherent in the Castle Trust Partnership Mortgage product. This risk is managed in the loan origination and servicing processes. The Group has modelled the scenarios which might lead to a change in these risks, and these are measured and monitored on a quarterly basis by the Risk Committee. The first Partnership Mortgage was sold in September 2013, however, its credit risk as at 30 September 2013 is deemed immaterial.

The Group is also exposed to Credit risk in terms of its investments in fixed deposit funds with Lloyds Bank of £4,900,000 (2012: £nil). It has considered its exposure with respect to HSBC, in terms of their current accounts and liquidity funds, where the maximum exposure is £40,205,268 (2012: £52,002,047). As the liquidity funds comprise a well-diversified set of underlying investments, they are not considered to pose a significant credit risk. The current accounts retain an element of such risk, which was considered when Castle Trust assessed its exposure to credit risk as part of its ICAAP.

14.6.2 Liquidity risk

Liquidity risk is inherent within the Castle Trust Business Model. However, active management of the duration profile of the assets and liabilities significantly reduces the Group's exposure to liquidity risk. In addition, a minimum twenty per cent of the balance of funds received from the issuance of the redeemable preference shares and loan notes will be maintained, to ensure adequate liquidity is available to service redemption obligations. Triggers which define risk tolerance have been determined by the Risk Committee, which has been delegated authority from the main Board. These risk limits can only be changed with Board approval, and are reviewed on a quarterly basis.

14.6.3 Market Risk

Market risk is the risk that the fair value of future cash flows from financial instruments will fluctuate as a result of changes in market variables such as interest rates and given the inherent nature of the underlying investment product, the company is exposed to movements in the HHPI.

14.6.3.1 Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. The Group manages interest rate risk by placing funds on deposit with a variety of credit institutions with varying durations of not more than two years. Castle Trust assesses its exposure to interest rate risk as part of its ICAAP. The maximum exposure to interest risk in 2013 could be expressed as the loss of all interest received of £176,061 (2012: £40,649).

14.6.3.2 Basis risk

Basis risk is the risk that gains or losses on the combined Partnership Mortgage and Housa portfolio arise due to over or under performance of house prices in certain segments. Basis risk arises from the following sources: systemic differences between the portfolio of Partnership Mortgaged houses and the composition of the index, for example by region; over or underperformance of index due to index specific reasons; concentration of the portfolio of Partnership Mortgaged houses in a finite number of dwellings. It is measured on a monthly basis and reported to the quarterly Board Risk Committee meetings. As at 30 September 2013, the maximum potential exposure to basis risk in the portfolio was minimal as the Partnership Mortgage portfolio contained a single mortgage of £19,000.

14.6.4 Concentration risk

Currently, concentration risk is not currently considered material in any category other than Credit risk, with respect Counterparty risk in respect of Castle Trust's investments held with Lloyds Bank of £4,900,000 (2012: £nil). The Group's exposure to HSBC liquidity funds is not considered a concentration risk since the underlying investments of the liquidity fund are themselves diverse. Considerable concentration risk is likely to result once mortgage volumes increase to a material level.

The table below indicates the maturity profile of the Group's financial assets and financial liabilities at the reporting date. Financial assets and liabilities are measured at the value of the HHPI index as at 30 September 2013, with the assumption that the index remains at this level. The analysis is based on the remaining period to contractual maturity date as at the reporting date.

	Within 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years	Total
	£	£	£	£	£
Financial assets					
Other receivables	-	-	127,669	-	127,669
Mortgage Asset	-	-	-	19,000	19,000
Investments	42,438,978	-	-	-	42,438,978
Trade and other receivables	113,122	-	-	-	113,122
	<u>42,552,100</u>	<u>-</u>	<u>127,669</u>	<u>19,000</u>	<u>42,698,769</u>
Financial liabilities					
Financial liabilities through profit and loss – Growth Housa	-	331,351	630,110	362,154	1,323,615
Financial liabilities through profit and loss – Income Housa	96,637	59,769	344,524	58,300	559,230
Current tax liabilities	-	2,854	-	-	2,854
Trade and other payables	697,509	-	-	-	697,509
Employee benefits	141,352	-	-	-	141,352
	<u>935,498</u>	<u>393,974</u>	<u>974,634</u>	<u>420,454</u>	<u>2,724,560</u>

The table below indicates the maturity profile of the Group's financial assets and liabilities as at 30 September 2012:

	Within 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years	Total
	£	£	£	£	£
Financial assets					
Other receivables	-	-	95,318	-	95,318
Investments	45,904,466	-	-	-	45,904,466
Trade and other receivables	107,633	-	-	-	107,633
	<u>46,012,099</u>	<u>-</u>	<u>95,318</u>	<u>-</u>	<u>46,107,417</u>
Financial liabilities					
Current tax liabilities	-	9,552	-	-	9,552
Trade and other payables	1,212,682	-	-	-	1,212,682
Employee benefits	36,817	-	-	-	36,817
	<u>1,249,499</u>	<u>9,552</u>	<u>-</u>	<u>-</u>	<u>1,259,051</u>

15. Trade and other payables

	30 September 2013	30 September 2012
	£	£
Accounts payable and sundry creditors	86,141	299,868
Accruals and deferred income	611,368	912,814
	<u>697,509</u>	<u>1,212,682</u>

Trade and other payables consist of expenses paid in relation to the initial set up and on-going costs of the business. They are recorded at cost, which approximates to fair value due to the short payment terms on which Castle Trust operates, with the majority of trade liabilities being extinguished within 30 days of the recognition of the liability.

16. Employee benefits	30 September 2013	30 September 2012
	£	£
Termination payment	105,000	-
Accounts payable and sundry creditors	26,654	36,817
Accruals and deferred income	9,698	-
	<u>141,352</u>	<u>36,817</u>

Employee benefits comprise a payment due to a senior member of staff on termination of employment, other employee related expenses and the recognition of a holiday accrual. The holiday accrual represents the liability of the Group to its employees in terms of salary value of their unused holiday at the year-end dates.

17. Commitments	30 September 2013	30 September 2012
	£	£
The Group and company had annual commitments under non-cancellable operating leases related to land and buildings:	360,000	432,000

18. Ultimate Controlling Party

Castle Trust's immediate parent undertaking is Castle Trust Holdings (Jersey) Limited which is incorporated in the Channel Islands. Castle Trust's ultimate parent company is CTC Holdings (Cayman) Limited which is incorporated in the Cayman Islands. The ultimate controlling party of the Group is considered to be Mr James Christopher Flowers.

19. Group subsidiary undertakings

The Group and the parent company hold the following proportion of the nominal value (£0.10) of shares in the following Group subsidiary undertakings included in the Group consolidated accounts:

Name of company	Holding	Proportion of voting rights & nominal value of shares held	Nature of business	Country of incorporation
Castle Trust Capital Management Limited	Ordinary shares	100%	Investment company	UK
Castle Trust Income	Ordinary	100%	Investment	Jersey

HouSA plc	shares		company	
Castle Trust Capital	Ordinary	100%	Nominee	UK
Nominees Limited*	shares		Company	

*The holding of Castle Trust Capital Nominees Limited is indirectly held through Castle Trust Capital Management Limited.

20. Group transactions

During the year the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances with other related parties, are as follows:

Balances with and transactions with Castle Trust Holdings Jersey Limited

	30 September 2013	30 September 2012
	£	£
Transactions in the year	50,001	30,261
Balances	81,019	31,018

A loan of £50,000 was made to Castle trust Holdings Jersey Limited on 15 July 2013 in order to fund the parent company's expenses in the medium term. Repayment is not expected until dividends become due and payable.

In addition, CTCM transacted with Castle trust PCC as follows:

Balances with and transactions with Castle Trust PCC:

	30 September 2013	30 September 2012
	£	£
Transactions in the year	241,245	-
Balances	71,712	-

These balances arose in the course of the sales and marketing, and administration services provided by CTCM to Castle Trust PCC and the Protected Cell.

21. Capital management

The primary objectives of Castle Trust's capital management policy are to ensure that Castle Trust complies with externally imposed capital requirements and healthy capital ratios in order to support its business.

Castle Trust manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, Castle Trust may adjust the ratio of investment to mortgage business, and can manage the duration and investment strategy for funds on deposit. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board. Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium and retained earnings including current year losses.

Castle Trust Capital plc and Castle Trust Management Limited were granted Financial Services Authority ('FSA') permission to carry out regulated investment activities on 5 September 2012. On 1 April 2013, the FCA ('Financial Conduct Authority') and the PRA ('Prudential Regulation Authority')

replaced the FSA as Financial Service regulators. Castle Trust Capital plc and Castle Trust Capital Management Limited have been under FCA regulation from that date.

Regulated capital requirements are monitored as part of the overall management of capital, with Key Risk Indicators assigned and monitored for key capital ratios.

As at 30 September 2013, the Group's capital totalled £42,984,362 (2012: £50,973,704).

22. Events after the reporting date

Mortgage lending activity has increased considerably in the subsequent period, with lending as at 31 March 2014 standing at £9,892,367 (30 September 2013: £19,000), and with Investment funding standing at £5,210,412 (30 September 2013: £1,801,008).

On 11 June 2014, Castle Trust Capital plc invested £500,000 in the Ordinary Share Capital of Castle Trust Direct plc, an investment company incorporated in England and Wales. Castle Trust Capital plc holds 100% of the voting rights and nominal value of shares in Castle Trust Direct plc.

Castle Trust Capital plc

**Unaudited condensed consolidated interim financial information
31 March 2014**

Unaudited condensed consolidated interim statement of comprehensive income
for the period ended 31 March 2014

	Note	31 March 2014 6 months	31 March 2013 6 months
Interest and similar income		90,587	77,019
Interest and similar expense		(28,848)	(6,409)
Net interest income		61,739	70,610
Fees and commission income		8,019	1,690
Fees and commission expense		(110,812)	(308)
Net fee and commission income		(102,793)	1,382
Net income		(41,054)	71,992
Net unrealised gain on financial assets at fair value through profit or loss	5	229,288	-
Net loss on financial liabilities at fair value through profit or loss	6	(169,859)	(2,448)
Total operating income		18,375	69,544
Personnel expenses		(1,685,388)	(2,060,976)
Depreciation of property and equipment		(8,941)	(10,146)
Other operating expenses		(2,835,201)	(1,925,192)
Total operating expenses		(4,529,530)	(3,996,314)
Loss before tax from continuing operations		(4,511,155)	(3,926,770)
Income tax expense	3	-	(15,797)
Total comprehensive loss		(4,511,155)	(3,942,567)
Loss for the period			
Attributable to:			
Equity holders of the parent		(4,577,045)	(3,966,629)
Non-controlling interests		65,890	24,062
Total comprehensive loss		(4,511,155)	(3,942,567)

The results for all periods comprise continuing operations.

Unaudited condensed consolidated interim statement of financial position

as at 31 March 2014

		31 March 2014	30 September 2013
		£	£
Assets			
Property and equipment		17,433	7,464
Trade and other receivables		131,019	127,669
Financial assets at fair value through profits and loss	5	9,892,367	19,000
Non-current assets		10,040,819	154,133
Investments	4	27,561,590	42,438,978
Trade and other receivables		218,656	113,122
Prepayments		450,522	254,562
Cash and cash equivalents		6,378,124	2,666,290
Current assets		34,608,892	45,472,952
Total assets		44,649,711	45,627,085
Equity			
Share capital	8	6,478,000	6,478,000
Share premium		45,540,000	45,540,000
Retained earnings		(13,648,800)	(9,071,755)
Non-controlling interests		104,007	38,117
Total equity		38,473,207	42,984,362
Non-current liabilities			
Financial liabilities at fair value through profit and loss	6	5,210,412	1,801,008
Current tax liabilities		-	2,854
Trade and other payables		931,276	697,509
Employee benefits		34,816	141,352
Current Liabilities		966,092	841,715
Total Liabilities		6,176,504	2,642,723
Total Equity and liabilities		44,649,711	45,627,085

Unaudited condensed consolidated interim statement of changes in equity

For the period ended 31 March 2014

	Share capital	Share premium	Retained earnings	Total	Non-controlling interest	Total equity
	£	£	£	£	£	£
At 1 October 2013	6,478,000	45,540,000	(9,071,755)	42,946,245	38,117	42,984,362
Total comprehensive loss for the year	-	-	(4,577,045)	(4,577,045)	65,890	(4,511,155)
At 31 March 2014	6,478,000	45,540,000	(13,648,800)	38,369,200	104,007	38,473,207

For the year ended 30 September 2013

	Share capital	Share premium	Retained earnings	Total	Non-controlling interest	Total equity
	£	£	£	£	£	£
At 1 October 2012	6,478,000	45,540,000	(1,044,296)	50,973,704	-	50,973,704
Total comprehensive loss for the year	-	-	(8,027,459)	(8,027,459)	38,117	(7,989,342)
At 30 September 2013	6,478,000	45,540,000	(9,071,755)	42,946,245	38,117	42,984,362

Unaudited condensed consolidated interim statement of cash flows for the period ended 31 March 2014

	31 March 2014	31 March 2013
Cash flows from operating activities	Notes	£
Loss before tax from continuing operations		(8,570,873) (3,926,770)
Adjustments to reconcile loss before tax to net cash flow:		
Depreciation of property and equipment		39,381 10,146
Interest income		(167,606) -
Fair value movements through profit or loss		(26,241) 2,448
Mortgage issued		(9,663,079) -
Taxation paid		- -
Interest paid		(22,788) (6,409)
		(18,411,206) (3,920,585)
Working capital adjustments:		
Increase in other receivables		(35,699) -
Decrease/(increase) in trade and other receivables		19,069 (227,781)
Increase in prepayments		(300,513) -
Increase/(decrease) in trade and other payables		441,229 (217,986)
Decrease in employee benefits		(237,123) -
Net cash used in operating activities		(113,037) (445,767)
Cash flow from investing activities		
Decrease in investments		15,909,995 2,432,881
Interest received		148,601 77,019
Net cash inflow from investing activities		16,058,596 2,509,900
Cash flow from financing activities		
Distributions paid on Housa investments		(17,903) -
Proceeds from issue of Housas	6	4,620,546 -
Net cash inflow from financing activities		4,602,643
Net increase/(decrease) in cash at bank and in hand		2,136,996 (1,856,452)
Cash at bank and in hand brought forward		4,241,128 6,097,580
Cash at bank and in hand carried forward		6,378,124 4,241,128

Notes to the unaudited condensed consolidated interim financial information

for the period ended 31 March 2014

1. Corporate information

Castle Trust Capital plc is incorporated and domiciled in the UK. These unaudited condensed consolidated interim financial information for the period ended 31 March 2014 were authorised for issue in accordance with a resolution of the directors on 24 June 2014.

The Group earned income in the period from mortgage application fees and from interest earned on liquidity funds. The main expenses of the Group arise in the provision of sales and marketing, operations, and investment management services.

2. Accounting Policies

2.1 Basis of preparation

The Group's unaudited condensed consolidated interim financial information for the period ending 31 March 2014 have been prepared under IAS 34, Interim Financial Reporting. The Group has applied the same accounting policies and methods of computation as at 30 September 2013, without alteration.

These unaudited condensed consolidated interim financial information have been prepared on a historical cost basis except for financial instruments that are measured at fair value. The consolidated financial statements are presented in sterling and all values are rounded to the nearest pound (£) except where otherwise indicated.

Statutory consolidated financial statements dealing with the financial year ended 30 September 2013 have been delivered to the registrar. An unqualified auditor's report has been issued on the consolidated financial statements for that financial year.

The unaudited condensed consolidated interim financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 September 2013. The Group has included comparative figures for the previous full year in these financial statements. In compliance with provisions of S.435 of the Companies Act 2006 regarding the publication of non-statutory accounts, the interim condensed consolidated financial statements do not constitute statutory accounts.

2.2 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2014.

Subsidiaries are consolidated from either the date of acquisition, being the date on which the Group obtains control, or from the date at which the Group is deemed to have gained control. Subsidiaries continue to be consolidated until the date when control ceases.

The financial statements of the subsidiaries used in the preparation of these consolidated financial statements are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Total comprehensive income within a consolidated structured entity is attributed to non-controlling interests even where it results in a deficit balance.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The policies presented in this section comprise the IFRS accounting policies adopted for the Group that apply as at the date of authorisation of these interim unaudited condensed consolidated financial statements.

2.3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of structured entities

The Group's Ultimate Controlling Party sponsors the formation of Structured Entities (SEs), which may or may not be directly or indirectly-owned subsidiaries of Castle Trust Capital plc. The Group consolidates the SEs that it controls. In determining whether the Group controls an SE, judgement is exercised to establish the following:

- whether the activities of the SE are being conducted on behalf of the Group to obtain benefits from the SE's operation;
- whether the Group has the decision-making powers to control or to obtain control of the SE or its assets;
- whether the Group has rights to obtain the majority of the benefits of the SE's activities; and
- whether the Group retains the majority of the risks related to the SE or its assets in order to obtain benefits from its activities.

See Note 10 for further information.

2.3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Going concern

The Group's directors have made an assessment of its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(ii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from some observable market data (including the Halifax House Price Index ('HHPI')) but some judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as discount rates and early redemption assumptions.

(iii) Deferred tax assets

The status, measurement and treatment of deferred tax assets is disclosed in note 4 however these assets are not recognised in the interim condensed consolidated financial statements. The decision to not recognise the assets is based on the Group's estimation of profits arising in the short to medium term against which the brought forward losses might be relieved. As profits against which to offset losses are not expected to arise in the foreseeable future, no asset has been recognised. The status, measurement and treatment of these potential assets are monitored on an on-going basis.

2.4 Summary of significant accounting policies

2.4.1 Financial Instruments – Classification

The particular accounting policies adopted for financial instruments are disclosed in the individual policy statements associated with each item below.

(i) Financial assets at fair value through profit and loss recognised in the Statement of Comprehensive Income

Financial assets at fair value through profit and loss relate to mortgages originated by the group and to the Company's investment in Housas. The mortgage assets have no coupon and an explicit risk and reward sharing on the realised value of the underlying property. The Housa assets include a coupon in addition to a share of risk and reward. The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them.

(ii) Financial assets at amortised cost

The Group classifies its investments in short term deposits and liquidity funds as loans and receivables. Trade debtors and other receivables are classified as loans and receivables.

(iii) Financial liabilities at fair value through profit or loss

The Group designates its liabilities to Redeemable Preference ('Growth Housas') shareholders and its Loan Note ('Income Housas') holders upon initial recognition as financial liabilities at fair value through profit and loss.

(iv) Financial liabilities at amortised cost

Trade creditors and amounts due to staff or payable in relation to staff (employee benefits) are recorded at amortised cost. In most instances, this equates to historic cost, as these liabilities are extinguished in a short time frame.

2.4.2 Financial instruments – initial recognition

(i) Date of recognition

All financial assets and liabilities are initially recognised on the date that the Group becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

2.4.3 Subsequent measurement

Subsequent to initial measurement, the Group re-measures financial instruments at fair value through profit or loss at fair value. Changes in the fair value are recognised in the Statement of Comprehensive Income. Interest and dividend income earned from such instruments are recorded separately. Other financial assets and financial liabilities are subsequently measured at amortised cost.

(i) Financial assets at fair value through profit of loss

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

The valuation of the mortgage portfolio is based on the modelled value of the dwellings underlying the individual mortgages in the portfolio. The Halifax house Price index (HHPI) provides the initial model input (adjusted for actual experience) and the index for each dwelling is adjusted for expected individual asset volatility (adjusted for actual experience) to provide the valuation. This valuation is verified by testing the estimated asset value distribution using an Automated Valuation Model 'AVM' sample valuation and these are verified on a random basis using surveyor valuations.

A gain or loss is only recognised to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. One such factor is the change in the spot price of the underlying property. This would have the effect of recognising profit and losses over the expected life of the underlying portfolio.

(ii) Financial assets at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

(iii) Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in net gains/losses on financial liabilities at fair value through profit and loss in the Statement of Comprehensive Income.

The fair value of financial liabilities at fair value through profit and loss is determined by using appropriate modelling techniques. When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using Black Scholes options pricing models and discounted cash flows. The models incorporate various inputs as follows:

- Movement in HHPI: this is the percentage movement in HHPI from the Initial Index Level of each share class to the latest published value of HHPI as of the end of the year;
- Elapsed Term: this is the amount of time that has elapsed from the closing date of each share class to the end of the year;
- Expected future movement in the HHPI: this is the assumed annual rate that the HHPI is expected to grow at in the future;
- Volatility of the movement in HHPI: this is the assumed annualised volatility of the future HHPI returns; and
- Product Terms: these are terms that are specific to each share class such as profit share, loss share, coupon rate and term.

IFRS 7 requires disclosures relating to the fair value measurements using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. At the year end, assets and liabilities at fair value through profit or loss have been classified at Level 3, because their fair value has been derived from unobservable data.

A gain or loss is only recognised to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. One such factor is the change in the HHPI index. This would have the effect of recognising profit and losses over the expected life of the underlying portfolio.

2.4.4 De-recognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - The Group has transferred substantially all the risks and rewards of the asset, or;
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.4.5 Impairment of financial assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2.4.6 Treatment of interest income and expense on financial assets and liabilities at fair value through profit and loss

Interest income and expense on financial assets and financial liabilities at fair value through profit and loss are presented in the Statement of Comprehensive Income within interest and similar income and interest and similar expense respectively. Interest expense is calculated based on the Effective Interest rate associated with the underlying financial assets and financial liabilities at fair value through profit and loss.

2.4.7 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprise current account balances that are available on demand.

2.4.8 Client monies

The Group holds client monies on behalf of Housa investors prior to the underlying investments being recorded in their name. Castle Trust does not obtain the rewards, nor is exposed to the risks of ownerships. Client monies are not included in the balance sheet of the Group or Company on that basis. The amount of client monies held as at 31 March 2014 was £343,000 (30 September 2013: £55,000).

2.4.9 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Computer equipment: 3 years
- Office equipment: 3 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Other operating income in the Statement of Comprehensive Income in the year the asset is derecognised.

2.4.10 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

2.4.11 Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable

entity and the same taxation authority.

See Note 3 for further description of the current status of deferred tax assets.

2.4.12 Dividends payable on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the period that are approved after the reporting date are disclosed as an event after the reporting date.

2.4.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income.

2.4.14 Segmental Reporting

The Group does not collate or report separately Management Information data by segment. All business is transacted within the UK, and consequently, no segmental analysis is presented.

3. Income tax

The components of income tax expense for the **31 March 2014** 31 March 2013 period/year ended:

	£	£
Current tax	-	15,797
Under-provision of prior year tax	-	-
Total	-	15,797

Reconciliation of total group tax charge

Accounting loss before tax	(4,382,155)	(3,926,770)
At prevailing UK statutory income tax rate of 23% (2013: 24%)	(964,074)	(903,157)
Tax relating to prior year loss before tax	-	
Disallowable expenses	249	-
Losses for which a deferred tax asset is not recognised	963,825	918,954
Income tax expense reported in the consolidated Statement of Comprehensive Income	-	15,797

The effective tax rate is calculated as the average rate for the year under review, being 23% to 31 March 2014 and 21% thereafter (31 March 2013: 24% and 23% respectively). Therefore the Company is subject to an average tax rate calculated over the two six month periods of its statutory accounting year.

At 31 March 2014, the Group had total trading expenses of £23,232,737 and decelerated capital losses of £1,033,308 in respect of which a deferred tax asset of £4,853,209 (2013: £3,521,997) has not been recognised due to uncertainty surrounding the availability of taxable profits against which these could be offset. The tax rate applied in determining the value of the asset not recognised is a rate of 20% which is applicable from April 2015.

4. Investments

	31 March 2014	30 September 2013
	£	£
Amounts on long term deposit	4,955,315	4,900,000
Amounts invested in sterling liquidity fund	22,606,275	37,538,978
	27,561,590	42,438,978

Amounts on long term deposit relate to funds placed with Lloyds Bank on a three month and twelve month term (2013: 12 month term deposit, receivable within twelve months of the year end).

5. Financial assets at fair value through profit and loss

	31 March 2014	30 September 2013
	£	£
Owner occupied and buy to let loans	8,058,497	19,000
Index linked mortgages	1,833,870	-
	9,892,367	19,000

5.1 Mortgage products

5.1.1 Owner occupier mortgages

Owner occupier mortgages (Partnership Mortgages) are secured via a second charge which sits behind a traditional mortgage. Partnership Mortgages are typically up to 20% of the property value. The maximum combined (first and second charge) loan to value (LTV) that Castle Trust will lend at is 90%. The minimum and maximum terms of lending are 6 and 30 years respectively.

There are no monthly repayments and no conventional interest is payable. Instead the original amount of the loan is repaid at redemption - plus a share of any increase in the value of the property during the life of the loan. This share will be twice the Castle Trust LTV. For example, if a client borrows 20% LTV, the share will be 40% of the rise in the value of the property.

5.1.2 Buy to Let mortgages

Castle Trust's Equity Loans are mortgages to landlords usually limited to a maximum LTV of 20% secured via a legal charge which would sit behind an existing first charge mortgage. The maximum LTV is 85% (including the first charge mortgage), with minimum and maximum terms of 1 and 10 years respectively.

There are no monthly repayments and no conventional interest is payable. Instead, the original amount of the loan is repaid at redemption plus a share of any increase in the value of the property during the life of the loan. This share will be twice the Castle Trust LTV or the Minimum Repayment Amount (2% pa), whichever is higher.

5.1.3 Index Profit Share Mortgages

An Index Profit Share (IPS) Mortgage is a mortgage on a property or portfolio of properties. The customer must retain a minimum of 15% equity if using an IPS Mortgage. IPS Mortgages are only issued to good credit quality customers for the re-mortgage of residential property.

There are no monthly payments. The original amount of the loan is repaid at redemption with a deferred interest payment and (up to) twice the increase in value of the national house price index, if the property has increased in value. The product is only available to borrowers who are exempt from the Consumer Credit Act (buy to let or satisfying high net worth/business exemption tests).

5.2 Fair value of financial assets

The table below shows the fair values of financial assets together with their notional amounts. These assets are measured at fair value as their performance is evaluated on the basis of the movement of the HHPI. The notional amount, recorded gross, is the basis upon which changes in the value of the assets are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or the credit risk.

As at 31 March 2014	Notional Amount	Fair Value
	£	£
Owner occupied and equity loans	7,883,079	8,058,497
Index profit share mortgages	1,780,000	1,833,870
	9,663,079	9,892,367

As at 30 September 2013	Notional Amount	Fair Value
	£	£
Owner occupied and equity loans	19,000	19,000
Index profit share mortgages	-	-
	19,000	19,000

5.3 Fair value modelling

Castle Trust has developed a model to value its mortgage assets and Housa liabilities. The model uses stochastic techniques to calculate the net present value of simulated future cash flows. The simulated cash flows are based on assumptions about the range of possible events and inputs concerning the terms of the mortgages and investments.

5.3.1 Fair value measurement

The Housa model incorporates various inputs as follows:

- Movement in House Prices: the percentage movement in the house price from origination to the indexed value is between -6% and +4%.
- Elapsed Term: this is the amount of time that has elapsed from the date of completion of each mortgage to the end of the half year. As at 31 March 2014, this value varied between 6 to 0 months.
- Volatility of House Prices: this ranges from 6% to 32% in addition to this there is an allowance for index volatility as well as volatility above the index.
- Product Terms: these are terms that are specific to the mortgage products, such as Mortgage Term, Early Repayment Charge and minimum repayment amount. The product terms are defined in the terms and conditions of each mortgage. The mortgage terms were between 2 and 30 years.
- Discount rates: the discount rates were calculated to be consistent with the assumptions about future house price growth. This calculation produced discount rates between 8% and 13% per annum.

5.4 Fair value hierarchy continued

All financial instruments for which fair value is recognised are categorised within the fair value hierarchy, described as follows based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For financial assets that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The financial assets at fair value through profit and loss have been classified as Level 3, as the lowest level input identified is the discount rate is derived from unobservable data.

Financial assets measured at fair value through profit and loss as at 31 March 2014	Level 1	Level 2	Level 3
Mortgage assets	-	-	9,892,367

Financial assets measured at fair value through profit and loss as at 30 September 2013	Level 1	Level 2	Level 3
Mortgage assets	-	-	19,000

Mortgage assets are measured at fair value on a recurring basis, and as discussed above, their valuation is categorised at level 3. The following table shows a reconciliation from the opening balances to the closing balances, including the total (unrealised) gains for the period that are recognised in profit or loss, and in other comprehensive income. There were no transfers into level 3 assets other than the completions in the period, and no transfers out.

	Owner occupied and equity loans	Index linked mortgages	Total
	£	£	£
Opening balance as at 1 October 2013	19,000	-	19,000
Completions in the period	7,864,079	1,780,000	9,644,079
Net gain on financial assets at fair value through profit or loss	175,418	53,870	229,288
Closing balance as at 31 March 2014	8,058,497	1,833,870	9,892,367

5.4 Fair Value Hierarchy continued

	Owner occupied and equity loans	Index linked mortgages	Total
	£	£	£
Opening balance as at 1 October 2012	-	-	-
Completions in the period	19,000	-	19,000
Net gain on financial assets at fair value through profit or loss	-	-	-
Closing balance as at 30 September 2013	19,000	-	19,000

5.5 Sensitivity of Fair Value movements

Castle Trust's model for calculating the fair value of its mortgage assets and Housa liabilities includes unobservable inputs. Changing one of these inputs, whilst holding the others constant, would lead to higher or lower fair values. There is a strong interrelationship between the discount rates and the other inputs described below. This interrelationship mitigates the majority of the effect of changes in the inputs on the fair value. This is because Castle Trust's valuation methodology is to derive the discount rate using the issuance terms as evidence of a market price. Analysis of the sensitivity of the changes in one of the inputs combined with a change to the discount rate concluded that the fair value model is materially insensitive to changes in these unobservable inputs.

The most significant unobservable inputs are considered below:

Expected future movement in the HHPI: increasing this parameter will increase the modelled house prices at maturity, which will increase the modelled cash flows at maturity and therefore increase the fair value. However, any increase in this input produces an increase in the discount rates which largely mitigates the impact on the fair value.

Discount rates: increasing this parameter will reduce the fair values.

Volatility of the movement in HHPI: increasing this parameter will increase the range of expected house price outcomes. Given the product terms, this will increase the modelled cash flows at maturity and therefore increase the fair value.

Volatility of house prices: increasing this parameter will have a similar effect to increasing the 'Volatility of the movement in HHPI'.

The most significant input that materially changes the fair value of the Mortgage assets is the published HHPI value, analysed below:

Financial assets at fair value through profit and loss	Increase HHPI by 10%	Decrease HHPI by 10%
	£	£
Impact on net assets	762,011	(725,348)

6. Financial Liabilities at fair value through profit and loss

6.1 Fair value of financial liabilities

The table below shows the fair values of financial liabilities together with their notional amounts. These liabilities are measured at fair value as their performance is evaluated on the basis of the movement of the HHPI. The gross notional amount is the basis upon which changes in the value of the liabilities are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or the credit risk.

As at 31 March 2014	Notional Amount £	Fair Value £
Liability to Income Housa customers	1,273,990	1,315,415
Liability to Growth Housa customers	3,732,237	3,894,997
	5,006,227	5,210,412

As at 30 September 2013	Notional amount £	Fair Value £
Liability to Income Housa customers	472,665	477,396
Liability to Growth Housa customers	1,292,807	1,323,612
	1,765,472	1,801,008

Fair value modelling

During the period, the fair values of the Housa Liabilities have been modelled using a new model. The 'QRS' model uses stochastic cash flow simulation techniques, as opposed to the Housa Pricing System in use as at 30 September 2013, which used Black Scholes and other conventional finance techniques. The underlying assumptions behind both models are very similar, and the difference between the fair values of the Housa Liability as at 30 September 2013 calculated by each do not materially differ.

The QRS (and the Housa Pricing System) models incorporate various inputs including the movement in HHPI from issuance to the latest published value of HHPI as at 31 March 2014, the amount of time elapsed from issuance to 31 March 2014, the expected future movement in HHPI, the amount of variation or volatility in this future movement and the product terms, as described in more detail below. During the cooling off period, the fair value is determined as being the purchase price. The financial liabilities at fair value through profit and loss have been classified as Level 3, as the lowest level input identified is the discount rate is derived from unobservable data.

6.1 Fair value of financial liabilities

Fair value measurement

The QRS model incorporates various inputs as follows:

- Movement in HHPI: this is the percentage movement in HHPI from the Initial Index Level of each share class to the latest published value of HHPI as of the end of the year. As at 31

March 2014, the latest published value of HHPI was 577.4. The Initial Index Level varied from 517.2 for the November 2012 series to 577.4 for the March 2014 series. As at 30 September 2013, the published value of HHPI was 550.5. The Initial Index Level varied from 517.2 for the November 2012 series to 556.7 for the August 2013 series.

- **Elapsed Term:** this is the amount of time that has elapsed from the closing date of each share class to the end of the half year. As at 31 March 2014, this value varied between 17 months for the October 2012 series to 0 months for the March 2014 series.
- **Expected future movement in the HHPI:** this is the assumed annual rate that the HHPI is expected to grow at in the future and was 4.5% per annum.
- **Volatility of the movement in HHPI:** this is the assumed annualised volatility of the future HHPI returns and was 12.91% per annum. This is defined consistently with market practice for financial option valuation approaches.
- **Product Terms:** these are terms that are specific to each share class such as profit share, loss share, coupon rate and term, as set out in further detail in sections 6.2 and 6.3 below. The product terms are defined in the terms and conditions of each Housa. In summary, the profit share was between 170% and 100%; the loss share was between 100% and 0%; the coupon rate was between 0% and 3% per annum and the term was 3, 5 or 10 years.
- **Discount rates:** The discount rates were calculated to be consistent with the assumptions about future house price growth. This calculation produced discount rates between 5% and 10% per annum.

6.2 Income Housas

Income Housas are loan notes issued by Castle Trust Income Housa plc and were first listed on the Channel Islands Stock Exchange on 4 October 2012. The loan notes are divided into classes. There are currently 3 classes offered each month: 3 year term, 5 year term, and 10 year term. The Income Housa is designed to provide for investors who seek both returns linked to house price movements and also a fixed income.

Investment Return

The Investment Return is the amount payable as calculated under the relevant investment product with respect to each Loan Note on its maturity date by Castle Trust as follows:

$$(\text{HHPI Percentage Change} \times \text{Investment Amount}) + \text{Investment Amount}$$

Interest

Each Loan Note bears interest from (and including) the first day following the end of the offer period at the rate per annum stated in the table below. Interest will be payable in arrears quarterly in each year up to (and including) the quarter immediately preceding the maturity date of the Loan Note.

Maturity Period of Loan Note	Annual interest
3 years	2.0%
5 years	2.5%
10 years	3.0%

6.3 Growth and Protected Housas

Growth and Protected Housas are Participating Preference Shares issued by Castle Trust PCC Growth Housas were first listed on the Channel Islands Stock Exchange on 4 October 2012. Protected Housas were first listed on 3 February 2014. The Participating Preference Shares of the Cell are divided into classes. There are currently 3 classes offered each month: 5 year protected growth term shares, 5 year term shares, and 10 year term shares. The Growth Housa is an investment product which is designed to grant the investor exposure to the potential growth or fall of the HHPI over the life of the product. It will provide a return such that the amount invested will be adjusted by the returns providing an enhanced exposure to the upside in the HHPI and a reduced exposure to the downside. The precise terms of the return payable to Investors depend on the duration of the product and whether the investment is held until redemption or early redeemed at the Group's discretion. See Table 6.4b below for details of the nominal and fair values of the Growth Housas as at 31 March 2014.

Investment return on the Growth Housas

The Investment Return is the amount payable as calculated under the relevant Investment Product with respect to each Participating Preference Share on the relevant Maturity Date calculated by Castle Trust as follows:

$$((\text{Return Multiple} \times \text{HHPI Percentage Change}) + 1) \times \text{Investment Amount}$$

Where:

The 'Return Multiple' is:

- (i) if the Final HHPI Level is greater than the Initial HHPI Level:

Maturity Period of Participating Preference Shares	Return multiple
3 years	1.25
5 years	1.5
10 years	1.7

- (ii) if the Final HHPI Level is lower than the Initial HHPI Level:

Maturity Period of Participating Preference Shares	Return Multiple
3 years	0.75
5 years	0.5
10 years	0.3

Investment return on the Protected Housas

The Investment Return is the amount payable as calculated with respect to each Participating Preference Share on the relevant Maturity Date calculated by Castle Trust as follows:

$$((\text{Return Multiple} \times \text{HHPI Percentage Change}) + 1) \times \text{Investment Amount}$$

- (i) if the Final HHPI Level is greater than the Initial HHPI Level, the return multiple is 1
- (ii) if the Final HHPI Level is lower than the Initial HHPI Level, the return multiple is 0, ie the initial investment amount is returned to the investor

6.4 Financial Instruments

Fair value hierarchy

The Group held the following classes of financial instruments measured at fair value. There were no movements between classes.

Financial Instruments measured at fair value as at 31 March 2014	Level 1	Level 2	Level 3
Financial liabilities measured at fair value through profit and loss	-	-	5,210,412
Financial Instruments measured at fair value as at 30 September 2013	Level 1	Level 2	Level 3
Financial liabilities measured at fair value through profit and loss	-	-	1,801,008

Housa liabilities are measured at fair value on a recurring basis, and as discussed above, their valuation is categorised at level 3. The following table shows a reconciliation from the opening balances to the closing balances, including the total realised and unrealised gains for the period that are recognised in other comprehensive income. There were no transfers into level 3 assets other than the completions in the period, and no transfers out other than redemptions.

Part X
Section 2c: Unaudited interim financial information of Castle Trust

	Income Housas	Growth Housas	Total
	£	£	£
Opening balance as at 1 October 2013	477,396	1,323,612	1,801,008
Creations in the period	1,304,738	2,478,980	3,783,718
Redemptions in the period	(503,413)	(40,760)	(544,173)
Realised loss on financial liabilities at fair value through profit & loss	28,370	1,164	29,534
Unrealised loss on financial liabilities at fair value through profit or loss	8,324	132,001	140,325
Closing balance as at 31 March 2014	1,315,415	3,894,997	5,210,412

6.5 Sensitivity of Fair Value movements

Castle Trust's model for calculating the fair value of its mortgage assets and Housa liabilities includes unobservable inputs. Changing one of these inputs, whilst holding the others constant, would lead to higher or lower fair values. There is a strong interrelationship between the discount rates and the other inputs described below. This interrelationship mitigates the majority of the effect of changes in the inputs on the fair value. This is because Castle Trust's valuation methodology is to derive the discount rate using the issuance terms as evidence of a market price. Analysis of the sensitivity of the changes in one of the inputs combined with a change to the discount rate concluded that the fair value model is materially insensitive to changes in these unobservable inputs.

The most significant unobservable inputs are considered below:

Expected future movement in the HHPI: Increasing this parameter will increase the modelled house prices at maturity, which will increase the modelled cash flows at maturity and therefore increase the fair value. However, any increase in this input produces an increase in the discount rates which largely mitigates the impact on the fair value.

Discount rates: Increasing this parameter will reduce the fair values.

Volatility of the movement in HHPI: Increasing this parameter will increase the range of expected house price outcomes. Given the product terms, this will increase the modelled cash flows at maturity and therefore increase the fair value.

The most significant input that materially changes the fair value of the Mortgage assets is the published HPPI value, the impact of which is analysed below:

Financial liabilities at fair value through profit and loss	Increase HHPI by 10% £	Decrease HHPI by 10% £
Impact on net assets	457,070	(431,645)

7. Risk Management

The Group's activities expose it to various types of financial risk that are associated with financial instruments and markets in which it participates. The Group's overall risk management objective is to minimise the potential adverse effects of these financial risks on its performance and maximise the correlation of the company's performance to the HHPI. The Investment Manager monitors and reports to the directors the performance of the Group, at least quarterly.

7.5.1 Credit risk

Retail credit risk is inherent in the Castle Trust Partnership Mortgage product. This risk is managed in the loan origination and servicing processes. The Group has modelled the scenarios which might lead to a change in these risks and these are measured and monitored on a quarterly basis by the Risk Committee. The Group is also exposed to Credit risk in terms of its investments in fixed deposit funds with Lloyds Bank of £4,955,315 (2013: £4,900,000). It has considered its exposure with respect to HSBC, in terms of their current accounts and liquidity funds, where the maximum exposure is £33,939,714 (2013: £45,105,268). As the liquidity funds comprise a well-diversified set of underlying investments, they are not considered to pose a significant credit risk. The current accounts retain an element of such risk, which was considered when Castle Trust assessed its exposure to credit risk as part of its ICAAP. Credit risk for the mortgages was quantified at £27,596 as at 31 March 2014 (nil as at 30 September 2013).

7.5.2 Liquidity risk

Liquidity risk is inherent within the Castle Trust Business Model. However, active management of the duration profile of the assets and liabilities significantly reduces the Group's exposure to liquidity risk. In addition, a minimum twenty per cent of the balance of funds received from the issuance of the redeemable preference shares and loan notes will be maintained, to ensure adequate liquidity is available to service redemption obligations. Triggers which define risk tolerance have been determined

by the Risk Committee, which has been delegated authority from the main Board. These risk limits can only be changed with Board approval, and are reviewed on a quarterly basis.

7.5.3 Concentration risk

Currently, concentration risk is not considered material in any category other than Credit risk, with respect to the Counterparty risk of Castle Trust's investments held with Lloyds Bank of £4,955,315 (30 September 2013: £4,900,000). The Group's exposure to HSBC liquidity funds is not considered a concentration risk since the underlying investments of the liquidity fund are themselves diverse.

7.5.4 Market Risk

Market risk is the risk that the fair value of future cash flows from financial instruments will fluctuate as a result of changes in market variables such as interest rates and given the inherent nature of the underlying investment product, the company is exposed to movements in the HHPI.

7.5.4.1 Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. The Group manages interest rate risk by placing funds on deposit with a variety of credit institutions with varying durations of not more than two years. Castle Trust assesses its exposure to interest rate risk as part of its ICAAP. The maximum exposure to interest risk in 2014 could be expressed as the loss of all interest received of £90,587 (30 September 2013: £176,061). However, the actual risk is considerably lower than this, as investments are managed regularly to optimise the interest receivable.

7.5.4.2 Index tracking error risk

Index Tracking error risk is the risk that gains or losses on the combined Partnership Mortgage and Housa portfolio arise due to over or under performance of house prices in certain segments. Index Tracking error risk arises from the following sources: systemic differences between the portfolio of Partnership Mortgaged houses and the composition of the index, for example by region; over or underperformance of index due to index specific reasons; concentration of the portfolio of Partnership Mortgaged houses in a finite number of dwellings. It is measured on a monthly basis and reported to the quarterly Board Risk Committee meetings. The maximum potential exposure to index tracking error risk in the portfolio was £9,892,367 (30 September 2013: £19,000).

The table below indicates the maturity profile of the Group's financial assets and financial liabilities at the reporting date. Financial assets and liabilities at fair value through profit and loss are measured at the value of the HHPI index as at the reporting date, with the assumption that the index remains at this level. The analysis is based on the remaining period to contractual maturity date as at the reporting date.

As at 31 March 2014	Within 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years	Total
	£	£	£	£	£
Financial assets					
Other receivables	-	-	131,019	-	131,019
Financial assets at fair value through profit and loss	-	339,584	1,995,217	7,557,566	9,892,367
Investments	27,561,590	-	-	-	27,561,590
Trade and other receivables	218,656	-	-	-	218,656
	27,780,246	339,584	2,126,236	7,557,566	37,803,632
Financial liabilities					
Financial liabilities through profit and loss – Growth Housa	-	875,843	1,751,686	1,324,443	3,951,972
Financial liabilities through profit and loss – Income Housa	-	294,690	589,381	443,749	1,327,820
Trade and other payables	931,276	-	-	-	931,276
Employee benefits	34,816	-	-	-	34,816
	966,092	1,170,533	2,341,067	1,768,192	6,245,884

Note that the fair values of Trade and other receivables, and Trade and other payables approximate to cost due to the short settlement duration of these assets and liabilities. The fair value of Other receivables approximates materially to cost, however we regularly consider the duration of settlement of this balance and will adjust accordingly in future periods should the discounted value differ materially from historic cost. Investments are included at fair value, which is the same as cost for cash equivalents, and includes accrued but unearned interest on term deposits.

As at 30 September 2013	Within 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years	Total
	£	£	£	£	£
Financial assets					
Other receivables	-	-	127,669	-	127,669
Financial assets at fair value through profit and loss	-	-	-	19,000	19,000
Investments	42,438,978	-	-	-	42,438,978
Trade and other receivables	113,122	-	-	-	113,122
	42,552,100	-	127,669	19,000	42,698,769
Financial liabilities					
Financial liabilities through profit and loss – Growth Housa	-	331,351	630,110	362,154	1,323,615
Financial liabilities through profit and loss – Income Housa	96,637	59,769	344,524	58,300	559,230
Current tax liabilities	-	2,854	-	-	2,854
Trade and other payables	697,509	-	-	-	697,509
Employee benefits	141,352	-	-	-	141,352
	935,498	393,974	974,634	420,454	2,724,560

8. Share Capital

30 September
2013
31 March 2014

Issued capital: Group and Company

Authorised, allotted, called up and fully paid

Ordinary shares (Number)	64,780,000	64,780,000
Ordinary shares (£) at £0.10 par value per share	6,478,000	6,478,000

Movement in issued share capital in the period:

	Issued Capital £	Share Premium £	Total £
At 1 October 2013 and 31 March 2014	6,478,000	45,540,000	52,018,000

9. Capital management

The primary objectives of Castle Trust's capital management policy are to ensure that Castle Trust complies with externally imposed capital requirements and healthy capital ratios in order to support its business.

Castle Trust manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, Castle Trust may adjust the ratio of investment to mortgage business, and can manage the duration and investment strategy for funds on deposit. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board. Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium and retained earnings including current year losses.

Castle Trust Capital plc and Castle Trust Capital Management Limited are regulated by the Financial Conduct Authority.

Regulated capital requirements are monitored as part of the overall management of capital, with Key Risk Indicators assigned and monitored for key capital ratios.

As at 31 March 2014, the Group's capital totalled £38,473,207 (30 September 2013: £42,984,362).

10. Consolidated entities

The Group holds the following proportion of the nominal value (£0.10) of shares in the following Group subsidiary undertakings included in the consolidated accounts:

Name of company	Holding	Proportion of voting rights & shares held, & nominal value	Nature of business	Country of incorporation
Castle Trust Capital Management Limited	Ordinary shares	100%	Investment company	UK
Castle Trust Income Housa plc	Ordinary shares	100%	Investment Company	Jersey
Castle Trust Capital Nominees Limited*	Ordinary shares	100%	Nominee Company	UK

* The holding of Castle Trust Capital Nominees Limited is indirectly held through Castle Trust Capital Management Limited.

10. Consolidated entities continued

10.1 Consolidation of Structured Entities

The shares in the Castle Trust PCC ('the PCC') and its cell ('the PC') are held by an independent nominee company, whose shares are held in trust. Although Castle Trust Capital plc does not own, directly or indirectly, any of the share capital of the PCC or PC or their parent companies, it retains the majority of the residual risks and rewards related to the assets, liabilities and returns of the companies, and they have therefore been treated as subsidiaries for the purpose of consolidation of the consolidated financial statements.

Castle Trust enters into swap transactions each month with the PC. The substance and legal form of this transaction is to transfer the PC's liability to its investors to the balance sheet of Castle Trust Capital plc. In addition, Castle Trust receives and manages the funds received from Housa investors using these to fund Partnership Mortgages, up to a maximum of 80% of the balance of funds received. Shareholder funding is also used to provide Partnership Mortgages.

In addition, through Castle Trust Capital Management Limited, the Group provides Sales and Marketing, and Investment Management services to the PC, thereby providing the majority of its operational functionality. The terms of the Investment Management agreement do not include a restricted mandate; therefore the Group is able to substantially control the results of the PC.

11. Events after the reporting date

On 11 June 2014, Castle Trust Capital plc invested £500,000 in the Ordinary Share Capital of Castle Trust Direct plc, an investment company incorporated in England and Wales on 19 May 2014. Castle Trust Capital plc holds 100% of the voting rights and nominal value of shares in Castle Trust Direct plc.

PART XI

USE OF PROCEEDS, INVESTMENT POLICY AND RETURNS AND INFORMATION ABOUT THE ISSUER

This part sets out further information on the use of the proceeds raised by the issue of Notes.

This Part XI is arranged under the following subheadings:

- 1 Use of proceeds
- 2 Investment policy and objective
- 3 Investment restrictions
- 4 Borrower Loan Agreement
- 5 Fees and expenses incurred by Issuer
- 6 Borrowing and lending powers
- 7 Additional Series
- 8 Administration of the Offer
- 9 Conflicts of interest affecting the Issuer
- 10 Investor restrictions

1 Use of proceeds

The net proceeds from each issue of Notes are used by the Issuer for making the Advance for that Series under the Borrower Loan Agreement. This is in line with the investment objective to pay to Investors the Final Redemption Amount at the Maturity Date and to pay Interest.

Investors purchase their Notes from Castle Trust and contract for Castle Trust to buy back the Notes from them on the maturity of such Notes Final Redemption Amount and due but unpaid Interest. Castle Trust is authorised and regulated by the Financial Conduct Authority to carry out regulated activity and is a participant in the Financial Services Compensation Scheme (“FSCS”) established under the Financial Services and Markets Act 2000. The FSCS can pay compensation to Investors if an investment firm (such as Castle Trust) is unable to meet its financial obligations. If an Investor has suffered a loss as a result of Castle Trust failing to meet its financial obligations (for example, if it failed to buy back the Notes because it had become insolvent) then the Investor would be able to make a claim under the FSCS. Most Investors, including most individuals and some small businesses, are covered by the FSCS. In respect of investments, an eligible investor is entitled to claim up to £50,000. For further information about the FSCS, including the amounts covered and eligibility to claim, please ask Castle Trust for more detail or refer to the FSCS website www.fscs.org.uk. **Those Investors who have bought their Notes on the secondary market will not qualify for the FSCS.**

The only business that the Issuer carries out is the provision of the investment opportunity for Investors in the Notes by investing the Proceeds in making an Advance under the Borrower Loan Agreement. Such Notes receive Interest at the intervals applicable to the relevant Note and the Final Redemption Amount on maturity of such Notes.

2 Investment policy and objective

The objective of the Issuer is to provide a return to Investors in each Series equal to Interest payable for the relevant Series and the Final Redemption Amount of the relevant Series on the relevant Maturity Date.

The only source of funding that is available to the Issuer to make each Advance under the Borrower Loan Agreement designed to generate Interest in respect of any Notes and fund payment of the Final Redemption Amount of any Notes derives from the capital subscribed by the purchasers of such Notes. The investment policy prevents the Issuer from borrowing any funds other than the Notes.

The Issuer and its Directors are responsible for the formulation of the investment policy of each Series and any subsequent change to that policy.

In order to generate the Interest and the source of funds to pay the Final Redemption Amount, the Issuer

has, on or about the date of the Base Prospectus, entered into the Borrower Loan Agreement with the Borrower. Under the Borrower Loan Agreement, the monies received by the Issuer for subscription for Notes (less certain costs payable by the Issuer) are advanced to the Borrower for a period equal to the Investment Term. On or about the Maturity Date of such Notes, the relevant Advance under the Borrower Loan Agreement will be repayable by the Borrower to the Issuer for an amount not less than the Final Redemption Amount for each Note maturing and, where applicable, Interest payable on such Notes on the Maturity Date. The Notes will then be redeemed for an amount equal to the Final Redemption Amount and any such Interest. The Umbrella Agreement offsets these payments to the extent identical and so Castle Trust will be free to pay Investors the Final Redemption Amount and Interest (if applicable).

On issue, Castle Trust subscribes for the Notes and borrows the subscription amount from the Issuer with the amount left outstanding on the intercompany account. Investors apply to Castle Trust during the relevant Offer Period to purchase Notes and this purchase is governed by the Fortress Bond Terms and Conditions. The Fortress Bond Terms and Conditions contain an obligation on the part of Castle Trust to repurchase the Notes held by the Investor on the Maturity Date of such Notes for an amount equal to the Final Redemption Amount and due but unpaid Interest for such maturing Notes. However, the Issuer will redeem the Notes prior to this buy back taking place. The Note redemption will be funded by the amount due from Castle Trust under the maturing Advance. The Umbrella Agreement offsets the Advance repayment and the redemption of the Notes payment and because the Final Redemption Amount then lies with Castle Trust, Castle Trust will pay to Investors their Final Redemption Amount.

In the absence of unforeseen circumstances, the term of the Advance with respect to each Series will match the Investment Term of that Series.

It is the intention of the Issuer that the investment objectives for each Series will be achieved by investing the net Proceeds of the Notes issued in respect of such Series in the making of an Advance to the Borrower under the Borrower Loan Agreement.

The returns on the Advances are designed to enable the Issuer to meet its stated investment objective for the relevant Series. The Advances are designed by the Issuer to provide a Series, as at the relevant Interest Payment Date(s) and/or the relevant Maturity Date, with an amount not less than the aggregate Interest and Final Redemption Amount of the Notes issued in respect of that Series. However, there is no guarantee that the investment objective of a Series will be met.

3 Investment restrictions

The Proceeds in respect of each Offer Series are only invested by way of making Advances to the Borrower under the Borrower Loan Agreement and used to pay fees incurred in connection with such investment and the costs of offering the Notes.

4 Borrower Loan Agreement returns

The Borrower Loan Agreement is designed to impose an obligation on the Borrower to pay the Issuer an amount equal to the Interest payable by the Issuer on each Interest Payment Date and/or the Maturity Date and to pay or repay to the Issuer on or around the relevant Maturity Date an aggregate amount not less than the Final Redemption Amount for the Notes issued in respect of the relevant Series, as set out in the applicable Final Terms.

The total amount payable or repayable by the Borrower to the Issuer in respect of the relevant Advance for each Series will be paid on or around the Maturity Date for the Notes issued in respect of the relevant Series.

Under the Borrower Loan Agreement, the Borrower is obliged to pay the Final Redemption Amount, and any Interest due, on or around the Maturity Date to enable the Issuer, in turn, to pay to Investors on or around the Final Repayment Date the Final Redemption Amount, and any Interest due on such date, in respect of their Notes.

The obligations of the Borrower under the Borrower Loan Agreement for each Series are not collateralised or secured.

In practice, Investors are expected to have acquired their Notes in the first instance from Castle Trust under the Fortress Bond Terms and Conditions. Castle Trust uses the Investment Amount to discharge the intercompany debt owed to the Issuer by a corresponding amount and the Issuer advances those monies to the Castle Trust under the Borrower Loan Agreement. The Umbrella Agreement offsets those payments.

The Fortress Bond Terms and Conditions and the application form contain a buy back arrangement in favour of Castle Trust over Notes held by Investors under which, as part of selling the Notes to an Investor, it agrees to purchase the Notes held by that Investor on the Maturity Date if they have not been redeemed by 14.00 on that day and the Nominee is authorised to sell the Investor's Notes to Castle Trust on the Maturity Date for an amount equal to the Final Redemption Amount and any due but unpaid Interest. However, the Issuer intends to redeem the Notes prior to this buy back taking place. The Note redemption will be funded by the amount due from Castle Trust under the maturing Advance. The Umbrella Agreement offsets the Advance repayment and the redemption of the Notes payment and because the Final Redemption Amount then lies with Castle Trust, Castle Trust will pay to Investors their Final Redemption Amount.

Investors who purchase their Notes from Castle Trust, an FCA authorised firm, will qualify for the FSCS in the event that Castle Trust is unable to meet the repayment to that Investor of an amount equivalent to the Final Redemption Amount and any due but unpaid Interest. The buyback arrangement will only apply to Investors who initially acquire their Notes from Castle Trust and so it will not apply to Investors who acquire Notes on the secondary market. Those Investors who have bought their Notes on the secondary market will not qualify for the FSCS.

If the realised assets of a Series are greater than the amounts payable on the relevant Notes and the Investors of that Series have been paid the amounts payable, the Investors shall have no entitlement to any such surplus. Any surplus will be retained by the Issuer.

The Notes are intended to appeal to investors who seek a competitive return on their capital or who wish to diversify their existing low risk investment portfolios. The Notes are suitable to be marketed to retail and institutional investors alike.

5 Additional Series

The Issuer may create new Series of the Notes to be offered to Investors. Each Series may have a different maturity date, offer period, issue date, interest rate and certain other matters all as set out in the applicable Final Terms.

Any additional Series will be conditional on the Issuer receiving the approval of the ISE for the admission of the relevant Notes to the Official List of the ISE and to trading on its regulated market by the issue date specified in the applicable Final Terms and, subject to that, the making of the relevant Advance under the Borrower Loan Agreement and any conditions set out in the applicable Final Terms, will be offered by the Issuer at the Issue Price and the Offer of Notes issued in respect of each new Series.

In the event that any of the above conditions is not satisfied in respect of any Offer, the Offer will be terminated, no Notes will be allotted and all subscription monies will be returned by Castle Trust to applicants (without interest) within 30 days of the Offer being terminated by cheque at the risk of the applicant and the Issuer will cancel the relevant Series.

The Issuer reserves the right to limit the Offer in respect of Notes issued in respect of a new Series as set out in this document. In this event, the basis of Note allocation shall be at the Issuer's sole discretion and the Issuer reserves the right to reject any application in whole or in part. Castle Trust will then return any monies (without interest) or the balance thereof within 30 days of the rejection by cheque at the risk of the applicant.

In addition, the terms and conditions of each Offer Series will be determined by the Issuer at the time of issue and specified in the applicable Final Terms pursuant to the Note Conditions. Any offer or sale of Notes to an investor by a Financial Intermediary, Castle Trust or CTCM will be made in accordance with any terms and other arrangements in place between such Financial Intermediary, Castle Trust or CTCM (as applicable) and such investor including as to price, allocations and settlement arrangements.

6 Administration of the Offer

6.1 Introduction

The Directors are responsible for the determination of the Issuer's investment policy and have overall responsibility for the Issuer's activities. The Directors have overall responsibility for the Issuer's activities.

6.2 Marketing Manager

CTCM has been appointed by the Issuer as Marketing Manager pursuant to the Marketing and Agency Agreement and is responsible to the Issuer for the approval of non-real time communications to be issued by the Issuer and engaging in real time communications with potential investors and intermediaries in connection with the marketing of the Notes on behalf of the Issuer in respect of its Notes in the UK.

CTCM is authorised and regulated by the FCA in the United Kingdom. The Issuer may appoint other persons to act as marketing manager in relation to Notes issued in respect of particular Series.

6.3 Registrar and Administrator

JTC has been appointed as Registrar, Transfer Agent, Receiving Agent and Administrator pursuant to the Registrar and Administration Agreement, a summary of which is set out in paragraph 12 of Part XII of this document.

JTC, registered in Jersey under registered number 37293, was incorporated on 23 March 1987 and has an indefinite life. JTC is established as a Jersey company limited by shares and is registered under the Financial Services Law to carry out the appropriate classes of financial services business services.

6.4 No Custodian

The assets of the Issuer do not require to be held by a custodian. Accordingly, no custodian has been appointed. JTC is responsible for the safe keeping of the Issuer's books and records in relation to the Notes pursuant to the Registrar and Administration Agreement.

6.5 Investment Administration

IFDS has been appointed to carry out as agent on behalf of the Issuer investment administration services including the maintenance of the register of beneficial interests of Notes.

6.6 Listing Agent

The Listing Agent is obliged to assist the Issuer in complying with its continuing obligations under the Listing Guidelines.

7 Conflicts of interest affecting the Issuer

The Directors and each of the persons or entities occupying the incumbency of Borrower, Marketing Manager, Administrator, Registrar, Calculation Agent and any paying and receiving agents from time to time may, in the course of their business, have potential conflicts of interests with the Issuer. Each of such entities and the Directors has regard to their respective duties to the Issuer and other persons when undertaking any transactions where conflicts or potential conflicts of interest may arise. In the event that such conflicts arise in respect of the Issuer or any Series, each of such persons and entities shall be requested by the Issuer (for itself and each of the relevant Series) to undertake to use its reasonable endeavours to resolve any such conflicts of interest fairly (having regard to its respective obligations and duties) and to ensure that the interests of the Issuer and of the Investors are not unfairly prejudiced. Where any such conflict cannot be resolved, the conflicted Director(s) will not participate in deliberations or vote on the relevant issue.

Where conflicts of interest or potential conflicts of interest arise, the Issuer will seek to mitigate such conflicts or potential conflicts in an appropriate manner.

The Directors have acknowledged and accepted that, in having regard to its obligations as Borrower under

the Borrower Loan Agreement and as issuer of any other investments, the Borrower may resolve any conflicts of interest in respect of its obligations in its own, or its Affiliates', favour taking into account their, or their respective Affiliates', own interests as the Borrower or issuer of other investments, as the case may be.

Each of the Directors is also a director of Castle Trust. Castle Trust acts as the Borrower under the Borrower Loan Agreement. Whilst the Issuer's directors are aware of their duties and obligations as Directors and when acting in respect of the Issuer's business do so mindful of such duties and obligations, conflicts of interests may arise where such actions conflict their obligations as directors of Castle Trust.

Other than as stated above, in relation to acting as directors of Castle Trust, none of the Directors has any potential conflicts of interest between his duties to the Issuer and his private interests or other duties.

8 Investor restrictions

This document is not for distribution in the US, Australia, Canada or Japan. The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, including outside the United States in offshore transactions in reliance on Regulation S.

Subject to certain exceptions, the Notes may not, directly or indirectly, be offered or sold within Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan. No action has been taken by the Issuer, Castle Trust or CTCM that would permit an offer of Notes or possession or distribution of this document (or other offer or publicity material or application form relating to the Notes) in any jurisdiction where action for that purpose is required, other than the United Kingdom.

PART XII

INFORMATION ON THE ISSUER

This Part XII is arranged under the following subheadings:

- 1 Incorporation and general
- 2 Statutory auditors
- 3 Share capital of the Issuer
- 4 Directors
- 5 Corporate governance
- 6 Memorandum and articles of association
- 7 Directors' interests
- 8 Major shareholder
- 9 Working capital
- 10 Nature of financial information
- 11 General
- 12 Business of the Issuer
- 13 Financial reporting

This Base Prospectus together with the applicable Final Terms shall form the Listing Document for the purpose of the Admission of each Series of Notes that are the subject of the Programme and includes particulars given in compliance with the Listing Guidelines for the purpose of giving information with regard to the Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information given in this Base Prospectus is, to the best of the knowledge of the Issuer, in accordance with the facts and does not omit anything likely to affect the import of such information.

1 Incorporation and general

- 1.1 The Issuer was incorporated in England and Wales as a limited liability company under the Companies Act 2006 on 19 May 2014 under the name of Castle Trust Direct plc with registered number 9046984. The liability of its members is limited. For the purposes of the Prospectus Directive, the Issuer was incorporated as a special purpose vehicle for the purpose of issuing asset backed securities.
- 1.2 The Issuer's registered office is at 10 Norwich Street, London EC4A 1BD and principal place of business is at 41 Lothbury, London EC2R 7HG (telephone number: +44 (0) 207 166 6260). The Issuer is resident in the United Kingdom. The statutory records of the Issuer are kept at its registered office address.

2 Statutory auditors

The auditors of the Issuer are Ernst & Young LLP. Ernst & Young LLP are members of the Institute of Chartered Accountants in England and Wales. The address of Ernst & Young LLP is 1 More London Place, London SE1 2AF.

3 Share capital of the Issuer

- 3.1 The authorised share capital of the Issuer on incorporation was £50,000 divided into 500,000 ordinary shares of £0.10 each.
- 3.2 Castle Trust in aggregate controls the exercise of 100 per cent of the rights to vote at a general meeting of the Issuer.
- 3.3 As at the date of this document, no options have been granted (or have been agreed to be

granted) over any shares in the capital of the Issuer.

4 **Directors**

The board of directors of the Issuer currently comprises three Directors. The Directors are as follows:

<u>Name</u>	<u>Position</u>	<u>Date appointed to the Board</u>
Richard Ramsay	Non-executive director	12 June 2014
Sean Oldfield	Executive director	19 May 2014
Keith Abercromby	Executive director	19 May 2014

The business address of the Directors is currently 41 Lothbury, London EC2R 7HG

Each of the Directors is also a director of Castle Trust. Castle Trust is the Borrower in respect of the Borrower Loan Agreement and, therefore, a conflict of interest may arise should either the Issuer or Castle Trust fail to fulfil its obligations under the Borrower Loan Agreement.

These potential conflicts of interest are more fully examined at paragraph 7 of Part XI of this Base Prospectus.

5 **Corporate governance**

The Issuer complies with its continuing obligations under the Listing Guidelines. There is no applicable regime of corporate governance to which the Directors must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under English law.

6 **Memorandum and articles of association**

The Issuer's objects are unrestricted.

The issued share capital of the Issuer is £500,000 divided into 500,000 ordinary shares of £0.10 nominal and £0.90 premium each.

The liability of a shareholder arising from the holding of a share in the Issuer is limited to the amount (if any) unpaid on it.

7 **Directors' interests**

The functions of the Directors are set out in the section entitled "Directors" contained in this Part XII of this document. When referred to in this document, the members of the administrative, management or supervisory bodies of the Issuer are the Directors.

The Directors have no voting rights, directly or indirectly, in respect of the share capital of the Issuer as at 24 June 2014 (being the last practicable date prior to publication of this document).

Other than as disclosed, no Directors have any potential conflicts of interest between their duties to the Issuer and their private interests and/or their duties to third parties save that each of the Directors is also a director of Castle Trust, which is a counterparty with respect to certain of the Material Contracts described in paragraph 12 of this Part XII of this document.

8 **Major shareholder**

As the sole beneficial holder of the Ordinary Shares, Castle Trust exercises control over the Issuer. Only holders of Ordinary Shares are entitled to attend and vote at general meetings of the Issuer and save as disclosed in this paragraph 8, as at the date of this document, the Issuer is not aware of any person who directly or indirectly has an interest in the Issuer's capital or voting rights which is notifiable under English law.

The Directors are aware of their fiduciary duties and their duties under law to act in the best interests of the Issuer. The Directors are aware that the sole shareholder of the Issuer is the Borrower and will not allow the interests of the Borrower to encroach on the interests of the Issuer or Investors.

9 Working capital

The Issuer is of the opinion that its working capital is sufficient for its present requirements, that is, for the next 12 months from the date of this document.

10 Nature of financial information

Since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up as of the date of this Base Prospectus.

11 General

The total costs and expenses payable by the Issuer in connection with Admission have been and are to be paid by CTCM.

12 Business of the Issuer

The only business that the Issuer carries out is the provision of the investment opportunity for Investors in the Notes by investing the Proceeds in the Borrower Loan Agreement. Such Notes receive Interest and the Final Redemption Amount on maturity of such Notes.

13 Financial reporting

The financial statements of the Issuer will be maintained in Sterling and prepared in accordance with International Financial Reporting Standards on a yearly and half-yearly basis in accordance with the applicable provisions of the Listing Guidelines and the 2006 Act. The financial statements of the Issuer will be prepared by the Administrator with advice and information from the Auditors and/or the Borrower. Each set of annual financial statements will be prepared up to 30 September in each year and copies are available for the Noteholders in accordance with the Listing Guidelines within a period of four months following the relevant accounting date. Each set of half-yearly reports will be prepared up to 31 March in each year and copies will be available for the Noteholders within a period of two months following the relevant accounting date.

Copies of the Issuer's annual report and accounts and half-yearly reports will be available for inspection at the registered office of the Issuer at 10 Norwich Street, London EC4A 1BD and the registered office of the Trustee at 3500 Parkway, Whiteley, Fareham PO15 7AL. They will also be published in supplementary prospectuses which will be available for download on the Issuer's website (<http://www.castletrust.co.uk/information/>).

PART XIII

UNITED KINGDOM TAXATION

This summary is intended only as a general guide to certain aspects of UK tax law and HMRC published practice applicable at the date of this document. UK tax law and HMRC practice are subject to change at any time, potentially with retroactive effect. This section only addresses the position of prospective Investors who are individuals resident solely in the United Kingdom who are absolute beneficial owners of their Notes and hold their Notes as an investment. It does not deal with certain types of prospective Investors such as companies or other persons subject to corporation tax, insurance companies, dealers in securities, clearing houses, trusts, collective investment schemes, persons who have (or are deemed to have) acquired their Notes by reason of employment or persons connected with the Issuer. The summary does not purport to be a complete analysis of all the potential tax consequences of acquiring, holding and disposing of the Notes. Investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult an appropriate independent advisor.

Taxation of the Issuer

United Kingdom Corporation Tax and Income Tax

The Issuer is managed so that it is resident in the United Kingdom for tax purposes. The Issuer is therefore liable to UK corporation tax on its worldwide profits and capital gains.

Taxation of Interest

Investors

The Notes are intended to be “quoted Eurobonds” within the meaning of Section 987 of the Income Tax Act 2007. Accordingly, payments of Interest on the Notes may be made without withholding or deduction for or an account of United Kingdom income tax.

If the Notes are not quoted eurobonds, the Issuer will be obliged to deduct a sum from any Interest payments representing United Kingdom income tax at the basic rate. Where such deduction is made, the sum deducted will be treated as income tax paid by the recipient.

Investors who acquire their investment in Notes through an Individual Savings Account (“ISA”)

The Notes are expected to be eligible investments for the stocks and shares element of an ISA under HMRC’s revised rules effective 1 July 2014.

Subject to that limitation, UK tax resident Investors who acquire their investment in Notes through an ISA and who satisfy the tax exemption conditions set out in the ISA Regulations will not be subject to either UK income tax or UK capital gains tax on income and gains realised from Notes. Any losses on Notes held in an ISA will, however, not be allowable for the purposes of UK capital gains tax.

Accrued Income Scheme

The provisions of the accrued income scheme in Part 12 of the Income Tax Act 2007 may apply on the transfer of a Note and may also apply to the person to whom that Note is transferred.

On a transfer of a Note to which the accrued income scheme applies, an amount equal to any Interest which has accrued on the Note from the preceding Interest Payment Date to the date of transfer may be liable to income tax.

Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

The following statements are intended as a general guide to the position under current UK tax law and HM Revenue and Customs practice. They do not apply to entities such as market makers, dealers, brokers, intermediaries and persons (or nominees for persons) who issue depositary receipts or operate

clearance services, to which special rules apply.

Issue and Transfer of Notes

Neither the allotment and issue of Notes by the Issuer pursuant to the Offer nor any subsequent transfer or agreement to transfer any of the Notes will give rise to a charge to stamp duty or SDRT.

If you are in any doubt as to your tax position you should consult your professional tax adviser.

PART XIV

ADDITIONAL INFORMATION ON CASTLE TRUST

This Part XIV is arranged under the following subheadings:

- 1 Incorporation and general information about Castle Trust
- 2 Statutory auditors
- 3 Bankers
- 4 Organisation structure
- 5 Directors
- 6 Senior management team of Castle Trust
- 7 Potential conflicts of interest of the Castle Trust directors and the senior management team of Castle Trust
- 8 Corporate governance
- 9 Legal and arbitration proceedings
- 10 Material adverse change
- 11 Significant change
- 12 Material contracts
- 13 Audited information
- 14 Capital and funding resources
- 15 Regulatory status
- 16 Asset and liability management
- 17 Financial information

Castle Trust accepts responsibility for the statements of belief attributed to it relating to Castle Trust, the information contained in this Base Prospectus relating to Castle Trust, the risks relating to Castle Trust and its business in Part II of this Base Prospectus and Parts III, IX (in relation to Castle Trust) and XIII of this Base Prospectus and declares that, to the best of the knowledge and belief of Castle Trust (having taken all reasonable care to ensure that such is the case), the statements of belief attributed to it relating to Castle Trust, the information contained in this Base Prospectus relating to Castle Trust, the risks relating to Castle Trust and its business in Part II of this Base Prospectus and Parts III, IX (in relation to Castle Trust) and XIII of this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

1 Incorporation and general information about Castle Trust

Castle Trust was incorporated in England on 29 November 2010 with registered number 07454474 as a private company limited by shares under the 2006 Act. The liability of the members is limited. Castle Trust's name was changed to Castle Trust Capital Limited on 24 January 2011 and Castle Trust was converted to a public limited company on 24 November 2011.

Castle Trust's registered office is at 10 Norwich Street, London EC4A 1BD, and its principal place of business is at 41 Lothbury, London EC2R 7HG (telephone number: +44 (0)20 7166 6260). Castle Trust is coordinating the offer for sale of Notes to the public.

2 Statutory auditors

The auditors of Castle Trust are Ernst & Young LLP. Ernst & Young LLP are registered to carry out audit work by the Institute of Chartered Accountants. The address of Ernst & Young LLP is 1 More London Place, London SE1 2AF.

Ernst & Young LLP has given and not withdrawn its consent to the inclusion in this Base Prospectus of its accountant's report as set out in Section 2a of Part X in the form and context in which it appears and has authorised the contents of its report for the purposes of 5.5.4R(2)(f) of the Prospectus Rules.

3 Bankers

The primary bankers for Castle Trust and its group companies are HSBC Bank plc, whose address is 8 Canada Square, London E14 5HQ. HSBC Bank plc is a banking and financial services listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges.

4 Organisation structure

Castle Trust is a wholly owned subsidiary of Castle Trust Holdings (Jersey) Limited, a Jersey-based entity. Castle Trust is ultimately (but not wholly) beneficially owned and controlled by J.C. Flowers & Co., a subsidiary within the J.C. Flowers group, and for this reason it is regarded as being the arranger of the Issuer's investment scheme. The significant presence of non-executive directors on the board of Castle Trust ensures that control of Castle Trust by Castle Trust Holdings (Jersey) Limited is checked.

Castle Trust has four subsidiaries: Castle Trust Capital Management Limited, Castle Trust Income House plc, the Issuer and Castle Trust Capital Nominees Limited. Castle Trust Capital Management Limited and Castle Trust Capital Nominees Limited are private companies limited by shares. The Issuer is a public company limited by shares.

5 Directors

The board of directors of Castle Trust currently comprises two executive directors and seven non-executive directors. The Castle Trust Directors are as follows:

<u>Name</u>	<u>Position</u>	<u>Date appointed to the Board</u>
Sir Callum McCarthy	Non-executive chairman	10 January 2011
The Rt Hon The Lord Deben	Non-executive director	18 February 2011
Dame Deirdre Hutton	Non-executive director	18 February 2011
Dr. David Morgan AO	Non-executive director	10 January 2011
Patrick Gale	Non-executive director	1 February 2011
Tim Hanford	Non-executive director	14 December 2010
Richard Ramsay	Non-executive director	27 May 2011
Sean Oldfield	Executive director	14 December 2010
Keith Abercromby	Executive director	14 December 2010

Sir Callum McCarthy, Non-executive Chairman, Date of birth: 29 February 1944

Directorships:

- Industrial and Commercial Bank of China Limited
- IntercontinentalExchange, Inc
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited

The Rt Hon The Lord Deben, Non-executive Director, Date of birth: 26 November 1939

Directorships:

- Veolia Voda SA
- Valpak Limited
- Valpak Holdings Limited
- Sancroft International Limited
- Association of Professional Financial Advisers
- Catholic Herald
- Globe International
- Prince Albert II of Monaco Foundation
- Blue Marine Foundation
- 2degrees Limited
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited

Dame Deirdre Hutton, Non-executive Director, Date of birth: 15 March 1949

Directorships:

- Civil Aviation Authority (Chair)
- Thames Water Utilities Limited
- Cranfield University (Pro-Chancellor)
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited

Patrick Gale, Non-executive Director, Date of birth: 8 March 1960

Directorships:

- Aztec Group Limited
- Heritage Properties (Oxford) Limited
- Oxfordshire Community Churches
- World Outreach
- The King's Centre Limited
- Defaqto Group Limited
- JLT Benefit Solutions Limited
- JLT EB Holdings Limited
- JLT Investment Management Limited
- JLT Wealth Management Limited
- Thistle Insurance Services Limited
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited

Dr. David Morgan AO, Non-executive Director, Date of birth: 14 March 1947

Directorships:

- HSH Nordbank AG
- NIBC Holding NV
- NIBC Bank NV
- NPG Wealth Management Sarl
- J.C. Flowers & Co.UK LLP
- JCF & Co UK Holdings Limited
- OneSavings Bank Plc
- Mittagong Limited
- Vaucluse Limited
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited

Potential conflict: J.C. Flowers & Co.UK LLP and JCF & Co UK Holdings Limited are affiliated with the ultimate shareholder of Castle Trust.

Tim Hanford, Non-executive Director, Date of birth: 26 April 1964

Directorships:

- Pension Insurance Corporation Limited
- Orsu Metals Corporation
- Investment Trade Bank (Open Joint Stock Company)
- OneSavings Bank plc
- Vitae Trading Company Limited
- Financière Holding CEP
- LuxCo Holdings CEP II S.ar.l.
- Cabot (Group Holdings) Limited
- Carat Manager Nominee
- Carat UK Holdco Limited
- Carat UK Bidco Limited
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited

Richard Ramsay, Non-executive Director, Date of birth: 27 December 1949

Directorships:

- Northcourt Limited
- GPS Malta Limited
- Castleton Technology plc
- John Laing Environmental Assets Group Limited
- Wolsey Group Limited
- Richard Ramsay Limited
- URICA Limited
- Redcentric plc
- Midas Income & Growth Trust plc
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited
- Castle Trust Income Housa plc
- Castle Trust Direct plc

Sean Oldfield, Chief Executive Officer, Date of birth: 21 January 1977

Directorships:

- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited
- Castle Trust Income House plc
- Castle Trust Direct plc

Keith Abercromby, Chief Financial Officer, Date of birth: 5 March 1964

Directorships

- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited
- Castle Trust Income House plc
- Castle Trust Direct plc

6 Senior management team of Castle Trust

The business address of the senior management team is 41 Lothbury, London EC2R 7HG.

Matthew Wyles, Senior Adviser

Barry Searle, Chief Operating Officer

Tony Pauley, Managing Director

Mark Banham, General Counsel

7 Potential conflicts of interest of the Castle Trust Directors and the senior management team of Castle Trust

Each of the Issuer's Directors is also a director of Castle Trust and each senior manager of the Issuer is also a senior manager of Castle Trust. Those Castle Trust Directors who are also directors of the Issuer and senior managers may therefore have a potential conflict of interest when considering or taking action in relation to a contract of arrangement which affects the Issuer or any Series. The principal such contract is the Borrower Loan Agreement.

In the event that an actual or potential conflict of interest arises in respect of the Issuer or any Series, directors of both the Issuer and Castle Trust will seek to mitigate such conflicts or potential conflicts in an appropriate manner being mindful of their fiduciary duties as directors of both Castle Trust and the Issuer. Castle Trust and its directors shall be requested by the Issuer to undertake to use their reasonable endeavours to resolve any such conflicts of interest fairly (having regard to their respective obligations and duties) and to ensure that the interests of the Issuer and of the Investors are not unfairly prejudiced.

The directors of the Issuer have acknowledged and accepted that, in having regard to its obligations as Borrower in respect of any Advance and as issuer of any other investments, Castle Trust may resolve any conflicts of interest in respect of its obligations in its, or its Affiliates', own favour taking into account their own, or their respective Affiliates', interests as an Borrower or issuer of other investments, as the case may be.

Except as stated above in respect of their capacities as directors and senior management of the Issuer, and in relation to Dr David Morgan who is a director of J.C. Flowers & Co.UK LLP and JCF & Co UK Holdings Limited (which are affiliated with Castle Trust's ultimate shareholder), the Castle Trust Directors and the senior management team of Castle Trust do not have any actual or potential conflicts of interests between their duties as directors or as the senior management team of Castle Trust and their private

interests or any other duties they might have.

8 Corporate governance

Compliance with the UK Corporate Governance Code (“Code”)

Castle Trust is not obliged to meet the requirements of the Code. Nevertheless, the Castle Trust Board has established Audit, Risk, Remuneration and Nomination Committees with formally delegated duties and responsibilities.

Audit Committee

The Audit Committee’s purpose is to evaluate and make recommendations to the Castle Trust Board in relation to accounting policies, internal control and financial reporting functions.

The Audit Committee’s primary responsibilities include oversight of overall financial affairs of the business, accounting and financial reporting, ensuring principles and policies adopted comply with statutory requirements, effectiveness and adequacy of standards of internal control, internal audit, (including the internal audit programme), external audit (including the appointment, reappointment, remuneration and removal of external auditors), and the effectiveness and adequacy of regulatory compliance (including the compliance programme). The Audit Committee has the authority to obtain any information it requires from any employee or external adviser, and at least once a year may meet with Castle Trust’s external auditors and internal audit function without any executive directors of Castle Trust being present.

The Audit Committee as at the date of this Base Prospectus is comprised of Richard Ramsay, Patrick Gale, and Tim Hanford. The chair of the Audit Committee is Richard Ramsay. The quorum for meetings of the Audit Committee is two members.

The Issuer does not have its own Audit Committee.

Risk Committee

The Risk Committee’s purpose is to oversee, evaluate, challenge, and make recommendations in relation all risk matters within Castle Trust.

The Risk Committee’s primary responsibilities include oversight of the risk management framework, definition of and compliance with risk appetite metrics, monitoring the risk register (including risk trends and concentration), reputational and conduct risk, Treating Customers Fairly, outsourced partner and distribution risks, systems and start up risks, risk KPIs, provisions experience against budget, and financial risks (ICAAP and ILAA).

The Risk Committee as at the date of this Base Prospectus is comprised of Tim Hanford, Richard Ramsay, Patrick Gale, Dame Deirdre Hutton, and Sir Callum McCarthy. The chair of the Risk Committee is Tim Hanford. The quorum for meetings of the Risk Committee is two members.

Remuneration Committee

The Remuneration Committee’s purpose is to evaluate and make recommendations to the Castle Trust Board in relation to remuneration policy and remuneration recommendations in respect of Castle Trust’s senior executives

The primary responsibilities of the Remuneration Committee are to: approve, review, and make recommendations of changes to and the termination of incentive schemes for approval by the Castle Trust Board; oversee any major changes in employee benefits structures throughout the company or group; manage the selection, appointment and setting of terms of reference for any external advisers to the Committee; receive guidance on risk weightings for performance objectives from the Risk Committee; report to the board on the annual remuneration policy statement to be prepared for the FCA.

The Remuneration Committee as at the date of this Base Prospectus is comprised of Dr David Morgan AO and The Rt Hon The Lord Deben. The chair of the Remuneration Committee is Dr David Morgan AO.

The quorum for meetings of the Remuneration Committee is two members.

Nomination Committee

The Nomination Committee's primary responsibilities are to: consider and make recommendations to the Board regarding future appointments to the Board; evaluate the composition of the Board, including the following factors total number of directors, balance between executive and non-executive directors and proportion of independent non-executive directors, length of service, mix of skills versus requirements, expected time commitment of non-executive directors, succession planning.

The Nomination Committee as at the date of this Base Prospectus is comprised of Sir Callum McCarthy and Dame Deirdre Hutton. The chair of the Nomination Committee is Sir Callum McCarthy. The quorum for meetings of the Nomination Committee is two members.

9 Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Castle Trust is aware) nor have there been any such proceedings during the 12 months prior to the date of this Base Prospectus, which may have, or have had, in the recent past a significant effect on Castle Trust's financial position or profitability.

10 Material adverse change

There has been no material adverse change in the prospects of Castle Trust since 30 September 2013 (being the date of its last published audited financial statements).

11 Significant change

There has been no significant change in the financial or trading position of Castle Trust since 31 March 2014 (for which interim financial information were prepared).

12 Recent Events

There are no recent events that are materially relevant to an evaluation of Castle Trust's solvency.

13 Financial information audited and independently reported upon

The consolidated historical financial information of Castle Trust for the 2 years ended 30 September 2012 and 30 September 2013 set out in Section 2b of Part X of this Base Prospectus, has been prepared under IFRS as adopted by the EU and has been independently reported upon.

The condensed consolidated interim financial information for Castle Trust for the six months ended 31 March 2014 set out in Section 2c of Part X of this Base Prospectus has not been audited or reported upon.

14 Capital and funding resources

As at 31 May 2014, Castle Trust has in excess of £37m in equity capital. The FCA requires minimum amounts of capital to be held according to the quality of capital held, and equity capital is the highest level quality of capital (known as "Tier 1 capital"). As at 31 March 2014, the most recent returns to the FCA, Castle Trust was required to hold £1.1m of Tier 1 capital. At that date, Castle Trust held £40m of Tier 1 capital, £36m total capital after deductions, over 30 times the minimum requirement. There are no current borrowings.

Castle Trust's ability to lend to Mortgage borrowers is constrained by the Tier 1 regulatory capital requirements imposed on Castle Trust and the amount of funding raised via Housa and Fortress Bond products. Prudential regulation management requires Castle Trust, as a firm regulated by the FCA under IFPRU, to hold appropriate levels of capital at all times.

Castle Trust's principal source of cash flow is the receipt of subscription proceeds from Housa sales that are invested with Castle Trust by CTIH and by Castle Trust Growth Housa PC. As at 31 May 2014, £5.5m had been invested with Castle Trust by Castle Trust Growth House PC in respect of subscriptions for Growth Housas and Protected Housas (Shares) and £1.5m had been invested by CTIH in respect of subscriptions for Income Housas (Notes), giving an aggregate total of £7m.

Castle Trust's liquidity policy targets retaining a minimum of 20% of funds raised from Housas in liquid assets such as money market, cash, and cash equivalents, with the remaining funds loaned to borrowers as Mortgages. As at 31 May 2014, 154 Mortgages have been issued in an amount of £18m. The remainder of the subscription proceeds is invested in accordance with Castle Trust's liquidity policy.

Castle Trust receives investment income from the liquid assets in which its capital is invested such as money market, cash and cash equivalents, although such income is negligible (£77,000 in the period from 4 October 2012 to 31 March 2013). The Mortgage business is expected to provide further sources of cash flow through arrangement fees on sales together with the eventual redemption of the Mortgages. Mortgages may be redeemed at the expiry of the terms for which they are issued, which may be between 1 and 30 years; they may also be redeemed before the expiry of the term, without penalty, at the option of the borrower. As at the date of this document, Castle Trust has received fees from the sale of the Mortgage referred to above, and one Mortgage has been redeemed.

Before Castle Trust commenced operations on 4 October 2012, it was funded by capital injections provided by Castle Trust's parent company, Castle Trust Holdings (Jersey) Limited. These were used to fund the costs incurred in establishing the business platform and infrastructure of Castle Trust and launching the business and the issue of Housa products. No further such capital injections are due or foreseen.

Castle Trust has no other sources of cash flow.

15 Regulatory status

FCA regulation

In the UK, activities carried out by Castle Trust are regulated under FSMA, together with secondary legislation and other rules made under it, including the FCA Rules. It is an offence for a person to carry on "regulated activities" in the UK unless it is an authorised person or exempt from the need to be authorised. Castle Trust is authorised under FSMA to carry on the FCA regulated activities that it currently conducts.

Threshold conditions

A FCA authorised firm must satisfy at all times certain "threshold conditions" which are set out in FSMA. These threshold conditions include the requirement that an authorised firm must have adequate financial resources, not have "close links" of a nature that would impede the FCA's supervision of the firm and generally satisfy the FCA that it is "fit and proper" and otherwise suitable to be authorised.

Approved persons

The approval of the FCA is required for the performance of certain "controlled functions". Persons performing a "controlled function" in relation to a FCA authorised firm include, inter alia, the chief executive officer, the directors, persons with oversight of money laundering reporting and compliance and certain persons carrying out important management or customer facing functions.

The FCA Rules

A FCA authorised firm must comply with the principles and rules set out in the FCA Rules, which also provide guidance on the application and interpretation of these rules.

The FCA's Principles for Business ("**Principles**") are high level principles which are a general statement of the fundamental obligations of FCA authorised firms under the regulatory system. The FCA is a "judgements based regulator" and expects firms to meet the standards of behaviour set out in the Principles. These Principles include obligations to treating customers fairly. The FCA may take

disciplinary action against any firm which breaches one or more of the Principles, irrespective of whether it has also breached a specific FCA rule.

If a breach of the FCA Rules occurs, the FCA has the power to take a wide range of disciplinary actions against regulated firms and any FCA approved persons, including public censure, the imposition of fines, the variation, suspension or termination of the firm's authorisations or the removal of approved status from individuals.

Regulatory capital

Regulatory capital requirements form an integral part of the FCA's prudential supervision of UK authorised firms. The regulatory capital rules oblige firms to hold a certain amount of capital at all times (taking into account the particular risks to which the firm may be exposed given its business activities), thereby seeking to ensure that firms can meet their liabilities as they fall due and safeguarding their (and their counterparties') financial stability. The FCA also expects firms to take a pro-active approach to monitoring and managing risks, consistent with its high level requirement for firms to have adequate financial resources.

Consumer credit

Castle Trust is also required to comply with the Consumer Credit Act 1974 and its regulations, which contain rules on (among other things) advertising, pre-contract disclosure, credit agreements and post-credit information.

Castle Trust's consumer credit activities (in the form of its Mortgage products) are also regulated by the FCA. Castle Trust holds interim permissions from the FCA to enable it to carry out such activities.

Other legislation

Castle Trust is also required to comply with a wide range of other legislation as a result of its activities, including (amongst other things) the Data Protection Act 1998, the Money Laundering Regulations 2001, and the Proceeds of Crime Act 2002.

Regulatory changes

Castle Trust's business will be subject to the Alternative Investment Fund Management Directive ("AIFMD") with effect from 22 July 2014. CTCM holds FCA permissions to allow it to act in compliance with AIFMD.

16 Asset and liability management

Regulation

Castle Trust is a limited license investment firm authorised and regulated by the FCA under IFPRU and as such is subject to the applicable rules of the FCA. Castle Trust has a formal governance structure in place to manage and mitigate risk in accordance with FCA requirements. Castle Trust has a formal governance structure in place to manage and mitigate market risks (including house price risk and interest rate risk) and liquidity risk.

Capital and funding

Castle Trust is funded by shareholder equity capital and through customer investments which comprise Income Housas, Growth Housas and Protected Housas. Castle Trust does not have any other funding facilities in place and has no exposure to the bank wholesale markets. Castle Trust is developing plans for additional house price linked investment products for distribution to institutional investors.

House price risk management

The Castle Trust Board sets and approves Castle Trust's house price risk management strategy. The Executive Committee, comprising senior executives of Castle Trust, monitors house price risk. Key house price risk management information is reported by the finance team and monitored by the Chief Executive

Officer and Chief Financial Officer and other members of the Executive Committee on a monthly basis to review house price risk exposure.

At this meeting, consideration is given to the internal matching between the Mortgage assets and Housa and other liabilities to ensure compliance with risk appetite metrics as approved by the Castle Trust Directors. Matching is considered in terms of the exposure of the balance sheet to movements in house prices up or down, the expected duration profile of the assets and liabilities and the degree to which the profile of the individual properties backing the Mortgages matches the profile underlying the liabilities. Castle Trust seeks to mitigate house price risk. Castle Trust's intention is to manage its exposure to house price risk within operational and risk tolerances.

New business volume and mix is used to manage the exposure to house price risk.

Interest rate risk management

Key interest rate risk management information is reported by the finance team and monitored by the Chief Executive Officer and Chief Financial Officer on a monthly basis or as appropriate.

Liquidity risk management

The Castle Trust Board sets and approves Castle Trust's liquidity risk management policy. Castle Trust has an agreed liquidity policy under which it will maintain at all times adequate liquidity resources, both in terms of amount and quality. The Castle Trust Board routinely reviews its liquidity policy and, amongst other things, the controls in place for liquidity management.

The Executive Committee monitors liquidity risk. Key liquidity risk management information is reported by the finance team and monitored by the Chief Executive Officer and Chief Financial Officer on a monthly basis or as appropriate.

To ensure sufficient liquidity is retained by Castle Trust, a significant cash buffer is established as Castle Trust targets retaining a minimum of 20% of funds raised from Housas in liquid assets such as money market, cash and cash equivalents. To reduce liquidity risk, Castle Trust intends to actively manage the blend of Housa investments (ranging from three to ten years) with the expected duration portfolio (which is based on UK experience) using its systems and controls. Liquidity retained under the liquidity risk management policy will be used to satisfy contractual liabilities in the event of an unexpected mismatch between assets and liabilities.

The Executive Committee meets monthly to review liquidity risk exposure at which at which consideration is given to correcting between assets and liabilities.

17 Financial information

Other than unaudited condensed consolidated interim financial information for the six months ended 31 March 2014, as set out in Section 2c of Part X of this Base Prospectus, Castle Trust has not published any quarterly or other interim financial information since the date of Castle Trust's last audited financial statements, and none is currently planned.

Castle Trust has not paid a dividend since incorporation. Castle Trust started trading on 1 October 2012 and does not anticipate paying a dividend in respect of the first year of trading. Thereafter, prior to approving a dividend, the board of Castle Trust will satisfy itself that after any such dividend had been paid, Castle Trust would retain surplus capital resources in excess of its regulatory capital requirements.

18 Working capital

Castle Trust is of the opinion that its working capital is sufficient for its present requirements, that is, for the next 12 months from the date of this document.

PART XV

INFORMATION ON CASTLE TRUST CAPITAL MANAGEMENT LIMITED

1 Incorporation and general

- 1.1 CTCM was incorporated in England on 25 January 2011 under the name of Castle Trust Capital Management Limited with registered number 07504954 as a private company limited by shares under the 2006 Act. The liability of the members is limited.
- 1.2 CTCM's registered office is at 10 Norwich Street, London EC4A 1BD, and its principal place of business is at 41 Lothbury, London EC2R 7HG (telephone number: +44 (0)20 7166 6260).

2 Regulatory status

- 2.1 CTCM is authorised and regulated by the FCA to provide investment management services.

3 Directors

The board of directors of CTCM currently comprises two executive directors and seven non-executive directors. The directors are as follows:

<u>Name</u>	<u>Position</u>	<u>Date appointed to the Board</u>
Sir Callum McCarthy	Non-executive chairman	28 January 2011
The Rt Hon The Lord Deben	Non-executive director	17 March 2011
Dame Deirdre Hutton	Non-executive director	17 March 2011
Dr. David Morgan	Non-executive director	28 January 2011
Patrick Gale	Non-executive director	17 March 2011
Tim Hanford	Non-executive director	28 January 2011
Richard Ramsay	Non-executive director	27 May 2011
Sean Oldfield	Executive director	28 January 2011
Keith Abercromby	Executive director	28 January 2011

The business address of the directors is currently 41 Lothbury, London EC2R 7HG. The details in relation to the directorships and biographies for the directors of CTCM are the same as for Castle Trust set out in paragraph 5 of Part XIV of this document.

The directors of CTCM do not have any actual or potential conflicts of interests between their duties as directors of CTCM and their private interests or any other duties they might have (save for those already disclosed in their capacity as directors of the Issuer and of Castle Trust).

PART XVI

GENERAL INFORMATION

1 Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Directors of the Issuer dated 24 June 2014. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

2 Listing and admission to trading

This document has been approved by the UKLA as a Prospectus in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the Notes to be issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof. Application has been made for each Series of the Notes to be admitted during the twelve months after the date hereof to the Official List of the ISE and to trading on its regulated market by way of an offer for sale.

3 Documents available for inspection

Copies of the following documents are available for inspection at the offices of Macfarlanes LLP, 20 Cursitor Street, London EC4A 1LT and at the registered office of the Trustee, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of this document:

- 3.1 the memorandum and articles of association of the Issuer and Castle Trust;
- 3.2 the consolidated historical financial information of Castle Trust for the 2 years ended 30 September 2012 and 30 September 2013;
- 3.3 the accountant's report of Ernst & Young LLP set out in Section 2a of Part X of this Base Prospectus;
- 3.4 the unaudited condensed consolidated interim information of Castle Trust for the six months ended 31 March 2014;
- 3.5 this document;
- 3.6 the applicable Final Terms;
- 3.7 each of the Material Contracts (including, amongst others, the Borrower Loan Agreement made between the Issuer and CTC and the Trust Deed); and
- 3.8 the audited financial statements of the Issuer and its unaudited interim reports, when published.

Potential investors may wish to obtain and consider carefully copies of the important documents referred to above, and seek such independent advice on their terms as they consider appropriate, prior to making any investment in Notes.

4 Auditors

The auditors of the Issuer and of Castle Trust are Ernst & Young LLP. Ernst & Young LLP are registered to carry out work by the Institute of Chartered Accountants in England and Wales. The address of Ernst & Young LLP is 1 More London Place, London SE1 2AF.

5 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) (together the “**Material Contracts**”) have been entered into by the Issuer and are, or may be, material as at the date of this document:

- 5.1 a marketing and agency agreement (the “**Marketing and Agency Agreement**”) between the Issuer and CTCM dated 3 July 2014, under which CTCM approves non-real time communications to be issued by the Issuer and engages in real time communications with potential investors and intermediaries in connection with the marketing of the Notes, in return for a fee of 0.2% of subscription proceeds received in respect of each Series and conducts Calculation agency functions in respect of the Notes. Such fees are paid to CTCM by Castle Trust under the Umbrella Agreement described below and so no cost is borne by either the Issuer or the Investors.
- 5.2 a registrar and administrator agreement (the “**Registrar and Administration Agreement**”) between the Issuer and JTC dated 3 July 2014, under which JTC manages the Register and acts as the Issuer’s registrar. JTC also carries out the administrative functions of the Issuer and performs all ancillary functions including making the relevant filings to the Jersey authorities and providing company secretarial services.

In consideration for the services provided, the Issuer pays the Administrator £25,000 per annum. These fees are paid by CTCM under the Umbrella Agreement described below and so no cost is borne by either the Issuer or the Investors.

- 5.3 an intercompany loan agreement (the “**Borrower Loan Agreement**”) between the Issuer and Castle Trust (in its capacity as the Borrower) dated 3 July 2014 under which the Issuer agrees to make Advances to Castle Trust. Under the Borrower Loan Agreement, the monies received by the Issuer from Castle Trust for the purchase of Notes, less certain costs and expenses payable by the Issuer, are paid to Castle Trust which applies these monies for use in its Mortgage business. In consideration, Castle Trust agrees to pay the Issuer an amount not less than the Interest due on each Note issued as it falls due, and, as such Notes mature, the relevant Final Redemption Amount. The obligations of Castle Trust to meet such payments to the Issuer are unsecured. The Borrower Loan Agreement is structured so that there is a new Advance made with the proceeds of each new issue of Notes and therefore each Advance matures at the same time as each Series matures.
- 5.4 an umbrella agreement (the “**Umbrella Agreement**”) between the Issuer, Castle Trust and CTCM dated 3 July 2014 whereby sums owed by Castle Trust to the Issuer and left outstanding on intercompany account in subscribing for the Notes issued by the Issuer are set off against the sums Castle Trust would be due to receive from the Issuer under the Borrower Loan Agreement with net payments only then being made. The Notes are initially issued to Castle Trust which borrows the subscription amount from the Issuer with the amount left outstanding on intercompany account. Castle Trust then transfers Notes to investors on a fully paid basis following receipt of a completed Application Form and the relevant Investment Amount. Castle Trust repays sums owed to the Issuer on intercompany account. The subscription monies received by the Issuer, less certain costs and expenses payable by the Issuer are then advanced to Castle Trust under the Borrower Loan Agreement. The Umbrella Agreement offsets these two payments. On the maturity of each Advance, Castle Trust is obliged to pay the Issuer under the Borrower Loan Agreement an amount equal to the Advance in respect of the relevant maturing Note and then the Issuer would pay back the Advance to Investors on the redemption of the maturing Notes. The Issuer will redeem such Notes for an amount not less than the Final Redemption Amount. The loan note redemption by the Issuer will be funded by the payment due from Castle Trust in respect of the relevant Advance. As the repayment of the Advance is due to occur at the same time as the redemption of the Notes to the extent that they are the same amount, the payments are offset under the Umbrella Agreement. The Umbrella Agreement also covers the fees payable to CTCM under the Marketing and Agency Agreement and any excess monies paid to the Issuer under the Borrower Loan Agreement.

- 5.5 a trust deed dated 3 July 2014 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and JTC Trustees (UK) Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

6 **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) nor have there been any such proceedings during the date of incorporation of the Issuer, which may have, or have had, in the recent past a significant effect on the Issuer's financial position or profitability.

7 **Material adverse change**

There has been no material adverse change in the financial position or prospects of the Issuer since 19 May 2014 (being the date of the Issuer's incorporation).

8 **Trustee's action**

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it.

Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed to take the relevant action directly.

PART XVII

THE CASTLE TRUST DIRECT PLC FORTRESS BOND TERMS AND CONDITIONS

The terms and conditions set out below are the terms and conditions applicable to the sale of Notes by Castle Trust and CTCM to Investors, the repurchase by Castle Trust of Notes and their safeguarding. They should be read in conjunction with the terms and conditions of the Notes contained in Part VI of this Base Prospectus and the applicable Final Terms for the relevant series of Notes.

All capitalised terms are explained below.

A Fortress Bond is an investment for a fixed term with a fixed rate or floating rate of interest, all as set out in the applicable Final Terms.

A Fortress Bond is a 'loan note' (also known as a corporate bond) issued by Castle Trust Direct plc, an English company. In effect, you are lending the Company money for a fixed term and the income you receive is the interest it pays on the loan note.

The Company repays the loan note (i.e. your original investment) at the end of the term and pays interest during the term of the loan note or at the end of the term, depending upon the type of loan note.

These Terms and Conditions govern your investment in your Fortress Bond. You should read these Terms and Conditions carefully. These Terms and Conditions are valid as at 3 July 2014.

Financial Services Compensation Scheme

Castle Trust is authorised and regulated by the Financial Conduct Authority to carry out regulated activity and is a participant in the Financial Services Compensation Scheme ("FSCS") established under the Financial Services and Markets Act 2000. The FSCS can pay compensation to investors if an investment firm (such as Castle Trust) is unable to meet its financial obligations of up to £50,000 per eligible investor (as opposed to bank deposits where the limit is £85,000).

For further details, please see condition 25.

1. Definitions

"applicable Loan Notes" means the Loan Notes of the Company purchased by us for you as described in condition 3e) below;

"applicable Final Terms" means the Final Terms specific to the applicable Loan Notes or the series of Loan Notes of which the applicable Loan Notes form part **which will be available from us or by going to** <http://www.castletrust.co.uk/information/>;

"Application Form" means the form you fill in to apply for your Fortress Bond;

"Business Day" means any day (other than a Saturday, Sunday and bank holidays) on which we are open for business;

"Castle Trust" means Castle Trust Capital plc, a company registered in England & Wales (no. 07454474), authorised and regulated by the Financial Conduct Authority in the conduct of investment business;

"Castle Trust Group" means Castle Trust and any subsidiary from time to time of Castle Trust;

"Castle Trust Management" means Castle Trust Capital Management Limited, a company registered in England and Wales (no. 07504954) authorised and regulated by the Financial Conduct Authority;

"Client Investment Account" means the client account we open for you in order to administer these Terms and Conditions and your investment in your Loan Notes (i.e. the Fortress Bond);

“Client Reference” means the unique reference number given to every Client Investment Account;

“Company” means Castle Trust Direct plc, a company registered in England and Wales (no. 9046984) with its office at 10 Norwich Street, London EC4A 1BD, a subsidiary of Castle Trust;

“condition” means a condition of these Terms and Conditions;

“FCA” means the UK Financial Conduct Authority or any successor regulatory body;

“FCA Rules” means the rules made by the FCA which apply to the services provided to you in respect of the Fortress Bond, as amended from time to time;

“Final Terms” means, in respect of each series of Loan Notes, the document setting out, among other things, the maturity date of those Loan Notes and the interest payable in respect of those Loan Notes. See the section of the Prospectus entitled – **“Pro Forma Final Terms”**.

“Fortress Bond” means a fixed rate bond or floating rate bond (as the case may be), being the Investment made in the applicable Loan Notes in accordance with these Terms and Conditions;

“Investment” means your initial investment monies, and, following the Settlement Date, Loan Notes held on your behalf by the Nominee subject to these Terms and Conditions;

“Investment Term” means the duration of the Fortress Bond, which, subject to section 3a) below, starts on (and includes) the day after the end of the Offer Period and ends on the Maturity Date;

“Loan Note Instrument” means the instrument of the Company creating the Loan Notes;

“Loan Notes” means the loan notes representing the Fortress Bond issued by the Company and held by the Nominee from time to time and references to transfers of Loan Notes shall, unless the context otherwise requires, include transfers of the beneficial interest in Loan Notes held by the Nominee;

“Maturity Date” means the date when your Loan Notes are, or are to be, redeemed by the Company or repurchased by Castle Trust, as specified in the applicable Final Terms;

“Nominee” means Castle Trust Capital Nominees Limited or any other nominee Castle Trust Management decides to use to hold Loan Notes on your behalf;

“Offer Period” means the period during which you may apply for the Fortress Bond as specified in the applicable Final Terms;

“Product Terms and Conditions” means these Terms and Conditions, the Application Form, the Prospectus and the applicable Final Terms **all of which are available from us or by going to** <http://www.castletrust.co.uk/information/>;

“Prospectus” means the prospectus in respect of the offer of the Loan Notes including the current Base Prospectus and the relevant Final Terms, **which is available from us or by going to** <http://www.castletrust.co.uk/information/>;

“Rate of Interest” means, for the applicable Loan Notes, the rate of interest specified in the applicable Final Terms (as such rate may be increased by the Issuer (if at all and at its absolute discretion) during the Offer Period and notified to Noteholders prior to the end of such period);

“Register” means the register of holders of the legal title to Loan Notes;

“Registrar” means the person appointed from time to time by the Company as its registrar to maintain the Register;

“Repurchase Facility” has the meaning set out in condition 8b) below;

“Settlement Date” means the date on which the Loan Notes will be transferred to you, which will be four days from our acceptance of your Application Form;

“Terms and Conditions” means these terms and conditions;

“We”, “us”, “our” means Castle Trust and/or Castle Trust Management, as applicable, the use of which terms is further explained in condition 2(f) below;

“You” and **“your”** means the person on whose behalf the Nominee is holding the Loan Notes and who is named as the applicant in the Application Form or, if appropriate, your representative.

2. Introduction

a) You should read the Product Terms and Conditions. They make up a legally binding contract between you, Castle Trust and Castle Trust Management in respect of your investment in the Fortress Bond. **These documents are available from us or may be found at www.castletrust.co.uk/how-to-invest/;**

b) For individuals, an investment in a Fortress Bond is only available to those over 18 years of age.

c) Your investment in the Fortress Bond will take the form of a purchase of Loan Notes of the Company which Castle Trust Management will arrange to be held on your behalf by the Nominee in accordance with the Terms and Conditions.

d) By making your investment in the Fortress Bond, i.e. your Loan Notes, you agree to be bound by the Terms and Conditions.

e) Castle Trust and Castle Trust Management are each authorised and regulated by the FCA.

f) Castle Trust Management is the entity within the Castle Trust Group responsible for safeguarding and administering your Investment. Castle Trust is the entity from which you will purchase Loan Notes and which will buy those Loan Notes back under the Repurchase Facility as described below. To assist in the clarity of these terms and conditions the words “we” “our” and “us” are used to refer to either or both entities. In case of any ambiguity arising from the use of such terms they shall be interpreted in line with the intended functions of each entity and, where any ambiguity could be of any detriment to you, such ambiguity will be construed in your favour.

3. Your application

a) The Investment Term of your Fortress Bond will begin only when we have accepted a correctly completed Application Form by the close of the Offer Period together with the relevant amount of investment monies by cheque or by electronic transfer, where applicable. Payments in cash will not be accepted. You can make further investments in the same Fortress Bond during an Offer Period by completing a new Application Form. No additional investments in the same Fortress Bond are possible after the end of the Offer Period.

b) The minimum investment in a Fortress Bond is £1,000 or as otherwise specified in the applicable Final Terms.

c) You confirm that the information supplied, and any declarations made, on your Application Form are true, accurate and complete. You acknowledge that we may arrange for your Investment to be cancelled if any of the information supplied or declarations made are untrue, inaccurate or incomplete.

d) Once we have accepted your application a contract will be formed between you, Castle Trust and Castle Trust Management, the Terms and Conditions will come into force and your Fortress Bond will begin. We will send you written confirmation of each investment, showing the number of Loan Notes to be

purchased from us.

e) Castle Trust Management will arrange for us to invest your monies by applying them, on your behalf, in purchasing Loan Notes from Castle Trust on the Settlement Date and we will send you written confirmation of your Client Reference, the Settlement Date, and the Maturity Date.

f) Where your monies have not cleared as at the Settlement Date, Castle Trust will still transfer the Loan Notes to you on that date, but will retain security over the Loan Notes for the monies not yet cleared. If such monies do not clear within a reasonable timeframe (to be not less than 5 Business Days after the Settlement Date) you agree that Castle Trust Management may arrange for the appropriate number of Loan Notes to be transferred back to Castle Trust and an administration charge may be made in accordance with condition 12.

g) We reserve the right to close applications for investments in any Fortress Bond without notice during the Offer Period and decline to accept any further applications.

h) We reserve the right to reject an application at our discretion, but we will notify you of our decision. You agree that we will have no liability to you for any loss you may incur if we decide to reject an application and you do not acquire a Fortress Bond.

i) We will deal with you solely on an execution only basis which means we do not provide any advice to you in relation to your Investment. By accepting your application, we are not confirming that an investment in the Fortress Bond is suitable for you. If you are in any doubt as to whether the Fortress Bond is suitable for you, you should speak to your financial adviser.

4. Cancellation

You have the right to change your mind and cancel your application for an investment in a Fortress Bond within 14 days after receiving notice from us of your cancellation rights. A cancellation notice will be sent to you within 5 Business Days after we have received your completed Application Form. If you exercise your right to cancel, any investment monies paid to Castle Trust will be repaid (no interest is payable). We will repay your investment monies as soon as reasonably practicable and in any event within 30 days of the date upon which your cancellation became effective. If we have arranged for Loan Notes to be purchased on your behalf we will arrange for Castle Trust to repurchase them for the amount of your Investment to enable us to do this.

5. Cash held before the Settlement Date

Pending purchase of Loan Notes on your behalf on the Settlement Date, money that Castle Trust holds on your behalf will be held in Castle Trust's client account as trustee (or in Scotland as agent) and in accordance with the FCA's client money rules. Interest will not be paid on any money held on your behalf prior to the first day of the Investment Term.

6. How your Investment is held

a) Castle Trust Management is responsible for arranging and carrying out the safeguarding of your Loan Notes, which it does via the Nominee. All Loan Notes purchased on your behalf from Castle Trust will be registered in the name of the Nominee, which will hold the Loan Notes on your behalf. This arrangement is called a bare trust and is subject to the constitutional documents of the Company, the Prospectus and any other document governing the terms on which the Loan Notes are issued. You will remain the beneficial owner of the Loan Notes which means that, although they are legally registered in the name of the Nominee, their economic benefits belong to you and you may call for them to be transferred to you at any time (as described, and subject to payment of any charges we apply as described in condition 9, below). The Nominee will maintain a register of beneficial owners of Loan Notes.

b) Your Client Reference is shown on the written confirmation we send to you following our accepting your application. Please keep your Client Reference safe as we may ask for it when you contact

us.

c) Castle Trust Management will maintain the Client Investment Account. You agree to provide promptly any information we request in respect of the Loan Notes registered in the Nominee's name on your behalf.

d) We will only take instructions for the Fortress Bond from persons on the Nominee's register. We do not recognise the beneficial interest of any person under any trust and we will not take notice of any such beneficial interest under any trust express, implied or constructive.

e) We will not lend your Loan Notes to, or deposit your Loan Notes with, any third party. No money will be borrowed using them as security.

7. Interest on your Investment

a) Interest will accrue and be paid on your Loan Notes at the annual rate equal to the Rate of Interest commencing on (and including) the first day of the Investment Term until (but excluding) the last day of the Investment Term. Interest will be calculated on the basis of the Rate of Interest applied to the amount of your Loan Notes for the relevant period during which interest accrues under your Loan Notes (all as set out in the applicable Final Terms).

b) Interest due to be paid under the Loan Notes will be paid directly to your bank account three Business Days after the relevant due date. As set out in the applicable Final Terms, this will be either an interest payment date during the Investment Term or the Maturity Date, after which interest will be paid together with the repayment of your Investment Amount.

8. Maturity of the Fortress Bond

a) Approximately one month prior to the Maturity Date, we will write to you at the address held on file for you to confirm your wishes for the repayment of your Fortress Bond on the Maturity Date together with any interest due to be paid on the Maturity Date. The options available are (i) payment by Castle Trust direct to your bank or building society account of the amount due to you, (ii) payment by cheque made out to the name of the person held on the Nominee's register or (iii) reinvestment in a further Fortress Bond or another product of the Castle Trust Group, where that Fortress Bond or other product is available.

b) On the Maturity Date your Loan Notes will be redeemed by the Company by 2pm or, failing that, they will be repurchased by Castle Trust (the "**Repurchase Facility**"). The Repurchase Facility is only available to those persons named on the Nominee's register.

c) Loan Notes will be redeemed by the Company or repurchased by Castle Trust for an amount equal to the amount of your Fortress Bond together with any interest due but unpaid at that time. The amount of your Fortress Bond and any interest will be retained subject to receiving instruction from you as set out in condition 8a) above.

d) Following receipt of your instruction, the amount of your Fortress Bond and any interest due but unpaid on your Fortress Bond will be paid to you or invested in a further Fortress Bond or another product of the Castle Trust Group, where available, if you have requested this. Payment will (subject to condition 8e)) be made to your bank or building society account or a cheque posted (depending on what you have requested) within three Business Days of the Maturity Date.

e) If no instruction is received from you in relation to application of the amounts owing to you (as described above), it will be held by Castle Trust until we receive instruction from you. You will not earn any interest on the amounts that we hold after the Maturity Date. Any funds which Castle Trust holds after the Maturity Date on your behalf will be held by Castle Trust in its client account as trustee (or in Scotland as agent) and will be held in accordance with the FCA's client money rules.

9. Transferring your Investment

- a) The Loan Notes are listed on the Official List of the Irish Stock Exchange and are therefore freely transferable. However, you should be aware that there may not be a ready market for your Loan Notes prior to maturity.
- b) If you wish to transfer all or some of your Loan Notes to another beneficial owner, you must notify us in writing at least 30 days before the date of the proposed transfer. The Nominee will register the transfer of the beneficial interest in your Loan Notes in accordance with your instructions. We may make a charge for transfers of Loan Notes to cover the Nominee's administration costs.
- c) If you wish to exchange your beneficial interest in Loan Notes so that you hold legal title to those Loan Notes, you must notify us in writing at least 30 days before the date of the proposed exchange. If the conditions for exchange of beneficial title for legal title to Loan Notes, which are set out in the Note Conditions (which are available from us or in the Prospectus at <http://www.castletrust.co.uk/information/>), are met, Castle Trust Management will arrange for the Nominee to register the exchange of the beneficial interest in your Loan Notes for legal title and for the Registrar to record you as holder of the Loan Notes. We may make a charge for exchanges of beneficial title for legal title to Loan Notes to cover the Nominee's and the Registrar's administration costs.
- d) If you transfer all or part of your Loan Notes before the Maturity Date you may get back less than you would receive if you were to hold your Investment until the Maturity Date and you may get back less than you invested if an early encashment charge applies (as described below). If you transfer all of your Loan Notes to another beneficial owner other than to the legal representatives or beneficiaries of your estate in the event of your death, or if you have opted to hold legal title to your Loan Notes and you transfer those Loan Notes this will have the effect of terminating these Terms and Conditions as between you and each of Castle Trust and Castle Trust Management (such that the Fortress Bond will cease to exist) and the person acquiring an interest in such Loan Notes will not be covered by the Financial Services Compensation Scheme (see condition 25).
- e) If you are not transferring all of your Loan Notes, the remaining value of your Investment after the transfer must meet the minimum investment level for the Fortress Bond.
- f) Transferring all or some of your Loan Notes will not affect any of your rights or obligations arising before, during or after the date of such transfer or which arise as a result of such transfer or which relate to our provision of the Fortress Bond to you and all such rights and obligations shall continue to be subject to the Terms and Conditions applying at the time of your original application.

10. Early encashment

- a) You may not encash your Loan Notes prior to their Maturity Date unless early encashment is permitted by the applicable Final Terms, other than in the case of death (as per condition 11).
- b) If early encashment is permitted by the applicable Final Terms (where it would be referred to as Optional Redemption (Investor Put)), you may request at the time(s) specified in the applicable Final Terms that Castle Trust repurchase your Loan Notes from you and Castle Trust will agree to repurchase Loan Notes at a price reflecting the date on which early encashment is to occur subject to an early encashment charge which will be calculated with reference to a number of days' interest in respect of the original duration of the Loan Notes, as set out in the applicable Final Terms.
- b) Where Castle Trust has repurchased your Loan Notes in accordance with condition 10b), payment of the sale proceeds will be made by cheque to your last known address or direct to your chosen UK bank or building society account, within three Business Days of the repurchase becoming effective.
- c) Castle Trust will only repurchase Loan Notes early on receipt of an early encashment request form, signed by all the registered investors. You may write to us or call us to ask for a form.
- d) You may only request that Castle Trust repurchase all the Loan Notes you own in a particular Series – partial early encashment is not allowed.

11. Death

- a) If you die before the Maturity Date, your Investment will continue pending instructions from the legal representative of your estate. If the Loan Notes are held by the Nominee for your benefit only, then

they can be released to your legal representative on request. Alternatively, your legal representative may instruct us to arrange for the Nominee to hold the Loan Notes for the benefit of another beneficiary or encash early in accordance with the provisions of condition 10.

b) If your Loan Notes are held by the Nominee for the benefit of you and another person then after your death they will be held for the benefit of the surviving joint holder.

c) We will need to see the death certificate and grant of probate (or Scottish equivalent) before we can act on administrators' or executors' instructions.

12. Charges and expenses

Castle Trust Management reserves the right to charge you for the administration by the Nominee or the Registrar (depending on whether beneficial title or legal title is being transferred (or exchanged)) of any transfer of your Loan Notes or the issue of duplicate documentation. We will tell you about the charges for these services before we provide the service and at any time on request.

13. Statements

a) Castle Trust Management will arrange for you to be provided with a statement twice a year, in February and August. This will show the amount you invested, and the interest amounts paid out or payable to you. We may supply you with duplicate or additional statements on request. We reserve the right to charge a fee for this. You have the right to request a statement every three months.

b) You should check any statement which you receive from us and if you have any query or concern in relation to the matters disclosed you should contact us as soon as possible.

14. Joint holders

a) The Nominee will hold Loan Notes for up to two joint holders, unless the Loan Notes are held by trustees when up to four joint holders will be permissible.

b) All references in these Terms and Conditions apply to each holder jointly and severally. Each holder agrees that:

i) all obligations, undertakings and agreements on our part and the part of the Nominee are given to the joint holders taken together and not separately to each of them; and

ii) all obligations, undertakings, agreements and liabilities arising out of or pursuant to these Terms and Conditions constitute joint and several (ie individual) obligations of each joint holder.

If exercising your right to cancel your Investment under condition 4, the cancellation instruction must be signed by all joint account holders and, where the Investment is held on behalf of a trust, by all trustees. We reserve the right to accept other instructions signed by the first named holder. The bank or building society account into which you ask us to pay any sale proceeds under condition 10b) must be held in the name of all holders unless the other holders instruct us otherwise in writing.

c) Please see condition 11 for information on what happens if a joint holder dies.

15. Corporate and trustee holders

a) If you are a company (including a corporate trustee), by making an application for an investment in the Fortress Bond, you confirm that:

i) you are a company duly incorporated and validly existing in the United Kingdom;

ii) you have the necessary corporate rights and authority to make your investment in the Fortress Bond;

iii) you have duly authorised, executed and delivered the Application Form;

iv) these Terms and Conditions constitute your valid and legally binding obligations enforceable under English law; and

v) you agree to provide to us any documents or information that we may reasonably require in

support of the above confirmations e.g. certified copies of board and/or shareholder resolutions.

b) If you are a trustee, by making an application for an investment in the Fortress Bond, you confirm that:

- i) you have been duly appointed as trustee of the relevant trust;
- ii) you have all necessary rights, authority and consents to make your investment in the Fortress Bond;
- iii) you will comply with all internal management procedures of the trust and any other procedural requirement; and
- iv) you agree to provide to us any documents or information that we may reasonably require in support of the above confirmations.

16. Power of attorney

If you wish an attorney to deal with matters relating to the Terms and Conditions on your behalf we will need a copy of the relevant Power of Attorney certified by a solicitor as being a true copy of the original.

17. Validity of instructions

a) We may refuse to act on instructions from you which are not given in the correct format or are incomplete. Instructions that are not accepted will be returned to you or your financial adviser, where appropriate.

b) We may delay acting on your instructions if we need to obtain further information from you to comply with any legal or regulatory requirement (including compliance with anti-money laundering legislation or rules) or to investigate any concerns we may have as to the validity of your instructions. Where further enquiries are required, you authorise us to make identity (including searching the electoral roll), fraud and other enquiries that may be necessary for these purposes.

18. Liabilities

a) We will take reasonable care in the provision of our services under the Terms and Conditions. We will not be responsible for any losses or expenses (including loss of Loan Notes) suffered by you unless these are as a direct result of gross negligence, deliberate breach of our obligations or fraud by us.

b) We will not be responsible for any loss of opportunity through which the value of your investment could have been increased, or for any reduction in the value of your Investment unless this is a direct result of either (i) gross negligence, deliberate breach of our obligations or fraud by us or (ii) our failure to complete any repurchase of your Loan Notes under condition 8b) (except where this is a result of circumstances as set out in condition 18(c)).

c) If we cannot provide our service due to circumstances beyond our reasonable control, we will, where possible, take such reasonable steps as we can to bring those circumstances to an end. We shall not be liable for any losses or expenses suffered by you as a result of such circumstances or as a result of a delay or failure in the provision of our services caused by such circumstances.

d) Notwithstanding any other provision of the Terms and Conditions, we shall not be liable for any loss attributable to any failure by you to disclose changes of address, name, bank details, bankruptcy or other personal details. We accept no liability for any financial loss resulting from a delay in taking any action in order that we may obtain further information from you, comply with any legal or regulatory requirement or investigate any concern about the validity or any other matter relating to your instruction.

e) We shall not be liable for acting upon any instructions which are forged or fraudulent and shall be entitled to assume that all signatures are genuine. If in any case we agree to accept instructions by telephone or electronic means, we may assume the identity of the caller or sender is genuine, having taken reasonable steps to identify them, unless it should be obvious that he or she was not a genuine caller or sender.

f) Our liability in respect of any claim you make against us will not exceed the nominal value of your

Loan Notes when the claim arises/is discovered.

g) If we do incur financial liability in the performance of any of our duties or in the exercise of any of our rights or powers under the Terms and Conditions, we will be entitled to make such deductions from the Loan Notes or any income or capital arising from them or to sell all or any of the Loan Notes and make such deductions from the proceeds of sale as may be required to reimburse any liability suffered.

h) Nothing in the Terms and Conditions shall exclude any liability which cannot be excluded under the FCA Rules, the Unfair Contract Terms Act 1977 or the general law. For further information about your statutory rights, please contact your local Citizens Advice Bureau.

19. Termination

a) Your Investment may be terminated:

- i) by you by
 - a) transferring your Loan Notes in accordance with condition 9; or
 - b) encashing your Loan Notes in accordance with condition 10 (if applicable);
- ii) by us giving you notice in writing to take effect not less than 30 days from the date notice is posted to you if we decide that we are no longer able or willing to manage this type of Fortress Bond;
- iii) by us without notice if you are in material breach of the Terms and Conditions; or
- iv) by us without notice if the Nominee is unable to comply with any obligations to which it may be subject in respect of your Investment.

b) If your Investment is terminated:

i) as a result of conditions 19a)i) or iii), the provisions of the Product Terms and Conditions (other than the Repurchase Facility) shall cease to apply to your Loan Notes, but they shall remain held for your account by the Nominee except to the extent that you request and Castle Trust agrees to early encashment in accordance with these Terms and Conditions (if applicable) or you request that the Loan Notes be transferred to you (in which case we may make a charge to cover any administrative costs we incur in arranging for Castle Trust to transfer and transferring the Loan Notes to you).

ii) as a result of conditions 19a)ii), the provisions of the Product Terms and Conditions (other than the Repurchase Facility) shall cease to apply to your Loan Notes upon repayment to you of your original investment and the amount of interest applicable for the full Investment Term.

iii) as a result of condition 19a)iv), the Nominee will take such steps as we consider appropriate to transfer your Loan Notes to a nominee, custodian or other person to hold on your behalf.

c) Termination of your Investment (for whatever reason) will not affect:

- i) the completion of transactions undertaken in respect of your Investment;
- ii) any liabilities or obligations of either you or us to the other incurred before the date of termination;
- iii) all sums rightfully due from either you or us to the other becoming payable on the date of termination.

d) **Sale of your Loan Notes prior to the Maturity Date may mean that you get back less than you may receive if you were to hold your Loan Notes until the Maturity Date and you may get back less than you invested if an early encashment charge applies (as described above).**

20. Changing the Terms and Conditions

a) We may change or add to the Terms and Conditions at any time. To avoid unnecessary costs,

we may make a change or addition without telling you in advance:

- i) if you will benefit from the change or addition;
- ii) if a regulator makes us make a change or addition at short notice, when we may not be able to give you advance notice of that change or addition;

in which case we will notify you after the change or addition.

For all other changes or additions we will give you at least 30 days' written notice of the change or addition.

b) We may make a change or addition only to:

- i) keep to any changes in the law or in codes of practice;
- ii) provide for the introduction of new or improved systems, methods of operation, services or facilities;
- iii) take account of a ruling or recommendation by a court, ombudsman, regulator or similar organisation;
- iv) make them clearer or more favourable to you; or
- v) put right any mistake that we might discover in the future.

21. Conflicts of interest

We or our agents may carry out transactions for you whether or not we or they have directly or indirectly a material interest or relationship of any description with another party, which may involve a conflict with our or their duty to you. We will, however, endeavour to ensure that any transaction carried out in such circumstances is made on a normal commercial basis at arm's length. The Castle Trust Group will either avoid any conflicts of interest arising or, where conflicts arise, will ensure fair treatment of all its customers by disclosure, internal rules of confidentiality, declining to act, or otherwise. Full details of the conflicts policy of Castle Trust are available from www.castletrust.co.uk/information/.

22. Delegation

We and the Nominee may employ agents and delegates on such terms as we think fit to carry out any part of our obligations or discretions in connection with the Fortress Bond and, save as otherwise provided in the Terms and Conditions, we and the Nominee shall be liable for the acts and omissions of such agents and delegates as if they were the acts or omissions of us or the Nominee as appropriate.

23. Complaints

Details of how to make a complaint are set out in our complaints policy which can be found on our website, <http://www.castletrust.co.uk/information/>, or by writing to us at the address in condition 26, below.

24. Compensation

Castle Trust is authorised and regulated by the Financial Conduct Authority to carry out regulated activity and is a participant in the Financial Services Compensation Scheme (“**FSCS**”) established under the Financial Services and Markets Act 2000. The FSCS can pay compensation to investors if an investment firm (such as Castle Trust) is unable to meet its financial obligations. If you suffered a loss as a result of Castle Trust failing to meet its financial obligations (for example, if it failed to buy back your Loan Notes because it had become insolvent) then you would be able to make a claim to the FSCS. Most investors, including most individuals and small businesses, are covered by the FSCS. In respect of investments, an eligible investor is entitled to claim up to £50,000 per firm with which he holds investments. In the event that you transfer your Loan Notes in accordance with condition 9, the person acquiring an interest in such Loan Notes will not be covered by the FSCS as these Terms and Conditions will cease to apply. For further information about the FSCS, including the amounts covered and eligibility to claim, please refer to the FSCS website, www.fscs.org.uk.

25. Notices, communications; change of details

a) You should send any notices (including cancellation notices) requests for information or instructions for us to:

Castle Trust,
PO Box 11040,
Chelmsford, CM99 2DD

Tel: 0844 620 0160

- b) For your protection and to help us improve our service we may record and monitor phone calls.
- c) You should include your full name and your Client Reference (which can be found on your annual statement or deal confirmation) in all correspondence with us.
- d) We will send any notices or other correspondence to the address you have given in your Application Form or to a new permanent residential address provided you have notified us in writing of the change. You should notify us of any change of name or address as soon as possible, providing us with appropriate supporting documentation, e.g. in the case of a change of name, the deed poll or marriage certificate.
- e) All communications and payments will be sent by us to the address of the first named holder as stated on the Client Investment Account. It is the responsibility of the first named holder to inform and account to any joint holders.
- f) All communications sent to you by us will be treated as received by you two Business Days after posting.
- g) Any documents or cheques sent to you by us and any documents or cheques sent by you to us will be sent at your risk and we accept no liability prior to receipt of any document or cheque or after despatch of any document or cheque to you.
- h) We will not send you any documents if their distribution may be prohibited by any applicable law.

26. Your electronic information

If you contact us electronically, we may collect your electronic identifier (e.g. Internet Protocol (IP) address or telephone number) supplied by your service provider.

27. How we use your information and with whom we share it

- a) Your information comprises all the details we hold about you and your transactions, and includes information obtained from third parties.
- b) We may use and share your information with other members of the Castle Trust Group and our agents to help us and them:
 - support your Fortress Bond

- assess financial and insurance risks;
 - recover debt;
 - prevent and detect crime;
 - understand our customers' requirements; and
 - develop and test products and services.
- c) We do not disclose your information to anyone outside the Castle Trust Group except:
- to our auditors and other professional advisers;
 - where we have your permission;
 - where we are required or permitted to do so by law;
 - to credit reference and fraud prevention agencies and other companies that provide a service to us or you; or
 - where we may transfer rights and obligations under this agreement.
- d) We may transfer your information to other countries on the basis that anyone to whom we pass it provides an adequate level of protection. However, such information may be accessed by law enforcement agencies and other authorities to prevent and detect crime and comply with legal obligations.
- e) From time to time we may change the way we use your information. Where we believe you may not reasonably expect such a change we shall write to you. If you do not object to the change within 60 days we will deem that you consent to that change.
- f) If you would like a copy of the information we hold about you, please write to:

Castle Trust,
PO Box 11040,
Chelmsford, CM99 2DD.

We may charge for the provision of this information.

- g) You authorise us to disclose or permit disclosure of any information we may have either about your Investment or any other purposes in connection with the Terms and Conditions to any relevant authority as they may require (whether compelled by law or not) and we shall not be liable for any disclosure made in good faith.

28. Fraud prevention agencies

- a) If false or inaccurate information is provided and fraud is identified or suspected, details may be passed to fraud prevention agencies.

Law enforcement agencies may access and use this information.

We and other organisations may also access and use this information to prevent fraud and money laundering, for example when:

- checking applications for, and managing, credit or other facilities and recovering debt;
- checking insurance proposals and claims; or
- checking details of job applicants and employees.

We, and other organisations that may access and use information recorded by fraud prevention agencies,

may do so from other countries.

b) We can provide the names and addresses of the fraud prevention agencies we use if you would like a copy of your information held by them. The agencies may charge you a fee to check your record.

29. Who we are

We are members of the Castle Trust Group. For information about our group of companies please visit www.castletrust.co.uk and click on 'About Us'.

30. Client categorisation

We will treat you as a retail client, as defined by the FCA Rules.

31. Waiver

No conduct or delay on our part shall be taken as a waiver or variation of any rights which we have under the Terms and Conditions unless we waive or vary a particular right in writing. No waiver or variation on a particular occasion will operate as a waiver or variation of any rights we may have in respect of any other matter.

32. Severability

If any provision of the Terms and Conditions is prohibited by law or judged by a court to be unlawful, void or unenforceable, the provision shall, to the extent required, be severed from the agreement and rendered ineffective as far as possible without modifying the remaining provisions of the Terms and Conditions.

33. Assignment

We may at any time transfer all or any of our rights and obligations under this agreement to any person (the "**Transferee**") who (in the case of our obligations) in our reasonable opinion is able to perform our obligations under the Terms and Conditions. We will only do this if:

- i) the Transferee agrees to exercise the transferred rights and perform the transferred obligations in accordance with a statement of policy which we approve before the transfer; and
- ii) we reasonably think that the policy described in the statement will ensure that you are no less favourably treated after the transfer than you were beforehand.

34. Third party rights

Save as expressly set out in the Terms and Conditions, nothing in the Terms and Conditions shall confer or is intended to confer on any third party any benefit or the right to enforce any terms contained in the Terms and Conditions for the purposes of the Contracts (Rights of Third Parties) Act 1999.

35. Law and jurisdiction

- a) If these terms conflict with the FCA Rules then the FCA Rules will take priority.
- b) The Product Terms and Conditions are based on our current understanding of the law of England and Wales, the FCA Rules and HM Revenue & Customs practice, any of which may change in the future.
- c) The Terms and Conditions shall be governed by the law of England and Wales. All communications will be in English.

PART XVIII

GLOSSARY OF TERMS AND DEFINITIONS

The following terms apply throughout this document unless the context otherwise requires

“2006 Act”	the Companies Act 2006, as amended
“Accrual Period”	the number of days in the relevant period from (and including) the most recent Interest Payment Date or, if non, the Interest Commencement Date) to (but excluding) the relevant payment date
“Administrator”	JTC or such other person or persons as may from time to time be appointed by the Issuer as its administrator or secretary
“Admission”	the admission of the Notes to the Official List of the ISE
“Advance”	each advance made by the Issuer to the Borrower under the Borrower Loan Agreement using the proceeds of issuance of each Series of Notes, all as detailed on page 13
“Affiliate”	has the meaning given to the term “affiliated company” or any other equivalent term in the glossary of the FCA’s Handbook
“applicable Final Terms”	in relation to any Series, the Final Terms issued by the Issuer describing the rights attaching to the Notes issued in respect of that Series, including (where applicable) the terms and conditions of the relevant Notes, the basis on which the relevant Notes are offered, risk factors and other information specific to the relevant Notes
“Auditors”	Ernst & Young LLP, or such other person or persons as may from time to time be appointed by the Issuer as its auditors
“Base Prospectus”	this document giving information relating to the Issuer and general information about the offer and issue of Notes issued in respect of each Series as the same is amended and/or supplemented from time to time, which, when taken together with the applicable Final Terms issued by the Issuer constitutes a prospectus for the purposes of the Prospectus Directive
“Beneficial Noteholders”	persons holding beneficial interests in Notes
“Borrower”	CTC in its capacity as borrower under the Borrower Loan Agreement
“Borrower Loan Agreement”	the facility agreement dated on or about the date of this Base Prospectus between the Issuer (as lender) and the Borrower (as borrower) pursuant to which the Issuer makes Advances to the Borrower using the proceeds of issuance of each Series of Notes, all as detailed on pages 79 and 80

“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which commercial banks in Dublin and London are normally open for business
“Calculation Agent”	CTCM or such other person or persons as may from time to time be appointed by the Issuer as its calculation agent
“Castle Trust” or “CTC”	Castle Trust Capital plc (a company incorporated in England and Wales with registered number 07454474) whose registered office is at 10 Norwich Street, London EC4A 1BD
“Castle Trust Board”	the board of directors of Castle Trust
“Castle Trust Directors”	the directors of Castle Trust whose names are set out in Part III of this document (each a “Castle Trust Director”)
“Castle Trust Mortgage” or “Mortgage”	an equity loan or interest bearing mortgage advanced by Castle Trust and secured on UK property
“CTCM”	Castle Trust Capital Management Limited (a company incorporated in England and Wales with registered number 07504954) whose registered office is at 10 Norwich Street, London EC4A 1BD
“CTCN”	Castle Trust Capital Nominees Limited (a company incorporated in England and Wales with registered number 7801931) whose registered office is at 10 Norwich Street, London EC4A 1BD
“CTIH”	Castle Trust Income House plc, a public company incorporated under the Companies (Jersey) Law 1991, as amended
“Determination Date”	the date(s) as set out in the applicable Final Terms
“Determination Period”	each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or Final Interest Payment Date is not a period commencing on the First Determination Date prior to, and ending on the First Determination Date falling after, such date)
“Directors”	the directors of the Issuer whose names are set out in Part XII of this document (each a “Director”)
“Executive Committee”	the committee of management of Castle Trust established to assist the Chief Executive Officer in managing the business of Castle Trust
“Extraordinary Resolution”	has the meaning given to such term in the Trust Deed
“Final Terms”	the terms set out in a Final Terms document, substantially in the form set out in this Base Prospectus, which complete the Note Conditions
“FCA”	the Financial Conduct Authority (or any successor thereto)

“Final Payment Date”	has the meaning given to it in Note Condition 7.1 (<i>At Maturity</i>)
“Final Redemption Amount”	the amount payable on the relevant Maturity Date in respect of the relevant Notes
“Final Terms”	the final terms document, substantially in the form set out in this Base Prospectus
“Financial Intermediaries”	financial intermediaries which are authorised to offer securities to the public or distribute notes under FSMA in the UK or under the relevant legislation implementing the Markets in Financial Instruments Directive (2004/39/EC) in Europe
“Financial Services Law”	the Financial Services (Jersey) Law 1998, as amended
“Fixed Interest Period”	the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or Maturity Date (if no Interest Payment Dates are specified in the applicable Final Terms)
“Fixed Rate Note”	a Note bearing a fixed rate of interest
“Floating Rate Note”	a Note bearing a floating rate of interest
“Fortress Bond”	a fixed term investment marketed by CTCM that takes the form of a Note issued by the Issuer
“Fortress Bond Terms and Conditions”	the terms and conditions on which Investors purchase their Fortress Bonds from Castle Trust and their investment in Notes as set out in Part XVII
“FSCS”	the Financial Services Compensation Scheme as created under FSMA and is the UK’s statutory fund of last resort for customers of authorised financial services firms
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Global Certificate”	registered note certificates delivered to and registered in the name of the Nominee as nominee for Investors
“Group”	Castle Trust together with its four subsidiaries: CTCM, CTIH, the Issuer and Castle Trust Capital Nominees Limited
“Growth Housa”	a Housa that takes the form of a share issued by the PCC and delivers a multiple of any increase of the Index and a reduced factor of any decrease of the Index
“HMRC”	HM Revenue and Customs
“Housa”	fixed term investment marketed by CTCM offering returns linked to the value of the UK housing market by reference to the performance of the Index
“ICAAP”	internal capital adequacy process

“IFDS”	International Financial Data Services (UK) Limited and International Financial Data Services Limited, third parties contracted to provide investment administration services
“IFPRU”	the FCA prudential standards sourcebook for banks, building societies and investment firms
“Income Housa”	a Housa that takes the form of a Note issued by the Issuer and whose capital returns match the Index and which pays a fixed quarterly coupon
“Index”	the relevant UK national housing market index on which Housa returns are based
“Index Sponsor”	the person(s) or entity/ies which provide(s) the Index
“Interest”	the interest payable in respect of Notes at a rate as set out in the applicable Final Terms (as such rate may be increased by the Issuer (if at all and at its absolute discretion) during the Offer Period and notified to Noteholders prior to the end of such period) on the Issue Price accruing in the manner, and payable at the times, set out in the applicable Final Terms
“Interest Commencement Date”	as specified in the applicable Final Terms
“Interest Determination Date”	as specified in the applicable Final Terms
“Interest Payment Date”	the date on which the Interest is paid to the Investor being the date(s) specified in the applicable Final Terms
“Interest Period”	the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date
“Investment Amount”	the amount invested by an Investor being the number of Notes purchased multiplied by the Issue Price
“Investment Product”	a financial contract entered into by CTIH or the PCC (as applicable) and Castle Trust which is intended to generate the funds required to generate the relevant investment return payable by CTIH or the PCC
“Investment Term”	in respect of Notes of a Series, the period from (and including) the day after the end of the Offer Period to (but excluding) the Maturity Date for those Notes
“Investors”	the holders of the Notes
“ISA”	an account within the meaning of (and which satisfies the requirements set out in) the ISA Regulations
“ISE”	the Irish Stock Exchange plc
“ISA Regulations”	the Individual Savings Account Regulations 1998 (SI 1998/1870), as amended from time to time
“Issue Date”	the date of issue of the Notes as set out in the applicable Final Terms

“Issue Price”	in relation to each Series, the issue price per Note being £1.00
“Issuer”	Castle Trust Direct plc, (a company incorporated in England and Wales with registered number 9046984 whose registered office is at 10 Norwich Street, London EC4A 1BD
“JTC”	JTC (Jersey) Limited whose registered office is at Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT
“Listing Agent”	Maples and Calder
“Listing Document”	has the meaning given to such term in the Listing Guidelines
“Listing Guidelines”	the document entitled “Listing and Admission to Trading – Guidelines for Asset Backed Securities” published by the ISE
“Maples and Calder”	Maples and Calder, 75 St. Stephen's Green, Dublin 2, Ireland
“Marketing and Agency Agreement”	the agreement between the Issuer and CTCM relating to certain marketing and calculation agency functions to be provided to the Issuer by CTCM (as the same may be amended and/or supplemented and/or restated from time to time), a summary of which is set out in paragraph 12 of Part XII of this document
“Marketing Manager”	CTCM, or such other person as may be appointed from time to time by the Issuer with, if required, the approval of the FCA, to act as marketing manager to the Notes issued in respect of a Series, as set out in this document or in the applicable Final Terms
“Material Contracts”	means the contracts and agreements set out in paragraph 12 of Part XII of this document
“Maturity Date”	in relation to the Notes issued in respect of a Series, the date on which such Notes will be compulsorily redeemed or repurchased as specified in the applicable Final Terms
“Maximum Rate of Interest”	as specified in the applicable Final Terms
“Minimum Application Size”	means the minimum value of Notes an investor may purchase
“Nominee”	the nominee, initially being CTCN, who holds Notes on behalf of Investors (unless the Investor requests otherwise)
“Note Conditions”	the terms and conditions of the Notes set out in the Trust Deed, as may from time to time be amended, modified, varied or supplemental in a manner permitted under the Trust Deed
“Noteholder”	means the several persons who are for the time being registered as holders of outstanding Notes save that, in

respect of the Notes of any Series, for so long as such Notes or any part thereof are represented by a Global Certificate held by, and registered in the name of, the Nominee, each person (other than the Nominee) who is for the time being shown in the records of the Nominee as the holder of a particular nominal amount of the Notes of such Series (in which regard any certificate or other document issued by the Nominee as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of such Notes (and the holder of the relevant Global Certificate shall be deemed not to be the holder) for all purposes of these presents other than with respect to the payment of principal or interest on such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of such Global Certificate in accordance with and subject to its terms and the provisions of the Trust Deed and the Note Conditions and the expressions Noteholder, holder of Notes and related expressions shall be construed accordingly;

“Notes”	notes issued by the Issuer under the Programme
“Notice Period”	the period specified in the applicable Final Terms
“Offer”	the offer for the purchase of Notes issued in respect of the relevant Series, on the terms set out in the applicable Final Terms
“Offer Period”	the offer period for the purchase of Notes issued in respect of the relevant Series, as set out in the applicable Final Terms
“Offer Series”	each Series of Notes offered as set out in the applicable Final Terms
“OFT”	the Office of Fair Trading
“Optional Redemption Amount”	as specified in the applicable Final Terms
“Optional Redemption Charge”	as specified in the applicable Final Terms
“Optional Redemption Date”	as specified in the applicable Final Terms
“Ordinary Shares”	ordinary shares of £1.00 in the capital of the Issuer held by Castle Trust, or such other person from time to time
“PCC”	Castle Trust PCC, a closed-ended investment company incorporated as a protected cell company with limited liability in Jersey with registered number 108697
“Proceeds”	the proceeds of an Offer, being an amount equal to the number of Notes issued pursuant to the Offer multiplied by the Issue Price
“Profit Share”	in respect of a Mortgage, an amount equal to up to 40 per cent. of the increase in the value of the property relating to

	that Mortgage
“Programme”	the £1,500,000,000 Castle Trust Direct programme for the issuance of Notes, to which this Base Prospectus relates
“Prospectus Directive”	Directive 2003/71/EC as amended by Directive 2010/73/EU
“Record Date”	the date by reference to which the recipients of Interest and the Final Redemption Amount as the persons shown on the Register at that date are determined, which, in the case of Interest, shall be the relevant Interest Payment Date and/or the Maturity Date, and, in the case of the Final Redemption Amount, shall be the Maturity Date
“Register”	the register of Noteholders
“Registered Notes”	Notes issued in registered form
“Registrar”	JTC or such other person as the Issuer appoints as its registrar to maintain the Register
“Registrar and Administration Agreement”	the agreement between the Registrar and the Issuer (as the same may be amended and/or supplemented and/or restate from time to time), a summary of which can be found in paragraph 12 of Part XII of this document
“Relevant Banking Day”	a day, other than a Saturday or Sunday on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located
“Relevant Date”	in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Registrar or any Investor which holds Notes represented by an Individual Certificate (as the case may be) on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders
“Reserved Matter”	any proposal to change any date fixed for payment of the Final Redemption Amount or interest in respect of the Notes, to reduce the amount of the Final Redemption Amount or any interest payable on any date in respect of the Notes, to change the investment objective of any particular Series of Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution
“Reset Date”	as specified in the applicable Final Terms
“SDRT”	stamp duty reserve tax

“Series”	a series of Notes of a particular term created by the Directors of the Issuer in accordance with the Trust Deed
“SIPP”	a self-invested personal pension plan
“Specified Interest Payment Date”	as specified in the applicable Final Terms
“Specified Period”	as specified in the applicable Final Terms
“Sterling” or “£”	the lawful currency of the United Kingdom
“Target Servicing”	Target Servicing Limited, a third party contracted to provide mortgage administration services
“transfer date”	the Relevant Banking Day following the day on which the relevant Note shall have been surrendered for transfer in accordance with Note Condition 3.1 or, as the case may be, expiry of the 10 Business Days’ notice period for exchange referred to in Note Condition 3.2
“Trust Deed”	the trust deed dated on or about the date of this Base Prospectus (as amended or supplemented from time to time) between the Issuer and the Trustee constituting the Notes
“Trustee”	JTC Trustees (UK) Limited (which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed)
“Umbrella Agreement”	the agreement entered into by the Issuer, Castle Trust and CTCM governing the offset of equal payments to be made by the Issuer to Castle Trust and vice versa under the Borrower Loan Agreement and the paying up and redemption of Notes (a summary of which can be found in paragraph 12 of Part XII of this document)
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the FCA in its capacity as competent authority under FSMA

PART XIX DIRECTORY

Registered Office of the Issuer

10 Norwich Street
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English legal advisers to the Issuer

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EC4A 1LT

Irish Listing Agent

Maples and Calder
75 St. Stephen's Green
Dublin 2
Ireland

Auditors and Reporting Accountants

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Marketing Manager and Calculation Agent

Castle Trust Capital Management Limited
41 Lothbury
London
EC2R 7HG

Registrar and Administrator

JTC (Jersey) Limited
Elizabeth House
9 Castle Street
St. Helier
Jersey JE2 3RT

Trustee

JTC Trustees (UK) Limited
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Whiteley
Fareham
PO15 7AL

Principal Bankers

HSBC Bank plc
8 Canada Square
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Dated: 3 July 2014