SUPPLEMENTARY 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

SUPPLEMENTARY PROSPECTUS

This Supplementary Prospectus constitutes a supplementary prospectus in accordance with section 87G of the Financial Services and Markets Act 2000, as amended ("**FSMA**"). This Supplementary Prospectus has been approved by the FCA, which is the United Kingdom competent authority for the purposes of the Prospectus Directive, as a supplementary prospectus issued in compliance with the Prospectus Directive.

This Supplementary Prospectus is supplemental to and must be read in conjunction with the base prospectus published by Castle Trust Direct plc (the "**Issuer**") on 3 July 2014 as amended by a supplementary prospectus dated 8 December 2014 (together, the "**Base Prospectus**"). You should read the whole of this Supplementary Prospectus and the Base Prospectus.

An investment in Notes issued pursuant to the programme under which the Issuer may issue loan notes up to a nominal value of £1,500,000,000 as described in the Base Prospectus (the "Programme") involves certain risks. For a discussion of these, please see the Risk Factors set out in Part II of the Base Prospectus.

The date of this Supplementary Prospectus is 22 December 2014.

The Issuer accepts responsibility for the information contained in this Supplementary 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 Supplementary Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Castle Trust Capital plc ("**Castle Trust**") accepts responsibility for the information contained in this Supplementary Prospectus relating to Castle Trust 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 information contained in this Supplementary Prospectus relating to Castle Trust is in accordance with the facts and contains no omission likely to affect its import.

In accordance with section 87Q(4)-(6) FSMA, prospective investors who, prior to the publication of this Supplementary Prospectus, have agreed to buy or subscribe for Notes pursuant to the Programme, have the right to withdraw their commitments. Such right shall expire at the end of the second working day after the date of this Supplementary Prospectus.

The distribution of this Supplementary Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, JTC Trustees (UK) Limited as the Trustee, Castle Trust and Castle Trust Capital Management Limited ("**CTCM**") do not represent that this Supplementary 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 Supplementary 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 Supplementary 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 Supplementary Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Supplementary Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Supplementary 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 the Base Prospectus, "Subscription and Sale").

Neither this Supplementary 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, 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.

Supplementary Information

The purpose of this Supplementary Prospectus is to draw prospective and current investors' attention to the publication on 17 December 2014 by both Castle Trust and the Issuer of each of their full-year audited financial statements for the financial year ended 30 September 2014 together with the directors' report and auditors' report (Castle Trust's audit report being dated 17 December 2014 and the Issuer's audit report being dated 17 December 2014) in respect of each (the "**Annual Reports**"). The Annual Reports are new information which may be significant for the purposes of making an informed assessment of the kind mentioned in section 87A(2) FSMA. The Annual Reports should be considered in addition to the information included in the Base Prospectus. Copies of the Annual Reports are included in schedules 1 (Castle Trust) and 2 (the Issuer) of this Supplementary Prospectus.

The Annual Reports can be found on Castle Trust's website at http://www.castletrust.co.uk/literature-library. The website www.castletrust.co.uk is not incorporated by reference into this Supplementary Prospectus and no part of the website www.castletrust.co.uk forms part of this Supplementary Prospectus.

Save as disclosed in this Supplementary Prospectus, no significant new factor, material mistake or inaccuracy or significant change relating to information included in the Base Prospectus has arisen since publication of a supplementary prospectus on 8 December 2014.

Updates to summary of Base Prospectus

Certain amendments to the summary of the Base Prospectus are appropriate following the publication of the Annual Reports. Elements B.12, B.22, B.23 and B.24 of the summary of the Base Prospectus are updated as follows:

B.12	**Selected key financial information on Castle Trust; no material adverse change statement; significant change statement**	Based on Castle Trust's financial information for the year ended 30 September 2014, Castle Trust had total assets of £81,803,056, total equity of £33,768,441 and total liabilities of £48,034,615. For the year ended 30 September 2014, Castle Trust and its subsidiaries made a consolidated loss after taxation of £9,215,921. The financial information in this paragraph is extracted from the consolidated historical financial information of Castle Trust for the period ended 30 September 2014. The Issuer has not produced financial statements since the date of its incorporation. There has been no material adverse change in the prospects of Castle Trust or of the Issuer since 30 September 2014. There has been no significant change in the financial or trading position of the Issuer or Castle Trust since 30 September 2014. As at 31 October 2014, Castle Trust has made borrowings under the Borrower Loan Agreement in relation to subscriptions of £54,903,831 for Fortress Bonds, of which £16,924,859 Fortress Bonds have been subscribed since 30 September 2014 (being the date of the last published audited accounts for Castle Trust and the Issuer).

B.22	**Statement regarding lack of operations/ financial statements since incorporation**	Not applicable. The Issuer commenced operations on 9 July 2014. The Issuer published audited financial statements for the period ended 30 September 2014 in a supplementary prospectus dated 22 December 2014.
B.23	**Historical key financial information regarding the Issuer**	The table below sets out summary key information from the financial statements of the Issuer for the period 19 May 2014 to 30 September 2014:
		Castle Trust Direct plc Statement of Financial Position | **30 September 2014** (**GBP**)
		Non-current assets
		Loans and receivables | **18,849,048**
		Current Assets
		Loans and receivables | **19,174,991**
		Trade and other receivables | **529,004**
		| **19,703,995**
		Total assets | **38,553,043**
		Equity
		Ordinary Shares | **50,000**
		Share Premium | **450,000**
		Accumulated Loss | **-**
		Total Equity | **500,000**
		Non-current liabilities
		Financial liabilities at amortised cost | **18,849,048**
		Current liabilities
		Financial liabilities at amortised cost | **19,174,991**
		Trade and other payables | **29,004**
		Total liabilities | **38,053,043**
		Total equity and liabilities | **38,553,043**
		As of the date of this document there has been no significant change to the financial position of the Issuer during the period covered by the financial information or since 30 September 2014.
B.24	**Material adverse changes**	As of the date of this document there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements for the period to 30 September 2014.

Documents available for inspection

Copies of the Base Prospectus, this Supplementary Prospectus and the Annual Reports may be inspected free of charge at the offices of Macfarlanes LLP, 20 Cursitor Street, London EC4A 1LT.

SCHEDULE 1

Castle Trust Capital plc

Directors' Report, Strategic Report and Consolidated Financial Statements For the year ended 30 September 2014

CASTLE TRUST CAPITAL PLC

DIRECTORS' REPORT, STRATEGIC REPORT AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Directors' Report, Strategic Report and Consolidated Financial Statements

For the year ended 30 September 2014

Contents

Corporate Information

Registered No: 07454474

Directors

Sir Callum McCarthy

Mr Sean Oldfield

Mr Keith William Abercromby

Mr Timothy John Hanford

Dr David Raymond Morgan

Mr Patrick Nigel Christopher Gale

Dame Deirdre May Hutton

The Rt Hon The Lord Deben

Mr Richard Alexander McGregor Ramsay

Mr Matthew Wyles (appointed 18 November 2014)

Secretary
Mr Mark Banham

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Bankers
HSBC Bank PLC
First Floor
60 Queen Victoria Street
London
EC4N 4TR
United Kingdom

Registered Office
10 Norwich Street
London
EC4A 1BD

Directors' Report

The directors present the Directors' Report, Strategic Report and Consolidated Financial Statements for Castle Trust Capital plc and its subsidiaries ('the Group' or 'Castle Trust') incorporating the individual financial statements for Castle Trust Capital plc ('the Company') for the year ended 30 September 2014. The information on page 1 forms part of this report.

Group structure

The Group comprises five operating entities; Castle Trust Capital plc, Castle Trust Capital Management Limited ('CTCM'), Castle Trust Income Housa plc ('CTIH'), Castle Trust Direct plc ('CTD') and one nominee company, Castle Trust Capital Nominees Limited ('CTCN'). CTD was incorporated on 19 May 2014 in order to issue fixed rate bonds on the Irish Stock Exchange. In addition, Castle Trust PCC ('the PCC') and its Protected Cell, Castle Trust Growth Housa PC ('the PC'), are special purpose entities which are not owned by the group but consolidated by virtue of control.

Group activities

Castle Trust offers investors a simple way of accessing the UK residential housing market and UK property owners a unique alternative to conventional mortgage finance.

Mortgages

The Company provides mortgages to both owner occupiers and buy to let landlords, secured on UK residential property.

See Strategic Review, 'Product Overview' on page 5 for further detail by mortgage class.

Investment products

Castle Trust issues two main categories of investment product, being fixed rate bonds ('Fortress Bonds'), and Index linked investments ('Housas').

Fortress Bonds

CTD issues Fortress Bonds, which are standard fixed rate bonds that are listed on the Irish Stock Exchange every month, and can be issued at any duration at an Annual Equivalent Interest Rate ('AER') that is calculated on a monthly basis. To date, 1 year, 2 year and 5 year duration bonds have been issued at AERs of between 2.25% and 4%.

Housas

Growth Housas, being Preference Shares issued by the PC, deliver returns directly linked to UK house prices as measured by the Halifax House Price Index ('HHPI'). There are two formats with varying terms: Foundation (5 year with no downside participation), and Growth (5 and 10 year). The Foundation Housa was introduced on 3 February 2014 with the same structure as the Growth Housa, but there is no downside participation on the initial capital and a lower potential upside return. Income Housas, Loan Notes issued by CTIH up to July 2014, have been withdrawn as an ongoing product due to disappointing sales performance against the high associated issue costs. The existing book will continue to run off until the final loan note tranche matures, and interest will continue to be paid as per the terms and conditions of the product.

See the Strategic Report for further details about these products.

Group arrangements

CTCM provides services to the Group and its customers. In its administrative capacity it provides sales and marketing, and investment and administration management services to the PCC and its Protected Cell, and to CTD. It provides sales and marketing services only to CTIH, and provides management services to its parent, Castle Trust Capital plc. For ISA customers, CTCM provides ISA management services. Housas may be placed in an ISA wrapper.

The Company subscribes for the redeemable preference shares in the PCC and loan notes in CTIH, and immediately sells them to the investors. The Company simultaneously writes a swap agreement for the subscription amounts between the PCC or CTIH that lends such monies from the Housas to Castle Trust. The subscription amount due from Castle Trust to each company is then offset against the advance due under the swap agreement. The swap transactions are eliminated in the consolidated financial statements.

In addition, the Company enters into a Borrower Loan Agreement with CTD. Under the Borrower Loan Agreement, the issue proceeds received by CTD for subscription for Notes 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) 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.

Future developments

Please refer to the business review within the Strategic Report below.

Regulatory environment

Castle Trust is authorised and regulated by the Financial Conduct Authority (‘FCA’) and was granted FCA permission to carry out regulated investment activities on 5 September 2012. Castle Trust received interim permission from the FCA to provide consumer credit products from 1 April 2014 when responsibility for consumer credit regulation passed from the Office of Fair Trading to the FCA.

Political donations

Castle Trust made no political donations in the year (2013: £nil).

Risk management and exposure to risk

The Group 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 as at 30 September 2014 are Credit, Liquidity and Market (i.e. Interest rate and index tracking error) risks. None of these risks is sought, but these risks are inherent in Castle Trust’s business model and as such are regularly measured and monitored, and appropriately managed. Risks are described in full in Note 21.

The mix of Castle Trust’s lending by geography, property type, age and type of borrower will impact on the volatility of Castle trust’s profits. As the volume of business written increases, the margin between the funding and lending products will flow through to the Statement of Comprehensive Income.

Going concern assessment

The financial statements of Castle Trust have been prepared on a going concern basis. In assessing whether the group going concern assumption remains appropriate for the Group, the directors have considered:

- business activities, future developments and the financial position of the Group
- risk management policies and how the Group is placed to manage business risks
- the fact that there is no material uncertainty that the Group is not a going concern
- risks to the Group's going concern arising from support it has committed to other Group members

The Group remains adequately capitalised to continue operations.

Directors' Indemnity and Directors' & Officers' Liability Insurance

Castle Trust maintains a Directors' and Officers' Liability Insurance policy. In accordance with Castle Trust's Articles of Association, the Board may also indemnify a director from the assets of Castle Trust against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by Castle Trust provide cover for fraudulent or dishonest actions by the directors.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Results and dividends

The results of the Group for the year are set out in the Group Consolidated Statement of Comprehensive Income on page 12. The Group has made a total comprehensive loss in the current financial year amounting to £9,215,921 (30 September 2013: £7,989,342). The directors do not recommend the payment of a dividend (2013: nil).

By order of the Board

Mr Mark Banham

Company Secretary

17 December 2014

Strategic Report

Product overview

The nature and variety of Castle Trust's funding and lending range continues to expand as the Group continues to develop new products and markets. The products sold during the year to 30 September 2014 are covered below.

Fortress Bonds

Fortress Bonds have been issued since July 2014 on the Irish Stock Exchange via a new subsidiary (Castle Trust Direct plc) and comprise standard fixed rate bonds of varying durations and returns. To date the durations have been 1, 2 and 5 year issued at returns of 2.25%, 2.75% and 4.0% respectively.

Housas

A 'Housa' is either a 'Growth Housa' or 'Foundation Housa', being Preference shares issued by the PCC, or an 'Income Housa', being loan notes issued by Castle Trust Income Housa plc.

Growth Housas, Foundation Housas and Income Housas have similar features, being fixed term investments offering returns linked to the value of the UK housing market by reference to the performance of the Halifax House Price ('HHPI') Index. Growth and Foundation Housas deliver a multiple of any increase in the Index (for example 150% for a 5 year Growth Housa and 100% for a 5 year Foundation Housa) and a reduced factor of any decrease in the Index (for example 50% for a 5 year Growth Housa). There is no downside participation for a Foundation Housa. Income Housas' capital returns pay a fixed quarterly coupon plus a return based on the HHPI.

Housas provide 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. They also offer 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).

Partnership Mortgages

Partnership Mortgages (available only to resident owner-occupiers) are secured via a second charge which ranks below a traditional first charge mortgage. Partnership Mortgages are for 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 potential 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 change 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. Castle Trust withdrew this product as of 21 November 2014.

Buy to let mortgages

Castle Trust's Buy to let product is a mortgage to landlords usually limited to a maximum LTV of 20% secured via a legal charge which would rank below any existing first charge mortgage. The maximum LTV is 85% (including the first charge mortgage), with minimum and maximum potential 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 a Minimum Repayment Amount (typically 2% to 2.5% pa), whichever is higher.

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 secured on residential property.

There are no monthly repayments. 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 or the Minimum Repayment Amount (typically 3.5% pa), whichever is higher. 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).

Business review

Castle Trust re-branded its sales documentation and website during the year. A significant increase in sales staff during the latter part of the year, and to the date of the signing of the accounts, has ensured that 'pipeline' sales continue to grow.

Mortgages

Mortgage completions at fair value totalled £40,171,533 in the year to 30 September 2014 (30 September 2013: £19,000). Partnership Mortgages totalled £8,150,231. Buy to let mortgages as described above were introduced in November 2013 and have proved a popular option for Castle Trust's customers. IPS mortgages of £11,622,590 have also been completed.

Following the strong performance in Buy to let and IPS mortgages, a decision was made by the Board on 5 November 2014 to focus on these products and to cease to sell the Partnership Mortgage. The Group will seek to continue to expand its portfolio within its target markets.

Housas

Cumulative sales of Housa Investments to 30 September 2014, on a fair value basis, totalled £8,622,357 of which £4,697,499 were Growth Housas and £2,037,094 were Foundation Housas (Preference shares issued by the PCC and its protected Cell) and £1,887,764 were Income Housas (loan notes issued by CTIH).

In January 2014 the decision was taken by the Board to suspend the issue of the Growth 3 year share class. From February 2014, the Growth 3 year share class was replaced by a new 5 year capital no downside participation share class ('Foundation Housa'), as part of the changes in the product portfolio. The terms of the Foundation 5 year share class are similar to those of the Growth 5 year share class, save that the return of the investors are subject to a minimum return equal to the amount of the original investment on the redemption of the relevant shares at their maturity date (regardless of whether the Halifax House Price Index has fallen since the shares were issued).

Fortress Bonds

Castle Trust Group achieved considerable success with Fortress Bond sales. These totalled £36,969,418, on an amortised cost basis on sales from July 2014 to the reporting date and continue to sell well after the balance sheet date as set out below. Transaction costs incurred directly in the issuance of the Fortress Bonds were incurred by CTCM under the Agency Agreement. As such, these costs have been recognised in the Group accounts.

Transactions subsequent to the balance sheet date

See tables below for lending and funding volumes for the month following the reporting date. Growth is in line with expectations for 2015.

Mortgages at fair value	31 October 2014 £
Partnership Mortgages	**2,196,500**
Buy to let mortgages	**3,759,351**
Index Profit Share mortgages	**4,277,424**
Total	**10,233,275**

Fortress Bonds at amortised cost	AER %	31 October 2014 £
1 year Fortress Bond	2.25	**5,357,668**
2 year Fortress Bond	2.75	**5,947,622**
5 year Fortress Bond	4.00	**5,619,569**
Total		**16,924,859**

Product Range Review

It is the intention of the Group to re-launch the Housa product in 2015 with a range of terms up to 10 years available in both Growth and Foundation formats.

Castle Trust has launched a new ‘Flexible Zero Mortgage’ product, a variant of the Index Profit Share mortgage. A Flexible Zero Mortgage is a first or second charge mortgage, with a maximum duration of 10 years. Typically, the customer is limited to a maximum aggregate indebtedness of 80% LTV (including capitalised interest due under the Flexible Zero Mortgage) secured on the relevant property. Flexible Zero Mortgages are only provided to good credit quality customers, typically for the re-mortgage of residential property; generally no monthly payments are required. Instead, at the end of the mortgage term or on sale of the property, Castle Trust is entitled to receive repayment of its original principal together with a deferred interest payment. The product is only available to borrowers who qualify to seek exemption from the Consumer Credit Act (satisfying either buy to let, high net worth or business exemption tests).

Castle Trust has also developed a new high value mortgage business line. Castle Trust offers high net worth borrowers bespoke loans secured on UK residential property or land pertaining thereto - typically with a maximum duration of 5 years with repayments linked to interest rates. These loans can facilitate leverage on low yielding assets or where value creation is through a process of physical enhancement (such as renovation) or economic enhancement (such as lease extension). Where a transaction size exceeds Castle Trust’s balance sheet limits, third party investors may participate in funding arrangements.

Key Performance Indicators (KPIs)

KPIs are monitored against budget on a monthly basis and consist of the major summary line items in the Statement of Comprehensive Income and primarily the shareholder’s funds from the Statement of Financial Position as shown for the Group and Company on pages 13 to 16. KPIs were in line for operating expenses, and in line for all other line items, taking actual volumes achieved into account.

Key risk exposures

Financial Risk

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future flows or fair values of financial assets and liabilities. This risk has increased with the introduction of the Fortress Bond. However, this risk is matched to an extent by the issue of Index profit share mortgages which bear both an index linked and an interest element, being a minimum repayment amount ('MRA'). The product mix for 2015 has been significantly reviewed to ensure closer matching of interest rate risk and Castle Trust will use interest swaps to further mitigate this risk if the desired sales mix is not achieved.

Credit risk

Members of Castle Trust's management team and Board have significant experience in managing the credit worthiness 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 their primary mortgage, the borrower will be required to pay an administration fee as well as to repay their mortgage early. Castle Trust has a second charge over the property resulting from the mortgage. If a borrower has defaulted then it is likely that they may also be unable to meet repayments under the terms of 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. The key current financial exposure for the Castle Trust Group is the Halifax House Price Index exposure of the liabilities. The impact of the changes in the HHPI index on the Financial Statements is disclosed in Notes 13 and 17.

Liquidity risk

Castle Trust has a liquidity management policy in place, a key control of which is to limit to a maximum of 80% the proportion of funding raised that can be lent as mortgages. Liquid assets are held in instruments 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 longer term, these liquid assets will provide a buffer against the peaks and troughs in the rate at which mortgages are redeemed. The liquidity funds, deposits and any other investment products in which Castle Trust invests or will invest in, are chosen to be available as the Housas and Fortress Bonds mature in order to manage this risk in the short to medium term.

Further information is detailed in Note 21.

Non-Financial Risk

Regulatory risk

Castle Trust provides services which are subject to regulation by the FCA and has implemented and maintained 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.

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.

Castle Trust has implemented and maintained processes and controls for the management of these third party service providers and suppliers.

By order of the Board

Mr Mark Banham

Company Secretary

17 December 2014

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law, the directors are required to prepare consolidated financial statements under IFRS as adopted by the European Union.

Under Company law, the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

In preparing the consolidated financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group
- select suitable accounting policies in accordance with IAS 8*: Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- make judgements that are reasonable
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- state whether the Group financial statements have been prepared in accordance with IFRS as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Castle Trust Capital plc

We have audited the financial statements of Castle Trust Capital plc ('the Company') for the year ended 30 September 2014 which comprise the Group and Company Statements of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flows, and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report , Strategic Report and the Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2014 and of the Group's and the parent company's losses for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Angus Grant

Senior Statutory Auditor

For and behalf of Ernst & Young LLP

17 December 2014

Group Consolidated Statement of Comprehensive Income
For the year ended 30 September 2014

	Note	**30 September 2014** £	30 September 2013 £
Interest and similar income	3	**137,188**	176,061
Interest and similar expense	4	**(142,738)**	(19,735)
Net interest income		**(5,550)**	156,326
Fees and commission income	5	**687,758**	737
Fees and commission expense	6	**(789,940)**	(625)
Net fee and commission income		**(102,182)**	112
Net trading income		**(107,732)**	156,438
Net gain on financial assets at fair value through profit or loss	13	**2,199,199**	-
Net loss on financial liabilities at fair value through profit or loss	17	**(479,353)**	(35,544)
Total operating income		**1,612,114**	120,894
Personnel expenses	7	**(4,166,074)**	(3,813,401)
Depreciation of property and equipment	11	**(17,749)**	(20,293)
Other operating expenses	8	**(6,644,212)**	(4,273,688)
Total operating expenses		**(10,828,035)**	(8,107,382)
Loss before tax from continuing operations		**(9,215,921)**	(7,986,488)
Income tax expense	9	**-**	(2,854)
Total comprehensive loss		**(9,215,921)**	(7,989,342)
Loss for the year attributed to:			
Non-controlling interests	10	**123,320**	38,117
Equity holders of the parent		**(9,339,241)**	(8,027,459)
Total comprehensive loss		**(9,215,921)**	(7,989,342)

The results for all years presented comprise continuing operations.

Notes on pages 21 to 61 are an integral part of these financial statements.

Company Statement of Comprehensive Income

For the year ended 30 September 2014

	Note	**30 September 2014**	30 September 2013
		£	£
Interest and similar income	3	**137,188**	176,061
Interest and similar expense	4	**(100,081)**	(18,486)
Net interest income		**37,107**	157,575
Fees and commission income	5	**687,758**	737
Fees and commission expense	6	**(789,865)**	(625)
Net fee and commission income		**(102,107)**	112
Net trading income		**(65,000)**	157,687
Net gain on financial assets at fair value through profit and loss	13	**2,199,199**	-
Net loss on financial liabilities at fair value through profit or loss	18	**(659,221)**	(165,544)
Total operating income		**1,474,978**	(7,857)
Personnel expenses	7	**(3,921,875)**	(3,764,768)
Depreciation of property and equipment	11	**(7,464)**	(20,293)
Other operating expenses	8	**(7,925,915)**	(4,529,447)
Total operating expenses		**(11,855,254)**	(8,314,508)
Loss before tax from continuing operations		**(10,380,276)**	(8,322,365)
Income tax expense	9	**-**	(2,854)
Total comprehensive loss for the year attributable to equity holders of the parent		**(10,380,276)**	(8,325,219)

The results for all years presented comprise continuing operations.

Notes on pages 21 to 61 are an integral part of these financial statements.

Group Consolidated Statement of Financial Position

Registered No: 07454474

As at 30 September 2014	**Note**	**30 September 2014**	30 September 2013
Assets		**£**	£
Property and equipment	11	**80,689**	7,464
Other receivables	12	**278,428**	127,669
Financial assets at fair value through profit and loss	13	**40,171,533**	19,000
Non-current assets		**40,530,650**	154,133
Investments	14	**29,600,037**	42,438,978
Trade and other receivables	15	**2,666,987**	162,812
Prepayments		**166,520**	204,872
Cash and cash equivalents		**8,838,862**	2,666,290
Current assets		**41,272,406**	45,472,952
Total assets		**81,803,056**	45,627,085
Equity			
Share capital	16	**6,478,000**	6,478,000
Share premium	16	**45,540,000**	45,540,000
Retained earnings		**(18,410,996)**	(9,071,755)
Non-controlling interests	10	**161,437**	38,117
Total equity		**33,768,441**	42,984,362
Liabilities			
Financial liabilities at fair value through profit and loss	17	**8,622,357**	1,801,008
Financial liabilities at amortised cost	19	**18,226,372**	-
Non-current liabilities		**26,848,729**	1,801,008
Financial liabilities at amortised cost	19	**18,743,046**	
Current tax liabilities		**-**	2,854
Trade and other payables	23	**2,442,840**	838,861
Current liabilities		**21,185,886**	841,715
Total liabilities		**48,034,615**	2,642,723
Total equity and liabilities		**81,803,056**	45,627,085

The financial statements were approved by the Board of Directors and authorised for issue on 17 December 2014 and were signed on its behalf by:

Sean Oldfield CEO

Keith Abercromby CFO

Company Statement of Financial Position

Registered No: 07454474
As at 30 September 2014

		30 September 2014	30 September 2013
Assets	**Note**	**£**	£
Investments in subsidiaries	10	**1,462,144**	1,893,147
Property and equipment	11	**-**	7,464
Other receivables	12	**227,669**	258,765
Financial assets at fair value through profit and loss	13	**40,171,533**	540,004
Non-current assets		**41,861,346**	2,699,380
Investments	14	**29,600,037**	42,438,978
Trade and other receivables	15	**3,075,518**	220,652
Prepayments		**47,649**	123,465
Cash and cash equivalents		**7,101,836**	717,974
Current assets		**39,825,040**	43,501,069
Total assets		**81,686,386**	46,200,449
Equity			
Share capital	16	**6,478,000**	6,478,000
Share premium	16	**45,540,000**	45,540,000
Retained earnings		**(19,304,182)**	(8,923,906)
Total equity		**32,713,818**	43,094,094
Liabilities			
Amounts due to related parties under Swap arrangements	18	**8,622,357**	2,322,012
Amounts due to Castle Trust Direct plc under the Borrower Loan Agreement	20	**18,849,048**	-
Non-current liabilities		**27,651,404**	2,322,012
Amounts due to Castle Trust Direct plc under the Borrower Loan Agreement	20	**19,174,991**	-
Current tax liabilities		**-**	2,854
Trade and other payables	23	**2,326,172**	781,489
Current liabilities		**21,501,163**	784,343
Total liabilities		**48,972,568**	3,106,355
Total equity and liabilities		**81,686,386**	46,200,449

The financial statements were approved by the Board of Directors and authorised for issue on 17 December 2014 and were signed on its behalf by:

Sean Oldfield CEO

Keith Abercromby CFO

Group Consolidated Statement of Changes in Equity

As at 30 September 2014

Attributable to the equity holders of the parent

For the year ended 30 September 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	-	-	(9,339,241)	(9,339,241)	123,320	**(9,215,921)**
At 30 September 2014	**6,478,000**	**45,540,000**	**(18,410,996)**	**33,607,004**	**161,437**	**33,768,441**

Attributable to the equity holders of the parent

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**

Notes on pages 21 to 61 are an integral part of these financial statements.

Company Statement of Changes in Equity

As at 30 September 2014

For the year ended 30 September 2014

	Share Capital	Share premium	Retained earnings	Total
	£	**£**	**£**	**£**
At 1 October 2013	6,478,000	45,540,000	(8,923,906)	**43,094,094**
Total comprehensive loss for the year	-	-	(10,380,276)	**(10,380,276)**
At 30 September 2014	**6,478,000**	**45,540,000**	**(19,304,182)**	**32,713,818**

For the year ended 30 September 2013

	Share Capital	Share premium	Retained earnings	Total
	£	**£**	**£**	**£**
At 1 October 2012	6,478,000	45,540,000	(598,687)	51,419,313
Total comprehensive loss for the year	-	-	(8,325,219)	(8,325,219)
At 30 September 2013	**6,478,000**	**45,540,000**	**(8,923,906)**	**43,094,094**

Notes on pages 21 to 61 are an integral part of these financial statements.

Group Consolidated Statements of Cash Flows

For the year ended 30 September 2014

		30 September 2014	30 September 2013
		£	£
Cash flows from operating activities			
Loss before tax from continuing operations		**(9,215,921)**	(7,986,488)
Adjustments to reconcile loss before tax to net cash flow:			
Depreciation of property and equipment	11	**17,749**	20,293
Interest income	3	**(137,188)**	(176,061)
Fair value movements through profit or loss	13,17	**(1,719,846)**	35,536
Mortgages issued	13	**(37,953,334)**	(19,000)
Taxation paid		**2,168**	(2,168)
Interest received		**167,655**	144,981
Interest paid	4	**(142,738)**	(12,369)
		(48,981,455)	(7,995,276)
Working capital adjustments:			
Increase in other receivables	12	**(150,759)**	(32,351)
Increase in trade and other receivables	15	**(2,504,175)**	(5,489)
Decrease/(increase) in prepayments		**38,351**	(254,562)
Increase/(decrease) in trade and other payables		**1,762,562**	(367,206)
Net cash used in operating activities		**(49,835,476)**	(8,654,884)
Cash flow from investing activities			
Decrease in investments	14	**12,838,941**	3,465,488
Purchase of tangible fixed assets	11	**(90,974)**	-
Net cash outflow from investing activities		**12,747,967**	3,610,469
Cash flow from financing activities			
Distributions paid on Income Housa investments	4	**(31,748)**	(7,366)
Proceeds from issue of financial liabilities at fair value through profit and loss	17	**6,322,411**	1,765,472
Proceeds from issue of financial liabilities at amortised cost	19	**36,969,418**	-
Net cash inflow from financing activities		**43,260,081**	1,758,106
Net increase/(decrease) in cash at bank and in hand		**6,172,572**	(3,431,290)
Cash at bank and in hand brought forward		**2,666,290**	6,097,580
Cash at bank and in hand carried forward		**8,838,862**	2,666,290

Notes on pages 21 to 61 are an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 30 September 2014

	Note	**30 September 2014**	30 September 2013
		£	**£**
Cash flows from operating activities			
Loss before tax from continuing operations		**(10,380,276)**	(8,322,365)
Adjustments to reconcile loss before tax to net cash flow:			
Depreciation of property and equipment	11	**7,464**	20,293
Interest income	3	**(137,188)**	(176,061)
Fair value movements through profit or loss	13,17	**(1,539,978)**	165,536
Mortgages issued	13	**(37,953,334)**	(19,000)
Taxation paid		**2,168**	(2,168)
Interest received		**167,655**	144,981
Interest paid	4	**(100,081)**	(11,120)
		(49,933,570)	(8,344,885)
Working capital adjustments:			
Impairment of investment in subsidiaries	10	**4,931,003**	3,106,854
Decrease/(increase) in other receivables	12	**31,096**	(163,447)
Increase in trade and other receivables	15	**(2,854,866)**	(163,155)
Decrease/(increase) in prepayments		**75,817**	(178,664)
Increase in trade and other payables		**1,546,810**	124,969
Net cash used in operating activities		**(46,203,710)**	(5,618,328)
Cash flow from investing activities			
Sale/(purchase) of financial assets at fair value through profit and loss		**531,824**	(500,000)
Decrease in investments	14	**12,838,941**	3,465,488
Investment in subsidiary	10	**(4,500,000)**	(4,000,000)
Net cash inflow from investing activities		**8,870,765**	1,034,512
Cash flow from financing activities			
Distributions paid	4	**(31,748)**	(7,366)
Proceeds from Swap Agreement with related parties	18	**5,769,583**	2,135,472
Proceeds from Borrower Loan Agreement with Castle Trust Direct plc	20	**37,978,972**	-
Net cash inflow/(outflow) from financing activities		**43,716,807**	(1,871,894)
Net increase/(decrease) in cash at bank and in hand		**6,383,862**	(4,379,752)
Cash at bank and in hand brought forward		**717,974**	5,097,727
Cash at bank and in hand carried forward		**7,101,836**	717,974

Notes on pages 21 to 61 are an integral part of these financial statements.

1. Corporate information

Castle Trust Capital plc is incorporated and domiciled in the UK. These consolidated financial statements for the year ended 30 September 2014 were authorised for issue in accordance with a resolution of directors on 4 December 2014.

The Group earns income from its return on investment in sterling liquidity funds, and from mortgage application fees (typically 2% of the mortgage advance). The main expenses of the Group arise from directly attributable mortgage costs, such as valuation fees, commissions and procuration fees, and more significantly, the costs incurred in the provision of sales and marketing, operations, and investment management services.

2. Accounting policies

a. Basis of preparation

The Group's statutory consolidated financial statements and the Company's statutory financial statements for the year ending 30 September 2014 have been prepared under IFRS as adopted by the EU.

These consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities 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.

b. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 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, except for Castle Trust PCC, whose financial reference date is 31 October. Accounts for Castle Trust PCC are drawn up specifically for the Group accounts 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.

c. 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 disclosures 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 consolidated financial statements.

In the process of applying the Group's accounting policies, management has made the following judgements and key assumptions concerning the future, as well as 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.

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 assumption when they occur.

(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.

The Group's involvement with consolidated SPEs is detailed in note 10.

(ii) 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.

(iii) Fair value of financial assets and liabilities

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.

(iv) Deferred tax assets

The status, measurements and treatment of deferred tax assets is disclosed in note 9 however these assets are not recognised in the 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.

d. Summary of significant accounting policies

(i) Financial assets and liabilities – classification

The particular accounting policies adopted for financial assets and liabilities are disclosed in the individual policy statements associated with each item below. The classification of financial assets and liabilities at initial recognition depends on their purpose and characteristics and management's intention in acquiring them.

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

Financial assets designated at fair value through profit and loss relate to mortgages originated by the Group and (as at 30 September 2013) 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.

(iii) 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 borrowings.

(iv) Financial liabilities at fair value through profit and 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. The Company designates its liabilities under the swap agreement to CTIH and the Protected Cell upon initial recognition as financial liabilities at fair value through profit and loss.

(v) Financial liabilities at amortised cost

Trade creditors and other payables are classified as loans and borrowings and are recorded at amortised cost. In most instances, this equates to historic cost, as these liabilities are extinguished in a short time frame.

The Group classifies its fixed rate Fortress Bonds as loans and borrowings. The Company classifies its Borrower Loan liability to CTD as loans and borrowings.

(vi) Financial assets and liabilities – 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 assets and liabilities

All financial assets and liabilities 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, for which transaction costs are expensed.

(vii) Subsequent measurement

Subsequent to initial measurement, the Group re-measures financial assets and liabilities 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 assets and liabilities are recorded separately. Other financial assets and financial liabilities are subsequently measured at amortised cost.

(i) Financial assets at fair value through profit and 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 fair value of financial assets at fair value through profit and loss is determined by using appropriate modelling techniques. When the fair value of financial assets recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using simulation models and discounted cash flows. See Note 13 for details of the model inputs.

(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 Interest Expense in the Statement of Comprehensive Income.

(iii) Financial liabilities at amortised cost

Such liabilities are carried at amortised cost using the EIR method, less transaction costs. 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 Interest and other similar expenses in the Statement of Comprehensive Income.

(iv) 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 in 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 liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using simulation models and discounted cash flows. See Note 17 for details of the model inputs.

(v) Fair value hierarchy

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 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, all financial 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.

(viii) 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 de-recognised 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 de-recognised when the obligation under the liability is discharged or cancelled or expires.

(ix) 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 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 measureable 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.

(x) 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 though 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 EIR associated with the underlying financial assets and financial liabilities at fair value through profit and loss.

(xi) 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.

(xii) 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 30 September 2014 was £2,989,036 (2013 - £36,689).

(xiii) 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 de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on the 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 de-recognised.

(xiv) 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.

(xv) 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 and 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 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 differences 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 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 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 at the 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 related to the same taxable entity and the same taxation authority.

See Note 9 for further description of the current status of deferred tax assets.

(xvi) 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 paid.

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

(xvii) 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.

(xviii) 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 geographical segmental analysis is presented.

e. New standards adopted

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS.

IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 is not expected to materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Notes 13 and 17.

f. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group does not intend to early adopt these standards, so they will be adopted in the relevant year of mandatory adoption. Standards not early adopted but applicable to the Group include:

IFRS 9 Financial Instruments

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so, provided the relevant date of initial application is before 1 February 2015. The Group will assess the impact of IFRS 9 nearer to the adoption date, but considers the impact on new standards as and when new products are launched to ensure no significant inconsistency of treatment will arise that could create a significant change of treatment on adoption.

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. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. 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.

There are currently no Group entities that are not already considered under the control of Castle Trust Capital plc, therefore implementation of IFRS 10 is not expected to 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 structure 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 the users of the financial statements 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 is unlikely to have any impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2017. IFRS 15 is not considered to have a material effect on revenues recognised in the year to 30 September 2014, due to the fact that most contracts fall within the remit of IAS39/IFRS9, but it is possible that new future contracts will need to be assessed against this standard and may be materially impacted.

3. Interest and similar income

Group and Company	30 September 2014	30 September 2013

	£	£
Interest earned in the UK on:		
Investments	**137,188**	176,061

4. Interest and similar expense

Group	30 September 2014	30 September 2013
	£	£
Bank charges	24,601	12,369
Interest on Fortress Bonds on an EIR basis	86,389	-
Interest expense on financial liabilities at fair value through profit and loss: Income Housas	31,748	7,366
	142,738	19,735

Company	30 September 2014	30 September 2013
	£	£
Bank charges	23,266	11,120
Interest on amounts due to Castle Trust Direct plc under the Borrower Loan Agreement	45,067	-
Interest expense on amount due to be paid to CTIH under the Swap	31,748	7,366
	100,081	18,486

5. Fees and commission income

Group and Company	30 September 2014	30 September 2013
	£	£
Mortgage Application fee	687,758	737

6. Fees and commission expense

Group	30 September 2014	30 September 2013
	£	£
Procuration fee	739,200	-
Valuation, conveyancing and similar fees	34,551	-
Other fee expense	16,189	625
	789,940	625

Company	30 September 2014	30 September 2013
	£	£
Procuration fee	739,200	-
Valuation, conveyancing and similar fees	33,924	-
Other fee expense	16,741	625
	789,865	625

7. Personnel expenses

Group	**30 September 2014**	30 September 2013
	£	£
Wages and salaries	**3,075,651**	2,823,239
Social security costs	**389,735**	365,033
Company contributions to defined contribution pension plan	**68,444**	123,818
Termination costs	**132,331**	394,644
Other personnel costs	**499,913**	106,667
	4,166,074	3,813,401

Company	**30 September 2014**	30 September 2013
	£	£
Wages and salaries	**3,069,342**	2,821,889
Social security costs	**389,735**	365,033
Company contributions to defined contribution pension plan	**68,444**	123,818
Termination costs	**132,331**	394,644
Other personnel costs	**262,023**	59,384
	3,921,875	3,764,768

	30 September 2014	30 September 2013
Monthly average number of people employed during the year of which:	**33**	24
Finance, legal and administration	**9**	6
Operations	**24**	18

(a) Directors' remuneration:	**30 September 2014**	30 September 2013
Aggregate remuneration in respect of qualifying services (£)	**720,001**	720,001
The highest paid director received a salary of (£)	**300,000**	300,000
Number of directors accruing benefits under defined contribution person schemes in respect of qualifying services	**-**	-
Company contributions paid to defined contribution pension schemes in respect of qualifying services (£)	**-**	-

8. Other operating expenses

Group	30 September 2014	30 September 2013
	£	£
Advertising and marketing	**1,678,611**	792,482
Administration costs	**1,624,004**	790,861
Professional fees	**2,257,280**	1,721,789
Rental charges paid under operating leases	**450,287**	382,604
Non-recoverable VAT expense	**427,962**	224,827
Other operating expenses	**206,068**	361,125
	6,644,212	4,273,688

Company	30 September 2014	30 September 2013
	£	£
Advertising and marketing	**517,337**	357,406
Administration costs	**675,752**	538,744
Professional fees	**950,082**	256,688
Rental charges paid under operating leases	**219,126**	133,240
Non-recoverable VAT expense	**395,520**	106,120
Impairment of subsidiary companies	**4,931,001**	3,106,854
Other operating expenses	**237,097**	30,395
	7,925,915	4,529,447

Included within Group other operating expenses are the costs of contractors of £985,973 (2013: £470,748). Company other operating expenses include the costs of contractors of £515,214 (2013: £127,840).

Company other operating expenses include the impairment in value of CTC's investment in CTCM of £4,931,003 (2013: £3,106,854) as detailed in note 10 below.

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

Group	30 September 2014	30 September 2013
	£	£
Audit of the Company's statutory financial statements	**128,950**	44,000
Non audit services:		
Taxation compliance services	**9,000**	10,823
Audit related assurance services	**65,700**	73,700
Other assurance services	**6,500**	-
Total company auditors' remuneration	**210,150**	128,523
Audit of Group subsidiaries' financial statements	**94,550**	78,000
Taxation compliance of Group subsidiaries	**8,000**	-
Audit related assurance services of Group subsidiaries	**19,200**	129,000
Other assurance services	**23,000**	65,000
Total Subsidiary auditors' remuneration	**144,750**	272,000
Total Group auditor's remuneration	**354,900**	400,523

9. Income tax

The components of income tax expense for the Group for the years ended:	**30 September 2014**	30 September 2013
	£	£
Current tax		
Current CTC income tax	**-**	-
Current CTCM income tax	**-**	-
Prior year CTC tax	**-**	2,854
Total	**-**	2,854
Reconciliation of total group tax charge		
Accounting loss before tax	**(9,215,921)**	(7,986,488)
At prevailing UK statutory income tax rate of 22% (2013: 23.5%)	**(2,027,503)**	(1,876,825)
Tax relating to prior year loss before tax	**-**	2,854
Disallowable expenses	**33,424**	1,629
Losses for which a deferred tax asset is not recognised	**1,994,079**	1,875,196
Income tax expense reported in the consolidated Statement of Comprehensive Income	**-**	2,854

The effective tax rate is calculated as the average rate for the year under review, being 23% to 31 March 2014 and 21% 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 2014, the Group had total trading losses of £28,857,209 (30 September 2013: £18,673,681) and decelerated capital allowances of £1,086,338 (2013: £1,004,074) in respect of which a deferred tax asset of £5,949,774 (30 September 2013: £3,935,551) 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.

The components of income tax expense for the Company for the years ended:	**30 September 2014**	30 September 2013
	£	£
Current tax		
Current CTC income tax	**-**	-
Prior year CTC tax	**-**	2,854
Total	**-**	2,854
Reconciliation of total group tax charge		
Accounting loss before tax	**(10,380,276)**	(8,322,265)
At prevailing UK statutory income tax rate of 22% (2013: 23.5%)	**(2,283,661)**	(1,955,756)
Adjustment in respect of current income tax in prior years	**-**	(1,418,359)
Disallowable expenses	**1,088,758**	692,994
Losses for which a deferred tax asset is not recognised	**(1,194,903)**	2,681,121
Income tax expense reported in the consolidated Statement of Comprehensive Income	**-**	-

The effective tax rate is calculated as the average rate for the year under review, being 23% to 31 March 2014 and 21% 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 2014, the Company had total trading losses of £16,795,338 (30 September 2013: £11,364,336) and decelerated capital allowances of £616,236 (30 September 2013: £632,832) in respect of which a deferred tax asset of £3,359,068 (2013: £2,281,805) 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.

10. Investments in subsidiaries

Company	**30 September 2014**	30 September 2013
	£	£
At 1 October	**1,893,147**	1,000,001
Additions	**4,500,000**	4,000,000
Impairment charge	**(4,931,003)**	(3,106,854)
At 30 September	**1,462,144**	1,893,147

At 30 September 2014	**CTCM**	**CTD**	**Total**
	£	**£**	**£**
Investment in subsidiary	5,893,147	500,000	**6,393,147**
Recoverable amount	962,144	500,000	**1,462,144**
Impairment charge	**4,931,003**	**-**	**4,931,003**

At 30 September 2013	**CTCM**
	£
Investment in subsidiary	5,000,001
Recoverable amount	1,893,147
Impairment charge	3,106,854

The Company invested £4m in its subsidiary, CTCM, £2m on 2 February 2014, £1m on 14 August 2014 and £1m on 23 September 2014. As the latter is a regulated entity it requires capital of its own in order to comply with its own regulatory capital requirements. An impairment charge of £4,931,003 has been provided as the Group does not expect CTCM to recoup the retained losses to 30 September 2014, therefore we consider the investment in this subsidiary to be permanently impaired. The recoverable amount has been measured at fair value less costs to sell, which has been estimated as the net asset value of the companies at 30 September 2014. This fair value is within Level 3 of the fair value hierarchy.

The Company invested £500,000 for 100% of the share capital of CTD on 19 May 2014.

The Group and the parent company hold the following proportion of the nominal value ((£0.10) of shares in the following Group subsidiary undertaking 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 Housa plc	Ordinary shares	100%	Investment company	Jersey
Castle Trust Direct plc	Ordinary shares	100%	Investment company	UK
Castle Trust Capital Nominees Limited*	Ordinary shares	100%	Nominee company	UK

*The holding of CTCN is held indirectly via CTCM.

10.1 Consolidation of special purpose 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 the Company 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 the Company. In addition, Castle Trust receives and manages the funds received from Housa investors using these to fund mortgages, up to a maximum of 80% of the balance of funds received. Shareholder funding is also used to provide mortgage funding.

In addition, through CTCM, 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.

10.2 Non-controlling interests

The shareholder's reserves of the PC constitute the balance of non-controlling interests within Group Equity. This represents the position that although the entity is consolidated within the Group by virtue of control, the Group does in fact have no share in the interest of the shareholder's equity of the PC. The movement on this balance is shown on the face of the Group Income statement, and the final balance as at 30 September 2014 is shown on the face of the Group Statement of Financial Position.

Non-controlling interests: Shareholders equity of Castle Trust Growth Housa PC	**30 September 2014**	30 September 2013
	£	£
Opening balance as at 30 September 2013	**38,117**	-
Total comprehensive profit for the year attributable to equity holders of the PC	**123,320**	38,117

Closing balance	**161,437**	38,117

11. Property and equipment

Group:

Office and computer equipment	**30 September 2014**	30 September 2013
Cost	**£**	£
At 1 October	**59,733**	59,733
Additions	**90,974**	-
At 30 September	**150,707**	59,733
Depreciation and Impairment		
At 1 October	**52,269**	31,976
Depreciation charge for the year	**17,749**	20,293
At 30 September	**70,018**	52,269
Net book value		
At 1 October	**7,464**	27,757
At 30 September	**80,689**	7,464

Company

Office and computer equipment	**30 September 2014**	30 September 2013
	£	£
Cost		
At 1 October	**59,733**	59,733
Additions	**-**	-
At 30 September	**59,733**	59,733
Depreciation and Impairment		
At 1 October	**52,269**	31,976
Depreciation charge for the year	**7,464**	20,293
At 30 September	**59,733**	52,269
Net book value		
At 1 October	**7,464**	27,757
At 30 September	**-**	7,464

During the year to 30 September 2014, changes to the Group cost allocation policy have resulted in CTCM now taking on the Property and equipment costs for the Group, rather than the Company. This difference is reflected in the Company costs shown below.

12. Other receivables

Group	**30 September 2014**	30 September 2013

	£	£
Deposit on property rental	**97,409**	46,650
Amounts due from related parties	**181,019**	81,019
	278,428	127,669

Company	**30 September 2014**	30 September 2013
	£	£
Deposit on property rental	**46,650**	46,650
Amounts due from related parties	**181,019**	212,115
	227,669	258,765

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.

13. Financial assets at fair value through profit and loss

Group	**30 September 2014**	30 September 2013
	£	£
Partnership Mortgages	**8,150,231**	19,000
Buy to let mortgages	**20,398,712**	-
Index Profit Share mortgages	**11,622,590**	-
	40,171,533	19,000

Company	**30 September 2014**	30 September 2013
	£	£
Partnership Mortgages	**8,150,231**	19,000
Buy to let mortgages	**20,398,712**	-
Index Profit Share mortgages	**11,622,590**	-
Own investment in Housas	**-**	521,004
	40,171,533	540,004

Mortgage products

13.1.1 Partnership Mortgages

Partnership Mortgages (available only to resident owner-occupiers) are secured via a second charge which ranks below a traditional first charge mortgage. Partnership Mortgages are for 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 potential 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 change 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. Castle Trust withdrew this product as of 21 November 2014.

13.1.2 Buy to let mortgages

Castle Trust's Buy to let product is a mortgage to landlords usually limited to a maximum LTV of 20% secured via a legal charge which would rank below any existing first charge mortgage. The maximum

LTV is 85% (including the first charge mortgage), with minimum and maximum potential 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 a Minimum Repayment Amount (typically 2% to 2.5% pa), whichever is higher.

13.1.3 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 repayments. 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 or the Minimum Repayment Amount (typically 3.5% pa), whichever is higher. 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).

13.2 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, being the Gross Mortgage Advance, i.e. the total amount advanced to the customer gross of any solicitor's fees, 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.

Group and Company

As at 30 September 2014	**Notional Amount £**	**Fair Value £**
Partnership Mortgages	7,487,909	8,150,231
Buy to let mortgages	19,166,496	20,398,712
Index Profit Share mortgages	11,317,929	11,622,590
	37,972,334	40,171,533

As at 30 September 2013	**Notional Amount £**	**Fair Value £**
Partnership Mortgages	19,000	19,000

13.3 Fair value modelling

Castle Trust has developed a model to value its mortgage assets. The model uses stochastic techniques to calculate the net present value of simulated future cash flows, and is run on a monthly basis for internal management information and board reporting purposes by a specialist modelling team. The simulated cash flows are based on assumptions about the range of possible events and inputs concerning the terms of the mortgages and investments.

i. Fair value measurement

The model, as applied to mortgage product lending, incorporates various inputs, of which the most significant are as follows. There are no comparatives for 30 September 2013 as the balance was immaterial.

The models incorporate various inputs as follows:

- Castle Trust Loan to Value: this is the size of Castle Trust's loan relative to the value of the property. It varied from 3% to 39%.
- Senior Loan to Value: this is the size of primary mortgage relative to the value of the property. It varied from 0%, where Castle Trust was a first charge lender, to 82%.
- Movement in House Prices: the percentage movement in the house price from origination to the indexed value is between -4.9% and 12.6%.
- Elapsed Term: this is the amount of time that has elapsed from the date of completion of each mortgage to the end of the year. As at 30 September 2014, this value varied between 0 to 12 months.
- 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 House Prices: this ranges from 3.6% to 37%. 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.
- Expected Repayment Rates: this ranges from 0% pa to 12% per annum depending on the elapsed time since the mortgage was drawn. In addition there are adjustments for seasonality and market conditions
- Discount rates: the discount rates were calculated to be consistent with the assumptions about future house price growth. This calculation produced discount rates as per the below table for the various mortgage products:

	Minimum %	**Maximum %**
Partnership Mortgages	10.2%	13.6%
Buy to let mortgages	10.2%	13.6%
Index Profit Share mortgages: fixed income component	2.3%	10.2%
Index Profit Share mortgages: house price derivative component	48.3%	56.2%

13.4 Fair value hierarchy

All financial assets and liabilities 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, which is derived from unobservable data.

Group and Company: Financial assets measured at fair value through profit and loss as at 30 September 2014	**Level 1**	**Level 2**	**Level 3**

Mortgage assets	-	-	40,171,533

Group and Company: 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 year that are recognised in profit or loss within 'Net gain on financial assets at fair value through profit and loss'. There were no transfers into level 3 assets other than the completions in the year, and no transfers out.

Group and Company	**Partnership Mortgages**	**Buy to let mortgages**	**Index Profit Share mortgages**	**Total**
	£	**£**	**£**	**£**
Opening balance as at 1 October 2013	19,000	-	**-**	**19,000**
Completions in the year	7,468,909	19,166,499	11,317,926	**37,953,334**
Net gain on financial assets at fair value through profit or loss	662,322	1,232,213	304,664	**2,199,199**
Closing balance as at 30 September 2014	**8,150,231**	**20,398,712**	**11,622,590**	**40,171,533**

	Partnership Mortgage	**Buy to let Mortgages**	**Index Profit Share mortgages**	**Total**
	£	**£**	**£**	**£**
Opening balance as at 1 October 2012	-	-	-	**-**
Completions in the year	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**

13.5 Sensitivity of Fair Value movements

Castle Trust's model for calculating the fair value of its Mortgage assets 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 arises because the discount rates are derived from the only piece of market information available to the Group, the price at which the customer is willing to transact. This is considered to be the most reliable method of calculating the exit price because it is the price at which a third party would be indifferent to purchasing the asset from Castle trust or originating a new asset themselves. 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:

As at 30 September 2014

Group and Company Mortgages	**Increase HHPI by 10%** £	**Decrease HHPI by 10%** £
Impact on net assets – Partnership Mortgages	979,582	(921,162)
Impact on net assets - Buy to let mortgages	2,363,410	(2,230,185)
Impact on net assets – Index Profit Share mortgages	671,147	(696,519)

14. Investments

Group and Company	**30 September 2014**	30 September 2013
	£	£
Amounts held on fixed term deposits	**4,972,342**	4,900,000
Amounts invested in HSBC Sterling Liquidity Funds	**24,627,695**	37,538,978
	29,600,037	42,438,978

Amounts on fixed term deposit are invested in Lloyds deposit accounts. During the year two tranches have been invested, the first an amount for £2,428,276 was invested on 29 August 2014 maturing on 3 December 2014, and the second, an amount of £2,544,064, was deposited on 30 September 2014 with a maturity of 31 March 2015. 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 is 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.

15. Trade and other receivables

Group	30 September 2014	30 September 2013
	£	£
Irrecoverable VAT	**159,671**	75,187
Investment debtors	**2,452,538**	49,690
Other debtors	**54,778**	37,935
	2,666,987	162,812

Company	30 September 2014	30 September 2013
	£	£
Amounts due from related parties	**896,819**	143,938
Investment debtors	**2,124,359**	39,690
Other debtors	**54,340**	37,024
	3,075,518	220,652

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.

The Group is in an overall VAT receipt position due to the nature of business transactions undertaken.

Investment debtors represent Fortress Bond (cash) receipts from customers into Client Monies Accounts for which the monies as at 30 September had not been remitted through to the Company current bank account.

16. Share capital

Group and Company	30 September 2014	30 September 2013
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

Issued share capital for the year ended 30 September 2014

Group and Company	Issued Capital	Share premium	Total
	£	£	£
At 30 September 2014 and 30 September 2013	6,478,000	45,540,000	52,018,000

17. Financial liabilities at fair value through profit and loss

17.1 Fair value of financial liabilities

The table below shows the fair values of financial liabilities at fair value through profit and loss together with the notional amounts. These liabilities are measured at fair value as their performance is evaluated on the basis of the movement of the HHPI as described in the prospectuses. The notional amount, being the actual cash received from the investor, 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 indicative of neither the market risk nor the credit risk.

Group: **As at 30 September 2014**	**Notional Amount**	**Fair Value**
	£	**£**
Liability to Income Housa customers	1,792,985	1,887,764
Liability to Growth Housa customers	4,339,914	4,697,499
Liability to Foundation Housa customers	1,974,579	2,037,094
	8,107,478	8,622,357

Group: 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

17.2 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 2014 calculated by each do not materially differ. The model is run on a monthly basis for internal management information and board reporting purposes by a specialist modelling team.

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 2014, the amount of time elapsed from issuance to 30 September 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. 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 2014, the latest published value of HHPI was 602.0 (30 September 2014: 550.5). The Initial Index Level varied from 519.3 for the October 2012 series to 603.1 for the July 2014 series. At 30 September 2013: 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 2014, this value varied between 23 months for the October 2012 series of Housa to 2 months for the July 2014 series. 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 (30 September 2014: 4.5%). 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 12.91% per annum (30 September 2013: 12.67%). 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 17.3 to 17.5 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. 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 8% per annum.

17.3 Income Housas

The Income Housas are Loan Notes issued up to July 2014 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. Three classes were offered each month: 3 year term, 5 year term, and 10 year term, until 31 July 2014, after which the product was withdrawn from the market. The existing book will remain until run-off. 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:

(HHPI Percentage Change x Investment Amount) + 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 state 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 the Loan Note	Annual interest
3 years	2%
5 years	2.5%
10 years	3%

Income Housas:

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

Maturity Period of Loan Note	Nominal Value £	Fair Value £
5 year October 2012	2,425	2,744
5 year November 2012	30,000	33,999
5 year December 2012	19,400	21,784
10 year December 2012	15,000	16,510
5 year April 2013	25,162	27,873
10 year April 2013	23,040	25,117
5 year May 2013	116,220	126,326
5 year July 2013	85,275	91,336
10 year July 2013	11,520	12,199
3 year August 2013	25,000	26,666
5 year August 2013	43,010	45,554
3 year September2013	20,000	21,540
5 year September2013	51,613	55,153
10 year September 2013	5,000	5,278
3 year October 2013	103,000	110,813
5 year October 2013	137,376	146,827
10 year October 2013	15,000	15,859
3 year November 2013	50,000	53,233
5 year November 2013	64,812	68,576
10 year November 2013	18,216	19,084
5 year December 2013	9,700	10,138
10 year December 2013	25,000	25,892
3 year January 2014	10,000	10,767
5 year January 2014	74,400	79,633
3 year February 2014	56,000	59,564
5 year February 2014	35,000	37,026
10 year February 2014	11,520	12,082
3 year March 2014	53,250	54,985
5 year March 2014	123,530	126,992
10 year March 2014	14,520	14,847
3 year April 2014	62,500	64,996
5 year April 2014	126,320	130,926
10 year April 2014	10,000	10,314
3 year May 2014	28,000	29,011
5 year May 2014	81,880	84,535

3 year June 2014	84,000	83,732
5 year June 2014	66,696	66,376
10 year June 2014	19,370	19,273
3 year July 2014	5,230	5,222
10 year July 2014	35,000	34,982
Group total	**1,792,985**	**1,887,762**

17.4 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 2 classes offered each month: 5 years 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 fail 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:

Maturity Period	**Nominal Value** £	**Fair Value** £
5 year October 2012	5,000	5,937
10 year October 2012	13,025	15,461
10 year November 2012	20,075	23,940
10 year December 2012	15,000	17,714
10 year January 2013	20,000	23,475
5 year February 2013	105,220	124,639
10 year February 2013	82,250	97,508
5 year March 2013	85,900	100,661
10 year March 2013	6,610	7,752
5 year April 2013	104,925	121,133
10 year April 2013	81,416	94,072
3 year May 2013	4,000	4,505
5 year May 2013	81,159	91,590
10 Year May 2013	44,310	50,028
5 year June 2013	74,768	83,896
10 year June 2013	60,810	68,283
3 year July 2013	30,893	34,032
5 year July 2013	81,120	89,514
10 year July 2013	3,500	3,865
3 year August 2013	119,520	130,051
5 year August 2013	74,520	81,188
3 year September2013	77,777	85,706

5 year September2013	53,537	59,149
10 year September 2013	17,472	19,305
3 year October 2013	77,500	84,949
5 Year October 2013	196,920	216,411
10 Year October 2013	20,664	22,711
3 year November 2013	49,000	53,123
5 year November 2013	81,520	88,566
10 year November 2013	10,000	10,865
3 year December 2013	52,500	56,144
5 year December 2013	46,500	49,786
10 Year December 2013	35,000	37,458
3 year January 2014	191,540	209,731
5 year January 2014	225,400	247,638
10 year January 2014	58,000	63,767
5 Year February 2014	271,840	294,545
10 Year February 2014	13,000	14,100
5 Year March 2014	455,248	475,602
10 year March 2014	145,560	152,204
5 year April 2014	363,143	381,073
10 year April 2014	137,340	144,235
5 year May 2014	233,957	244,582
10 year May 2014	106,807	111,824
5 year June 2014	171,100	170,625
10 year June 2014	96,800	96,583
5 year July 2014	13,932	13,854
10 year July 2014	23,835	23,719
Total	**4,339,914**	**4,697,499**

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:

((Return Multiple x HHPI Percentage Change) + 1) x 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

17.5 Foundation Housas

The Foundation Housas are Participating Preference Shares of Castle Trust PCC and were first listed on the Channel Islands Securities Exchange on 3 February 2014. The Participating Preference Shares of the Cell are divided into classes. There is currently 1 class offered each month, being 5 year term shares. The Foundation Housa is an investment product which 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 with no 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 Foundation Housa tranches issued in the year:

Maturity Period	Nominal Value	Fair Value
	£	£
5 year February 2014	188,040	200,617
5 year March 2014	346,198	359,416
5 year April 2014	666,149	693,129
5 year May 2014	257,463	266,886
5 year June 2014	382,947	383,499
5 year July 2014	133,782	133,547
Total	**1,974,579**	**2,037,094**

Investment return on the Foundation Housa

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:

((Return Multiple x HHPI Percentage Change) + 1) x Investment Amount

Where: The 'Return Multiple' is:

(iii) If the Final HHPI Level is greater than the Initial HHPI Level:

Maturity period of Participating Preference Shares	Return multiple
5 years	1.0

(iv) If the Final HHPI Level is lower than the Initial HHPI Level:

Maturity period of Participating Preference Shares	Return multiple
5 years	0.0

17.6 Fair value hierarchy

All financial liabilities 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 unadjustable) 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 liabilities 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 at 30 September 2014, the Group and Company held the following classes of financial liabilities measured at fair value that are classified as Level 3, as the lowest level input identified is the discount rate, which is derived from unobservable data.

Financial liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**
Financial liabilities measured at fair value through profit and loss	-	-	8,622,357

As at 30 September 2013, the Group and Company held the following classes of Financial Liabilities measured at fair value:

Financial liabilities measured at fair value	**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.

Group	**Income Housas**	**Growth Housas**	**Foundation Housa**	**Total**
	£	**£**	**£**	**£**
Opening balance as at 1 October 2013	477,396	1,323,612	-	1,801,008
Creations in the period	1,323,733	3,047,097	1,974,579	6,345,409
Redemptions in the period	(3,413)	-	-	(3,413)
Realised loss on financial liabilities at fair value through profit & loss	41	-	-	41
Unrealised loss on financial liabilities at fair value through profit or loss	90,007	326,790	62,515	479,312
Closing balance as at 30 September 2014	1,887,764	4,697,499	2,037,094	8,622,357

Group	Income Housas £	Growth Housas £	Total £
Opening balance as at 1 October 2012	-	-	-
Creations in the period	472,665	1,792,799	2,265,464
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	11,882	16,613
Closing balance as at 30 September 2013	477,396	1,323,612	1,801,008

17.7 Sensitivity analysis

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 arises because the discount rates are derived from the only piece of market information available to the Group, the price at which the customer is willing to transact. In the absence of directly comparable external data, this is considered to be the most reliable method of calculating the exit price because it is the price at which a third party would be indifferent to purchasing the asset from Castle trust or originating a new asset themselves.

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 Housa liabilities is the published HPPI value, analysed below:

As at 30 September 2014	Increase HHPI by 10% £	Decrease HHPI by 10% £
Impact on net assets: Housa liabilities	(955,021)	899,479

As at 30 September 2013	Increase HHPI by 10% £	Decrease HHPI by 10% £
Impact on net assets: Housa liabilities	(214,576)	136,870

18. Amounts due to related parties under Swap arrangements

As at 30 September 2014 Company	Notional Amount £	Fair Value £
Liability to CTIH under swap agreement	1,721,266	1,887,764
Liability to the Protected Cell under swap agreement	6,061,913	6,734,593
	7,783,179	8,622,357

As at 30 September 2013	Notional Amount	Fair Value
Company	£	£
Liability to CTIH under swap agreement	933,758	998,400
Liability to the Protected Cell under swap agreement	1,241,093	1,323,612
	2,174,851	2,322,012

Note that the nominal value of the swap assets is reduced by the arrangement fee due and payable to CTIH and the PC respectively under the swap agreement. The fee is 4% of the total nominal value of the loan notes and preference shares, and results in a higher fair value movement through the Statement of Comprehensive Income.

18.1 Swap liabilities at fair value

Swap liabilities are measured at fair value on a recurring basis, and their valuation is categorised at Level 3. The valuation process mirrors that for the Group's Housa liabilities; therefore refer to note 17.2 for details of the valuation process and main inputs. The following table shows reconciliation from the opening balances to the closing balances, including details of 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.

Company	Swap with CTIH £	Swap with the PC: Growth Housas £	Swap with the PC: Foundation Housas £	Total £
Opening balance as at 1 October 2013	998,400	1,323,612	-	2,322,012
Creations in the period	1,352,148	2,925,205	1,895,596	6,172,910
Redemptions in the period	(531,824)	-	-	(531,824)
Realised loss on financial liabilities at fair value through profit & loss	28,452	-	-	28,452
Unrealised loss on financial liabilities at fair value through profit or loss	40,588	448,683	141,498	630,769

Closing balance as at 30 September 2014	1,887,764	4,697,499	2,037,094	8,622,357

Company	**Swap with CTIH**	**Swap with the PC: Growth Housas**	**Total**
	£	**£**	**£**
Opening balance as at 1 October 2012	**-**	**-**	**-**
Creations in the period	933,758	1,741,641	2,675,399
Redemptions in the period	-	(518,931)	(518,931)
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	64,642	81,971	146,613
Closing balance as at 30 September 2013	998,400	1,323,612	2,322,012

18.2 Fair value hierarchy

All financial liabilities 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 unadjustable) 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 liabilities 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 at 30 September 2014, the Company held the following classes of financial liabilities measured at fair value that are classified as Level 3, as the lowest level input identified is the discount rate, which is derived from unobservable data.

At 30 September 2014: Financial liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**
Swap liabilities with related parties	**-**	**-**	8,622,357

At 30 September 2013: Financial liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**
Swap liabilities with related parties	**-**	**-**	2,322,012

18.3 Sensitivity analysis

The main driver of the fair value is the level of the Halifax House Price Index ('HHPI'), which is published each month in arrears, shortly after each month end. The analysis below shows the impact on the financial liabilities at fair value through profit and loss if the HHPI were to increase or decrease by 10%. The analysis assumes that all other variables remain constant. For an overview of the main unobservable inputs, refer to note 17.7.

30 September 2014	**Increase HHPI by 10%**	**Decrease HHPI by 10%**
	£	£
Impact on net assets: swap liabilities	**(955,021)**	899,479

30 September 2013	**Increase HHPI by 10%**	**Decrease HHPI by 10%**
	£	£
Impact on net assets: swap liabilities	**(214,576)**	136,870

19. Financial liabilities at amortised cost

Group financial liabilities in respect of Fortress Bonds are valued at amortised cost, less transaction costs incurred in issuing the bonds.

	30 September 2014
	£
Non-current liabilities	**18,226,372**
Current liabilities	**18,743,046**
Financial liabilities at amortised cost	**36,969,418**

	30 September 2014
	£
Nominal value of Fortress Bonds sold	**37,978,972**
Transaction costs	**(1,095,943)**
Interest on an EIR basis	**86,389**
Financial liabilities at amortised cost	**36,969,418**

Nominal value and Amortised cost by Fortress Bond tranche issued during the year:

Maturity Period of Loan Note	**Nominal Value**	**Amortised Cost**
	£	£
1 Year 2.25% Bond July 14	1,013,000	978,186
2 Year 2.75% Bond July 14	229,000	187,479
1 Year 2.25% Bond August 14	8,888,963	8,691,329
2 Year 2.75% Bond August 14	8,656,494	8,451,893
1 Year 2.25% Bond September 2014	9,250,526	9,073,531
2 Year 2.75% Bond September 2014	5,930,664	5,753,669

5 Year 4.00% Bond September 2014	4,010,325	3,833,331
	37,978,972	**36,969,418**

19.1 Fair value hierarchy

For financial liabilities that are recognised at amortised cost, the Group also considers the fair value of the item, and as a result, its hierarchy. The fair value of the Fortress Bonds as at 30 September 2014 was £38,026,646 (30 September 2013: £nil). The fair value of the bonds are determined according to the published AERs, adjusted for the time value of money and credit spread risk, using a discounted cash flow model. The hierarchy position is considered to be Level 3, as the lowest level input, being the discount rate, is unobservable.

Financial liabilities measured at amortised cost	**Level 1**	**Level 2**	**Level 3**
Group: financial liabilities at amortised cost	-	-	38,026,646

20. Amounts due to Castle Trust Direct plc under the Borrower Loan Agreement

	30 September 2014
	£
Non-current loan liability	**18,849,048**
Current loan liability	**19,174,991**
Amounts due under Borrower Loan Agreement	**38,024,039**

	30 September 2014
	£
Nominal value of Fortress Bonds sold	**37,978,972**
Interest on an EIR basis	**45,067**
Amounts due under Borrower Loan Agreement	**38,024,039**

Maturity period of Bonds	**Annual Interest (AER)**
1 years	2.25%
2 year	2.75%
3 year	4.00%

21. Risk Management

The Group's activities expose it to various types of financial risk that are associated with financial assets and liabilities, 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.

21.1 Credit risk

Retail credit risk is inherent in the Castle Trust mortgage products. 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's maximum exposure to credit risk in relation to its mortgage lending as at 30 September 2014 could be considered to be the entire mortgage balance of £40,171,533 (30 September 2013: £19,000).

The Group is also exposed to credit risk in terms of its investments in fixed deposit funds with Lloyds Bank of £4,972,342 (30 September 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 £33,466,557 (30 September 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.

21.2 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 liquid capital buffer of twenty percent is 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. The analysis set out in Note 22 Maturity Analysis below shows the undiscounted cash equivalent values for all financial assets and liabilities, rather than historic costs, fair values and amortised costs. This provides an overview of the liquidity position of the Group as at 30 September 2014.

21.3 Market risk

Market risk is the risk that the fair value of future cash flows from financial assets and liabilities 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.

21.3.1 Interest rate risk

This is the risk that changes in interest rates will affect future flows or fair values of financial assets and liabilities. It arises where there is an interest rate mismatch between the assets and liabilities. This risk has increased in the year due to increased exposure to Fortress Bonds at interest rates of 2.25%, 2.75% and 4% for the 1, 2 and 5 year bonds respectively. This is mitigated by the minimum returns payable on all mortgages other than the small proportion of Partnership Mortgages provided in conjunction with the purchase of the property which contain contingent downside participation. The Group manages interest rate risk through the interest due on its mortgage portfolio and treasury assets. The sensitivity to interest rates is measured as part of financial risk analysis and assessed as part of its ICAAP. The maximum exposure to interest risk in 2014 could be expressed as the future interest due on the Fortress Bonds and Income Housa of £2,425,254, plus all other interest receivable of £137,188 (30 September 2013: £176,061).

21.3.2 Index risk

This risk arises to the extent that gains or losses on the mortgaged houses do not exactly follow the index. Divergence could come from differences in the portfolio of properties underlying the Castle Trust mortgages compared to the assumed mix underlying the index, e.g. a different regional or property type mix, variations in the index itself or the statistical impact of concentration of the portfolio of Partnership mortgaged houses in a relatively small number of dwellings. The divergence is measured on a monthly basis and reported to the quarterly Board Risk Committee meetings. Management seek to manage the mix of business to manage this risk. The exposure is based on a stress test that evaluates the effect of over or under performance of certain segments of the portfolio. As at 30 September 2014, the maximum potential exposures to index risk in the portfolio are set out in the sensitivity notes 13, 17 and 18.

Note that Index risk is not relevant to the Index profit share mortgages where the profit share of the mortgage is calculated with reference to the HHPI index, not the value of the underlying property.

21.4 Concentration risk

The Group considers concentration risk in terms of material exposure to single counterparties and with respect to the geographical location of the properties on which mortgage charges are made.

Counterparty limits apply to treasury assets to limit exposure to any single counterparty, including the Group's bankers, HSBC, which has a higher limit to cover operational banking requirements. Castle Trust's holding in the HSBC sterling liquidity funds does not represent counterparty risk to HSBC but to a diversified pool of high quality, highly liquid assets. Mortgage assets have a maximum loan exposure which limits concentration risk. The maximum single counterparty exposure is to HSBC which has a limit of £10m.

Geographical concentration risk is assessed and measured as part of the index risk described in 21.3.2, and set out in the sensitivity analysis in Notes 13, 17 and 18.

22. Maturity profile of all financial assets and liabilities

The tables below indicate the maturity profile of the Group and Company's financial assets and liabilities as at 30 September 2014:

Group **As at 30 September 2014**	**Within 1 year** **£**	**More than 1 year less than 3 years** **£**	**More than 3 years less than 5 years** **£**	**More than 5 years less than 10 years** **£**	**More than 10 years**	**Total** **£**
Financial assets						
Other receivables	-	-	-	278,428	-	**278,428**
Financial assets at fair value through profit and loss	2,650,450	11,687,269	21,455,221	35,152,185	7,292,442	**78,237,567**
Investments	29,600,037	-	-	-	-	**29,600,037**
Trade and other receivables	2,666,987	-	-	-	-	**2,666,987**
Cash and cash equivalents	8,838,862	-	-	-	-	**8,838,862**
	43,756,336	**11,687,269**	**21,455,221**	**35,430,613**	**7,292,442**	**119,621,881**
Financial Liabilities						
Financial liabilities through profit and loss - Growth Housas	-	666,666	5,060,805	1,142,813	-	**6,870,284**
Financial liabilities through profit and loss - Income Housas	43,355	607,601	1,224,270	243,420	-	**2,118,646**
Financial liabilities at amortised cost	19,624,250	15,684,680	4,897,033	-		**40,205,963**
Trade and other payables	2,442,840					**2,442,840**
	22,110,445	**16,958,947**	**11,182,108**	**1,386,233**	**-**	**51,637,733**

Group **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**
Mortgage Asset	-	-	-	19,000	**19,000**
Investments	42,438,978	-	-	-	**42,438,978**
Trade and other receivables	162,812	-	-	-	**162,812**
	42,601,790	**-**	**127,669**	**19,000**	**42,748,459**
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**

Company **As at 30 September 2014**	**Within 1 year**	**More than 1 year less than 3 years**	**More than 3 years less than 5 years**	**More than 5 years less than 10 years**	**More than 10 years**	**Total**
	£	**£**	**£**	**£**		**£**
Financial assets						
Other receivables	-	-	-	227,669	-	**227,669**
Financial assets at fair value through profit and loss	2,650,450	11,687,269	21,455,221	35,152,185	7,292,442	**78,237,567**
Investments	29,600,037	-	-	-	-	**29,600,037**
Trades and other receivables	3,075,518	-	-	-	-	**3,075,518**
Cash and cash equivalents	7,101,836	-	-	-	-	**7,101,836**
	42,427,841	**11,687,269**	**21,455,221**	**35,379,854**	**7,292,442**	**118,242,627**
Financial Liabilities						
Amounts due to the PC under the Growth Housa Swap	-	666,666	5,060,805	1,142,813	-	**6,870,284**
Amounts due to CTIH under the Income Housa Swap	43,355	607,601	1,224,270	243,420	-	**2,118,646**
Borrower Loan Financial liabilities at amortised cost	19,624,250	15,684,680	4,897,033	-	-	**40,205,963**
Trade and other payables	2,326,172	-	-	-	-	**2,326,172**
	21,993,777	**16,958,947**	**11,182,108**	**1,386,233**	**-**	**51,521,065**

Company 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	-	-	258,765	-	**258,765**
Financial assets at fair value through profit and loss	-	521,004	-	-	**521,004**
Mortgage assets	-	-	-	19,000	**19,000**
Investments	42,438,978	-	-	-	**42,438,978**
Trade and other receivables	220,652	-	-	-	**220,652**
	42,659,630	**521,004**	**258,765**	**19,000**	**43,458,399**
Financial liabilities					
Amounts due to the PC under the Growth Housa Swap	-	331,351	630,110	362,154	**1,323,615**
Amounts due to CTIH under the Income Housa Swap	76,613	550,008	327,210	51,264	**1,005,096**
Current tax liabilities	-	2,854	-	-	**2,854**
Trade and other payables	649,835	-	-	-	**649,835**
Employee benefits	131,654	-	-	-	**131,654**
	858,102	**884,213**	**957,320**	**413,418**	**3,113,054**

Investments, Trade and other receivables, Cash and cash equivalents, Trade and other payables and for 2013, Employee benefits, are all carried at Historic cost for Maturity analysis purposes. As they are all short term items that will crystallise within one month or less, this is a close if not exact cash equivalent value.

Financial liabilities at fair value and Swap liabilities due to related parties are all valued at ‘Indicative price’ for Maturity analysis purposes, which is an undiscounted cash equivalent price that represents a close equivalent of the actual cash value today.

Financial liabilities at Amortised Cost and Amounts due under the Borrower Loan Agreement maturities are actual cash flows and have the same maturity profile.

Financial assets at fair value (mortgages) are discounted for up to 30 years, therefore the undiscounted cash values as at 30 September 2014 are significantly higher than the fair value. The timing of the cash flows also reflects Castle Trust’s expectations in terms of early repayments based on expected customer behaviour, alongside contractual maturity dates.

23. Trade and other payables

Group	**30 September 2014**	30 September 2013
	£	**£**
Trade creditors	**942,510**	86,141
Accruals and deferred income	**848,564**	611,368
Employee benefits	**77,267**	141,352
Other payables	**574,499**	-
	2,442,840	838,861

Company	30 September 2014	30 September 2013
	£	£
Trade creditors	588,667	314,218
Accruals and deferred income	229,942	335,617
Employee benefits	77,267	131,654
Other payables	574,499	-
Amounts due to related parties	855,797	-
	2,326,172	781,489

Trade and other payables consist of expenses paid in relation to the 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. In the fair value hierarchy, Group trade and other payables would be classified as Level 1, since they are all directly invoiced amounts from external suppliers at market values.

Other payables consist of amounts due to investors who have cancelled their Fortress Bond investments within the cooling off period post 30 September 2014 of £458,000, plus a mortgage retention fee of £111,500.

24. Commitments

The Group has annual commitments under non-cancellable contracts related to:	30 September 2014	30 September 2013
	£	£
Administration costs	1,062,000	-
Other personnel costs	48,961	-
Rental charges paid under operating lease	700,000	360,000
	1,810,961	360,000

The Company has annual commitments under non-cancellable contracts related to:	30 September 2014	30 September 2013
	£	£
Administration costs	792,000	-
Other personnel costs	48,961	-
Rental charges paid under operating lease	-	360,000
	840,961	360,000

25. Ultimate controlling party

Castle Trust's immediate parent undertaking is Castle Trust Holdings (Jersey) Limited which is incorporated in Jersey. 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.

26. Related party transactions

Castle Trust Capital plc has three contractual arrangements with (a) Castle Trust Income Housa plc, (b) Castle Trust PCC and (c) Castle Trust Direct plc. These are (a) in relation to the Swaps; (b) in relation to the Loan Notes, which confirms that if an investor redeems before maturity any gain/loss will be recognised by the Company and not CTIH; and (c) in relation to interest income whereby CTD will pay the Company interest equivalent to the amount of interest paid to the holders of the Loan Notes. Under the terms of this arrangement, the Company has recognised interest expense of £31,748 (2013: £7,366) of which £3,071 is outstanding at the year-end (2013: £234).

The Company purchased 1,000,000 3 year January 2013 Loan Notes and Preference Shares to ensure the requirement for a minimum investment of £500,000 in the companies was met. The Company redeemed its £500,000 loan notes during the year to 30 September 2014, and its £500,000 preference shares during the year to 30 September 2013 when minimum subscription levels in the PC were met.

26.1 Transactions with non-group entities that are related parties

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 2014	30 September 2013
	£	**£**
Transactions in the year	**100,000**	50,001
Balances	**150,001**	50,000

Loans totalling £100,000 were made to Castle Trust Holdings (Jersey) Limited during the year in order to fund the parent company's expenses in the medium term. Repayment is not expected until dividends become due and payable.

Balances with and transactions with Castle Trust Capital Management (Jersey) Limited

	30 September 2014	30 September 2013
	£	**£**
Transactions in the year	**-**	-
Balances	**31,019**	31,019

Castle Trust Capital Management (Jersey) Limited is the immediate parent company of Castle Trust Holdings (Jersey) Limited. The balance relates to the initial set up costs of the parent company. Repayment is not expected until dividends become due and payable.

26.2 Company Transactions

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

Balances and transactions with Castle Trust Capital Management Limited:

	30 September 2014	30 September 2013
	£	£
Transactions in the year	**281,942**	858,689
Balances	**630,229**	183,773

Transactions and balances in 2014 and 2013 relate to cost reallocation according to the internal VAT policy.

Balances and transactions with Castle Trust Income Housa plc:

	30 September 2014	30 September 2013
	£	£
Transactions in the year	**1,023,063**	132,888
Balances	**266,589**	132,888
Balance under the Swap agreement	**1,887,764**	998,402

The nature of transactions entered into during the year with CTIH concerned monies loaned to cover CTIH's running costs, and balances due under the Swap agreement. All transactions are repayable according to the terms of the agreements in place.

Balances and transactions with Castle Trust Direct plc:

	30 September 2014
	£
Transactions in the year	**35,598,110**
Balance in respect of interest payable under the borrower loan agreement	**45,067**
Balance in respect of arrangement fee	**29,004**
Balance in respect of share capital	**500,000**
Balance in respect of borrower loan agreement	**38,024,039**

CTD is considered a related party by virtue of the contractual arrangements with the Company, the first being in relation to the Borrower Loan Agreement, and the second in relation to an arrangement fee that CTD receives from the Company.

The arrangement fee is 0.6% per annum of fixed rate bonds issued in a month, calculated on a monthly basis. During the period CTD received an arrangement fee of £29,004.

All transactions are carried out on an arms-length basis and are repayable according to the terms of the agreements in place. In addition, the Company maintains a balance in relation to the £500,000 Share Capital invested in CTD.

Balances and transactions with Castle Trust Growth Housa PC ('the PC')

	30 September 2014	30 September 2013
	£	£
Transactions in the year	**5,410,981**	1,323,612
Balance in relation to the Housa Swap	**6,734,593**	1,323,612

The nature of transactions entered into during the year with the PC concerns solely the balance payable under the Swap agreement.

Balances and transactions with the wife of the Chief Executive Officer:

	30 September 2014	30 September 2013
	£	**£**
Transactions in the year	**72,000**	72,000
Balances	**-**	-

The CEO's spouse is contracted to provide services to the Group in her capacity as Managing Director of the Group. Her work covers a number of general operational areas, but has focused in 2014 on product development.

27. Capital management

The primary objective of Castle Trust's capital management policy is 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 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 2014, the Group's capital totalled £33,768,441 (2013: £42,984,362).

28. Events after the reporting date

Partnership Mortgages were discontinued from November 2014 in order to allow the Group to concentrate on its Buy to let and Index Profit Share products.

SCHEDULE 2

Castle Trust Direct plc

Directors' Report, Strategic Report and Financial Statements
For the year ended 30 September 2014

Directors' Report, Strategic Report and Financial Statements
For the period ended 30 September 2014

Contents **Page**

Corporate Information

Registered No: 09046984

Directors
Mr Sean Oldfield
Mr Keith William Abercromby
Mr Richard Alexander McGregor Ramsay
Mr Matthew Wyles (appointed 25 September 2014)

Secretary
Mr Mark Banham

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Registered Office
10 Norwich Street
London
EC4A 1BD
United Kingdom

Directors' Report

The directors present the Directors' Report, Strategic Report and Financial Statements for Castle Trust Direct plc ('the Company') for the period ended 30 September 2014. The information on page 1 forms part of this report.

The Company

Castle Trust Direct plc was incorporated in England on 19 May 2014, as a Special Purpose Vehicle in order to issue Fortress Bond Notes ('Fortress Bonds', 'Bonds' or 'Notes').

Product information

The Fortress Bonds are standard fixed rate bonds that are listed on the Irish Stock Exchange every month, and can be issued at any duration at an Annual Equivalent Interest Rate ('AER') that is calculated on a monthly basis. To date, 1 year, 2 year and 5 year duration bonds have been issued at AERs of between 2.25% and 4%.

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 investment portfolios. Fortress Bonds qualify for inclusion in SIPPs and ISAs.

Fortress Bonds that are purchased from Castle Trust Direct plc by UK retail investors are subject to the Financial Services Compensation Scheme ('FSCS') for investment products, which as at 30 September 2014 offers compensation up to a maximum of £50,000.

Parent company information

Castle Trust Capital plc ('CTC') is the immediate parent of the Company. CTC, which was incorporated in England in 2010, operates predominantly from its head office in London.

Castle Trust provides equity loans and interest bearing mortgages ("Mortgages") secured on UK property.

Group structure

The Group comprises five operating entities; Castle Trust Capital plc ('CTC'), Castle Trust Capital Management Limited ('CTCM'), Castle Trust Income Housa plc ('CTIH'), Castle Trust Direct plc ('CTD') and one nominee company, Castle Trust Capital Nominees Limited ('CTCN'). In addition, Castle Trust PCC ('the PCC') and its Protected Cell, Castle Trust Growth Housa PC ('the PC'), are Special Purpose Vehicles which are not owned by the Group but consolidated by virtue of control.

Group activities

Castle Trust Capital plc offers investors a simple way of accessing the UK residential housing market and UK property owners a unique alternative to conventional mortgage finance.

Castle Trust's equity loan mortgages, available to both owner occupiers and buy to let landlords are primarily second charge loans which require no monthly mortgage repayments. Castle Trust's Index Profit Share ('IPS') mortgage is a mortgage on a property or portfolio of properties that is linked in terms of its value to the Halifax Housing Price Index ('HHPI'). IPS mortgages are only issued to good credit quality customers secured on residential property.

Typically, no conventional interest is payable on equity loans. Instead, Castle Trust receives a share of the rise in house prices (individual property specific or house price index linked) at the end of a pre-arranged term. Interest may be payable on an IPS mortgage, depending on the specific contract.

Castle Trust issues two main categories of investment product, being fixed rate bonds ('Fortress Bonds') issued by the Company, and Index linked investments ('Housas'), issued by CTIH and the PC.

Group arrangements

Castle Trust Capital plc enters into a Borrower Loan Agreement with CTD. There are three key impacts of the Borrower Loan Agreement as follows:

- The issue proceeds received by CTD from Fortress Bond sales are advanced to CTC until the Maturity Date of each bond, when CTC repays the principal amount due.
- In addition, CTC repays the interest due on the Fortress Bond liabilities.
- CTC also pays a facility fee to the Company. The fee covers certain incurred costs and is currently 0.6% per annum of the balance of the loan amount, calculated on a monthly basis for the year ended 30 September 2014.

Up to 80% of the funds raised by CTD, and transferred to CTC under the Borrower Loan Agreement, are advanced to mortgage customers.

Castle Trust Capital Management Limited provides services to the Group and its customers. In its administrative capacity it provides sales and marketing, and other management services to CTD. Under the Marketing and Agency Agreement with CTCM, the Company pays a fee of 0.5% per annum plus VAT of the funds under management, calculated on a monthly basis. For ISA customers, CTCM provides ISA management services.

Future developments

See Strategic Review for details.

Political donations

The Company made no political donations in the period.

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, including risk arising from the Company. As a Special Purpose Vehicle subsidiary of Castle Trust, the Company manages its risks by transferring them to Castle Trust Capital plc. The residual risk not transferred to Castle Trust is credit risk to Castle Trust itself.

Going concern assessment

The financial statements of Castle Trust Direct plc have been prepared on a going concern basis. In assessing whether the going concern assumption remains appropriate for the Company, the directors have considered:

- business activities, future developments and the financial position of the Company.
- risk management policies and how the Company is placed to manage business risks.
- risks to the Company's going concern arising from support it requires from other Company members.

The Company is adequately capitalised to continue operations.

Regulatory environment

The Company is not a regulated entity.

Directors' Indemnity and Directors' & Officers' Liability Insurance

The Company maintains a Directors' and Officers' Liability Insurance policy. In accordance with the Company Articles of Association, the Board may also indemnify a director from the assets of the Company against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by the Company provide cover for fraudulent or dishonest actions by the directors.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' interests

No directors of the Company have any interest in the Company excluding directors' fees. Fees are disclosed in Note 16.

Results and dividends

The results of the Company for the year are set out in the Statement of Comprehensive Income. The Company has made a comprehensive result in the current financial year of £Nil. The directors do not recommend the payment of a dividend.

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Mr Mark Banham

Company Secretary

17 December 2014

Strategic Report

Company overview

The objective of the Company is to provide a return to Investors on Fortress Bond issues, which comprises interest which is paid on the Maturity Date of the bond.

In order to generate the amounts necessary to pay interest on and to pay the amount payable on the relevant Maturity Date (the 'Final Redemption Amount') of the Bonds, the Company enters into a Borrower Loan Agreement with Castle Trust in its capacity as Borrower. Under the Borrower Loan Agreement, the issue proceeds received by the Company are advanced to Castle Trust until the Maturity Date of each bond, when Castle Trust repays the principal amount and interest due.

The only business of the Company 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.

Business review

Fortress Bonds have been well subscribed in the first three months of issue since July 2014. Investments to date totalled £37,978,972 at nominal value, being the value of funds received.

Key performance indicators (KPIs)

KPIs are monitored against budget on a monthly basis, with a focus on sales volumes from a Group liquidity perspective. Volumes exceeded expectation, with actual receipts being almost double those expected.

In terms of the Statement of Financial Position on page 10, equity shareholder's funds are closely monitored from a capital management perspective.

Key risk exposure

The Company measures and monitors risk on a regular basis and formally reviews its risk position at the Risk Committee every quarter. The main risk to which the Company is exposed as at 30 September 2014 is credit risk, particularly in relation to amounts due from its parent, Castle Trust Capital plc. The Company is also subject to non-financial risks, key being in relation to third party service providers and suppliers. The Company'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. Risks are described in Note 14.

By order of the Board

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Mr Mark Banham

Company Secretary

17 December 2014

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare financial statements under IFRS as adopted by the European Union.

Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company
- select suitable accounting policies in accordance with IAS 8*: Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- make judgements that are reasonable
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance
- state whether the Company financial statements have been prepared in accordance with IFRS as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLE TRUST DIRECT PLC

We have audited the financial statements of Castle Trust Direct plc ('the Company') for the period ended 30 September 2014 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report, Strategic Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of the company's result for the period then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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Angus Grant

Senior Statutory Auditor

For and behalf of Ernst & Young LLP

17 December 2014

Statement of Comprehensive Income

For the period ended 30 September 2014

	Note	30 September 2014 £
Interest and other similar income	3	**45,067**
Interest and other similar expense	4	**(45,067)**
		-
Arrangement fee	5	**29,004**
Net trading income		**29,004**
Other operating expenses	6	**(29,004)**
Total operating expenses		**(29,004)**
Result before tax from continuing operations		**-**
Income tax expense		**-**
Total comprehensive result for the period attributable to equity holders of the parent		**-**

The results for all periods presented comprise continuing operations.

Notes on pages 12 to 23 are an integral part of these financial statements.

Statement of Financial Position

Registered No: 09046984
As at 30 September 2014

	Note	30 September 2014
Non-current assets		**£**
Loans and receivables	8	**18,849,048**
Current assets		
Loans and receivables	8	**19,174,991**
Trade and other receivables	9	**529,004**
		19,703,995
Total assets		**38,553,043**
Equity		
Share capital	10	**50,000**
Share premium	10	**450,000**
Retained earnings		**-**
Total equity		**500,000**
Non-current liabilities		
Financial liabilities at amortised cost	11	**18,849,048**
Current liabilities		
Financial liabilities at amortised cost	11	**19,174,991**
Trade and other creditors	13	**29,004**
Total current liabilities		**19,203,995**
Total liabilities		**38,053,043**
Total equity and liabilities		**38,553,043**

The financial statements were approved by the Board of Directors and authorised for issue on 17 December 2014 and were signed on its behalf by:

Keith Abercromby
CFO

Sean Oldfield
CEO

Notes on pages 12 to 23 are an integral part of these financial statements.

Statement of Changes in Equity

As at 30 September 2014

For the period ended 30 September 2014

	Share Capital £	Share Premium £	Retained earnings £	Total £
Opening balance 19 May 2014	-	-	-	**-**
Total comprehensive result for the period	-	-	-	**-**
Issue of share capital	50,000	450,000	-	500,000
At 30 September 2014	**50,000**	**450,000**	**-**	**500,000**

Notes on pages 12 to 23 are an integral part of these financial statements.

Notes to the Financial Statements
For the period ended 30 September 2014

1. Corporate information

Castle Trust Direct plc (the 'Company') was incorporated and domiciled in England on 19 May 2014 under Companies Act 2006. These financial statements for the period ended 30 September 2014 were authorised for issue in accordance with a resolution of the directors on 4 December 2014.

The company issues fixed rate bonds, ('Fortress Bonds') the first tranche of which were listed on the Irish Stock Exchange on 9 July 2014 and comprise varying durations and returns. To date the durations have been 1, 2 and 5 year bonds issued at returns of 2.25%, 2.75% and 4% respectively.

2. Accounting Policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial statements have been prepared on a historical cost basis, as modified by financial assets and liabilities held at fair value through profit or loss.

Cash Flow Statement

The Company does not have a bank account and therefore no cash or cash equivalents balances are recorded. As a result the Company does not prepare a cash flow statement.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's 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 years.

The policies presented in this section comprise the IFRS accounting policies adopted for the Company that apply as at the date of authorisation of these financial statements.

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

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 Company based its assumptions and estimates on parameters available when the financial statements were prepared.

Going Concern

The financial statements of Castle Trust Direct plc have been prepared on the going concern basis. In assessing whether the going concern assumption remains appropriate for the Company, the directors have considered:

- business activities, future developments and the financial position of the Company.
- risk management policies and how the Company is placed to manage business risks.
- risks to the Company's going concern arising from support it requires from other Company members.

The Company is adequately capitalised to continue operations.

2.1.1 Financial Instruments

Financial instruments carried on the Statement of Financial Position include financial assets at amortised cost, trade and other receivables, trade and other creditors, and financial liabilities at amortised cost. The accounting policies adopted for these financial instruments are disclosed in the individual policy statements associated with each item below.

(i) Classification

The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs.

Financial assets at amortised cost

Trade and other receivables are classified as loans and receivables, being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Borrower Loan is a financial asset due from Castle Trust Capital plc and is classified as loans and receivables.

Financial liabilities at amortised cost

Trade and other creditors are classified as loans and borrowings and are recorded at amortised cost. In most instances, this equates to historic cost, as these liabilities are settled in a short to medium time frame.

The Company classifies its fixed rate Fortress Bonds as financial liabilities at amortised cost, being non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market.

(ii) Measurement

2.1.2 Financial instruments – initial recognition

(i) Date of recognition

Fortress bond sales are recognised at the trade date.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs.

(iii) Subsequent measurement

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 rate ('EIR') method, less impairment. The EIR amortisation is included in Interest and other similar income in the Statement of Comprehensive Income.

Financial liabilities at amortised cost

Financial liabilities are carried at amortised cost using the effective interest rate EIR method. The EIR element of amortisation is included in Interest and other similar expenses in the Statement of Comprehensive Income.

2.1.3 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
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or;
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company's continuing involvement in the asset. In that case, the Company 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.

2.1.4 Impairment of financial assets

The Company 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.

2.1.5 Foreign currency

Functional and presentation currency

The Company's functional and presentation currency is Sterling ('£'), rounded to the nearest £ which is the currency in which the Company's performance is evaluated and is also the primary economic environment in which the Company operates. The Bonds are issued in £ and any returns to the investors in a liquidation would be in £.

2.1.6 Expenses

Expenses are accounted for on an accruals basis.

2.1.7 Ordinary shares

The Company's ordinary shares are non-redeemable and as such are classified as equity.

2.1.8 Interest and other similar income

Interest income comprises the total interest receivable from Castle Trust which is based on the interest due to the holders of the Loan Notes at the effective interest rate.

2.1.9 Interest and other similar expense

Interest expense comprises the total interest due to the holders of the Loan Notes at the effective interest rate which is payable and accrued in the period, calculated in accordance with the effective interest rate method.

2.1.9 Provisions

Provisions are recognised when the Company 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 income statement net of any reimbursement.

2.1.10 Current Taxes

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.

2.1.11 Dividends payable on ordinary shares

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

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

2.1.12 Segmental Reporting

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

2.2 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company does not intend to early adopt these standards, so they will be adopted in the relevant year of mandatory adoption. Standards not early adopted but applicable to the Company include:

IFRS 9 Financial Instruments

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so, provided the relevant date of initial application is before 1 February 2015. The Company will assess the impact of IFRS 9 nearer to the adoption date, but considers the impact of new standards as and when new products are launched to ensure no significant inconsistency of treatment will arise that could create a significant change of treatment on adoption.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2017. The Company will assess the impact of IFRS 15 nearer to the adoption date, but will consider the impact of new standards as and when new products are launched or new contracts are initiated to ensure no significant inconsistency of treatment will arise that could create a significant change of treatment on adoption.

3. Interest and other similar income

	30 September 2014 £
Interest receivable under the Borrower Loan Agreement on an EIR basis	45,067

Under the Borrower Loan Agreement, Castle Trust Capital plc repays the interest due on the Fortress Bond liabilities.

4. Interest and other similar expense

	30 September 2014 £
Interest on Fortress Bonds on an EIR basis	45,067

5. Arrangement fees

	30 September 2014 £
Arrangement fees	29,004

Under the Borrower Loan Agreement, Castle Trust Capital plc pays a facility fee to the Company. The fee covers certain incurred costs and is currently 0.6% per annum of the balance of the loan amount, calculated on a monthly basis for the year ended 30 September 2014.

6. Other operating expenses

	30 September 2014
	£
Administration costs	**29,004**

Under the Marketing and Agency Agreement with Castle Trust Capital Management Limited, the Company pays a fee of 0.5% per annum of the funds under management, calculated on a monthly basis. These fees are subject to VAT at 20%, which the Company is unable to reclaim. As the Company does not have VATable outputs and is not VAT registered, VAT on expenses is treated as a cost to the Company and is not separately disclosed.

7. Income tax

The components of income tax expense for the Company for the period ended:	30 September 2014
	£
Current tax	
Current income	-
Total	-
Reconciliation of total tax charge	
Accounting result before tax	-
At prevailing UK statutory income tax rate of 22%	-
Allowable expenses	-
Income tax expense reported in the Statement of Comprehensive Income	-

There are no disallowable items, and no unrecognised deferred tax balance. Tax on Income in the Statement of Comprehensive Income will be relieved by the related expenses.

8. Loans and receivables

	30 September 2014
	£
Non-current loan liability	18,849,048
Current loan liability	19,174,991
	38,024,039

	30 September 2014
Nominal value of Borrower Loan Agreement	37,978,972
Interest on an EIR basis	45,067

Amounts due from Castle Trust Capital plc	**38,024,039**

Loans and receivables consist of amounts due from Castle Trust Capital plc under the Borrower Loan Agreement. In order to generate the amounts necessary to pay interest on and to pay the amount payable on the relevant Maturity Date (the 'Final Redemption Amount') of the Notes, Castle Trust Direct plc enters into a Borrower Loan Agreement with Castle Trust. Under the Borrower Loan Agreement, the issue proceeds received for subscription for bonds are advanced to Castle Trust until the Maturity Date of the relevant bond when Castle Trust repays the principal amount of such Advance. In addition, Castle Trust will pay interest on each Advance on, or immediately prior, to the Interest Payment Dates and/or the Maturity Date of each bond.

9. Trade and other receivables

	30 September 2014
	£
Amounts due from Castle Trust Capital plc	**529,004**

10. Share capital

	30 September 2014
Issued capital	
Authorised, allotted, called up and fully paid	**500,000**
Ordinary shares (number)	**500,000**
Ordinary shares (£) at £0.10 par value per share	**50,000**
Share capital	**50,000**
Share premium	**450,000**
Total share capital	**500,000**

11. Financial liabilities at amortised cost

Financial liabilities are valued at amortised cost.

	30 September 2014
	£
Non-current loan liability	**18,849,048**
Current loan liability	**19,174,991**
	38,024,039

	30 September 2014
Nominal value of Fortress Bonds sold	**37,978,972**

Interest on an EIR basis	**45,067**
Financial liabilities at amortised cost	**38,024,039**

Interest accrues on the balance of the Fortress Bonds over the period to maturity, when the income becomes due and payable to the bond holder. Accrued interest calculated under the EIR method is included in the carrying value of the financial liabilities held at amortised cost

Note that transaction costs incurred directly in the issuance of the Fortress Bonds were incurred by Castle Trust Capital Management Limited under the Agency Agreement. As such, the Company is unable to include them in the EIR calculation of amortised cost. These costs have been recognised in the Group accounts, and therefore there is a difference both in the Amortised cost and the EIR Interest expense. Amortised cost at Group level is reduced by £1,095,942 in total transaction costs, and increased by £41,321 increased EIR interest cost due to those transaction costs being included. This results in a Group amortised cost liability of £36,969,418.

Nominal value and amortised cost by Fortress Bond tranche issued during the year:

Maturity Period of Loan Note	**Nominal Value**	**Amortised Cost**
	£	£
1 Year 2.25% Bond July 2014	1,013,000	978,186
2 Year 2.75% Bond July 2014	229,000	187,479
1 Year 2.25% Bond August 2014	8,888,963	8,691,329
2 Year 2.75% Bond August 2014	8,656,494	8,451,893
1 Year 2.25% Bond September 2014	9,250,526	9,073,531
2 Year 2.75% Bond September 2014	5,930,664	5,753,669
5 Year 4.00% Bond September 2014	4,010,325	3,833,331
	37,978,972	**36,969,418**

12. Fair Value hierarchy

For loans and receivables at amortised cost, being amounts due from Castle Trust Capital plc under the Borrower Loan Agreement, and financial liabilities at amortised cost to Fortress Bond holders, the Company also considers the fair value of the items, and consequently, their position in the Fair Value hierarchy. The fair value of the Fortress Bonds and amounts due from Castle Trust Capital plc as at 30 September 2014 was £38,026,646.

The fair value of the bonds and amounts due from Castle Trust Capital plc are determined according to the published AERs, adjusted for the time value of money and credit spread risk, using a discounted cash flow model. The hierarchy position is considered to be level 3, as the lowest level input, being the discount rate, is unobservable.

Financial assets and liabilities measured at amortised cost	**Level 1**	**Level 2**	**Level 3**
Loans and receivables	-	-	38,026,646

Fortress bond liabilities	-	-	38,026,646

13. Trade and other creditors

	30 September 2014
	£
Amounts due to Castle Trust Capital Management Limited	**29,004**

Under the Agency Agreement with Castle Trust Capital Management Limited, the Company pays a fee of 0.5% per annum of the funds under management, calculated on a monthly basis. These fees are subject to VAT at 20%, which the Company is unable to reclaim.

14. Risk Management

The Company's activities expose it to various types of financial risk that are associated with the financial instruments and markets in which it participates.

14.1 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 foreign exchange rates and interest rates, as described below.

14.1a Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's functional and operational currency is £ and all contracts are in £, therefore there is little to no currency risk exposure.

14.1b 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 Company is exposed to interest rate risk due to the fixed coupons payable at the maturity date. The Company's exposure to interest rate risk is eliminated through the Borrower Loan Agreement with Castle Trust Capital plc which hedges this exposure and the maximum exposure to interest risk in 2014 is therefore reduced to £nil.

14.2 Credit risk

The Company is exposed to credit risk in terms of its exposure under the Borrower Loan Agreement, in terms of the ability of its parent company to repay the Bonds and their coupons on maturity. The maximum credit risk to the Company can be measured as the loss of the financial assets at amortised cost from Castle Trust Capital plc under the Borrower Loan Agreement, being £38,024,039 as at the reporting date, together with the amounts due from Castle Trust Capital plc under Trade and other receivables of £529,004.

14.3 Concentration risk

The Company considers concentration risk in terms of material exposure to single counterparties. The maximum single counterparty exposure is to Castle Trust Capital plc as a result of the Borrower Loan Agreement, which has a maximum exposure of £38,024,039 as at the reporting date, together with the amounts due from Castle Trust Capital plc under Trade and other receivables of £529,004.

14.4 Liquidity Risk

The Company is exposed to liquidity risk in terms of insufficient liquid assets to meet its obligations as they fall due. The liquidity risk is eliminated through the Borrower Loan Agreement with Castle Trust Capital plc which matches the timing of cash flows. The table below indicates the maturity profile of the company's financial assets and financial liabilities at the reporting date. The nature of the Borrower Loan Agreement means that liquidity risk is transferred from the Company to Castle Trust Capital plc. The analysis is based on the remaining period to the contractual maturity date:

For the period ended 30 September 2014	**Within 1 year**	**More than 1 year less than 3 years**	**More than 3 years less than 5 years**	**Total**
	£	**£**	**£**	**£**
Non-current assets				
Debtors	-	-	529,004	529,004
Loans and receivables	19,624,250	15,684,680	4,897,033	40,205,963
	19,624,250	15,684,680	5,426,037	40,734,967
Financial Liabilities				
Creditors	-	-	29,004	29,004
Fortress bond liabilities	19,624,250	15,684,680	4,897,033	40,205,963
Total financial liabilities	19,624,250	15,684,680	4,926,037	40,234,967

14.5 Non-financial risk

The Company'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 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 together with IT systems architecture, software and data services. The Company has implemented and maintained processes and controls for the management of these third party service providers and suppliers.

15. Capital management

The Company's capital is £500,000, issued to the Company on 19 May 2014.

When each Bond matures, the proceeds due to be received from Castle Trust under the terms of the Borrower Loan Agreement, subsequent to the cooling off period, are defined in such a way as to equal the proceeds payable to the Fortress Bond holders.

The Company's direct operating expenses including ongoing expenses are borne by CTCM. CTCM paid costs of £206,152 in relation to the Company, of which £18,500 was its audit fee, and £23,000 was in respect of the Accountant's Report required to accompany the initial listing prospectus.

Directors' fees are borne by Castle Trust Capital plc on behalf of all Group entities, including Castle Trust Direct plc. These are set out in Note 16.

16. Related party transactions

The following are related parties to the Company:

16.1 Calculation agent

CTCM is a fellow subsidiary of the Company. Under the terms of the Agency Agreement, the fee of 0.5% per annum is charged against the fixed rate bonds issued each month. There is a balance due of £29,004 as at the reporting date.

The Company has also appointed CTCN as its nominee for holders of the Notes and CTCM as sales, marketing and administration manager in respect of the Notes. CTCN is a fellow subsidiary of the Company.

16.2 Borrower Loan Agreement

Castle Trust Capital plc is a related party as it is the Parent of the Company. Castle Trust Capital plc's transactions and balances arise under contractual arrangements with the Company, the first being in relation to the borrower loan agreement, and the second in relation to an arrangement fee that the Company receives from Castle Trust Capital plc.

Under the Borrower Loan Agreement, Castle Trust Capital plc pays a facility fee to the Company. The fee covers certain incurred costs and is currently 0.6% per annum of fixed rate bonds issued in a month, calculated on a monthly basis. During the period the Company received an arrangement fee of £29,004.

Castle Trust Capital plc pays the interest due on the liabilities to Fortress Bond customers, which amounts to £45,067 on an EIR basis for the period to 30 September 2014.

All transactions are repayable according to the terms of the agreements in place. In addition, the Company maintains a balance in relation to the £500,000 Share Capital invested by Castle Trust Capital plc.

16.3 Directors' remuneration

The Company's directors are remunerated by Castle Trust Capital plc, the total of which is shown below:

	30 September 2014
Aggregate remuneration in respect of qualifying services (£)	**610,000**
The highest paid director received a salary of (£)	**300,000**
Number of directors accruing benefits under defined contribution person schemes in respect of qualifying services	**-**

Company contributions paid to defined contribution pension schemes in respect of qualifying services (£)	-

17. Ultimate Controlling Party

In the directors' opinion, the Company's immediate parent undertaking is Castle Trust Capital plc which is incorporated in the UK. The Company's ultimate parent company is CTC Holdings (Cayman) Limited which is incorporated in the Cayman Islands. The ultimate controlling party of the Company is considered to be Mr James Christopher Flowers.

The largest and smallest group in which these accounts are consolidated is the Castle Trust Capital plc Group. Castle Trust Capital plc is incorporated in the UK. The address from which those financial statements may be obtained is 10 Norwich Street, London, EC4A 1BD, United Kingdom.

18. Events after the Reporting date

There are no events after the reporting date that require disclosure under IAS 10.