

## SUPPLEMENTARY PROSPECTUS

# Castle Trust Income HouSA plc

Incorporated with limited liability in Jersey with registered number 108225 and having its registered office at Elizabeth House, 9 Castle Street, St. Helier, Jersey JE4 2QP.

## £1,800,000,000 CASTLE TRUST INCOME HOUSA NOTE PROGRAMME

### SUPPLEMENTARY PROSPECTUS

This Supplementary Prospectus constitutes a supplementary prospectus in accordance with Prospectus (Directive 2003/71/EC) Regulations 2005 and relevant implementing measures in the United Kingdom (the "**Prospectus Directive**"). This Supplementary Prospectus has been approved by the FSA, 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 and the supplementary prospectus published on 28 December 2012 (the "**December 2012 Supplementary Prospectus**"). You should read the whole of this Supplementary Prospectus, the December 2012 Supplementary Prospectus and the Base Prospectus.

The date of this Supplementary Prospectus is 27 March 2013.

The Issuer and the Directors accept responsibility for the information contained in this Supplementary Prospectus and declare that, to the best of the knowledge and belief of the Issuer and the Directors (who have 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 or which would make any statement herein misleading.

Castle Trust and the Castle Trust Directors accept responsibility for the information contained in this Supplementary Prospectus relating to Castle Trust and declare that, to the best of the knowledge and belief of Castle Trust and the Castle Trust Directors (who have 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 or which would make any statement herein misleading.

This Supplementary Prospectus includes particulars given in compliance with the Listing Rules of the Channel Islands Stock Exchange for the purpose of giving information with regard to the Issuer.

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 prospective investors may withdraw their commitments by sending a written notice of withdrawal (which must include the full name and address of the person wishing to exercise such statutory withdrawal right and identify the transferable securities to which that statutory withdrawal right relates) by electronic mail to [legal@castletrust.co.uk](mailto:legal@castletrust.co.uk). Such right shall expire at the end of the second working day after the date of this Supplementary Prospectus.

### **Purpose of this Supplementary Prospectus**

The purpose of this supplementary prospectus is to draw to the attention of prospective and current investor to the publication of the annual report and financial statements of Castle Trust Income HouSA plc for the period 24 May 2011 to 30 September 2012 and to consequential updates to the summary of the Base Prospectus, as further described below.

## Supplementary Information

The purpose of this Supplementary Prospectus is to draw prospective and current investors' attention to the publication on 27 March 2013 by Castle Trust Income HouSA plc of its full-year audited financial statements for the period 24 May 2011 to 30 September 2012 together with the directors' report and auditors' report dated 27 March 2013 (the "Annual Report"). A copy of the Annual Report is included in the schedule of this Supplementary Prospectus.

The Annual Report can also be viewed online at [www.castletrust.co.uk/literature-library](http://www.castletrust.co.uk/literature-library). The website [www.castletrust.co.uk](http://www.castletrust.co.uk) is not incorporated by reference into this Supplementary Prospectus and no part of the website [www.castletrust.co.uk](http://www.castletrust.co.uk) forms part of this Supplementary Prospectus.

The Annual Report is new information which may be significant for the purposes of making an informed assessment of the kind mentioned in section 87A(2) FSMA. It should be considered in addition to the information set out in the Base Prospectus and the December 2012 Supplementary Prospectus.

Save as disclosed in this Supplementary Prospectus and the December 2012 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 the Base Prospectus on 3 October 2012.

## Updates to summary of Base Prospectus

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

<b>B.22</b>	<b>Statement regarding lack of operations/ financial statements since incorporation</b>	Not applicable. The Issuer commenced operations on 4 October 2012. The Issuer published audited financial statements for the period ended 30 September 2012 in a supplementary prospectus dated 27 March 2013.																						
<b>B.23</b>	<b>Historical key financial information regarding the Issuer</b>	<p>The table below sets out summary key information from the financial statements of the Issuer for the period 24 May 2011 to 30 September 2012:</p> <table data-bbox="610 1239 1427 1804"> <thead> <tr> <th data-bbox="610 1239 1227 1301"><b>Castle Trust Income HouSA plc Statement of Financial Position</b></th> <th data-bbox="1227 1239 1427 1328"><b>30 September 2012 GBP</b></th> </tr> </thead> <tbody> <tr> <td colspan="2" data-bbox="610 1328 1427 1359"><b>Assets</b></td> </tr> <tr> <td data-bbox="610 1359 1227 1390">Other receivables</td> <td data-bbox="1227 1359 1427 1390"><u>2</u></td> </tr> <tr> <td data-bbox="610 1415 1227 1446"><b>Total assets</b></td> <td data-bbox="1227 1415 1427 1446"><u>2</u></td> </tr> <tr> <td colspan="2" data-bbox="610 1477 1427 1508"><b>Equity</b></td> </tr> <tr> <td data-bbox="610 1508 1227 1539">Ordinary Shares</td> <td data-bbox="1227 1508 1427 1539"><u>2</u></td> </tr> <tr> <td data-bbox="610 1564 1227 1595"><b>Total Equity</b></td> <td data-bbox="1227 1564 1427 1595"><u>2</u></td> </tr> <tr> <td colspan="2" data-bbox="610 1626 1427 1657"><b>Liabilities</b></td> </tr> <tr> <td data-bbox="610 1657 1227 1688">Liabilities</td> <td data-bbox="1227 1657 1427 1688"><u>-</u></td> </tr> <tr> <td data-bbox="610 1713 1227 1744"><b>Total liabilities</b></td> <td data-bbox="1227 1713 1427 1744"><u>-</u></td> </tr> <tr> <td data-bbox="610 1769 1227 1800"><b>Total Equity and Liabilities</b></td> <td data-bbox="1227 1769 1427 1800"><u><u>2</u></u></td> </tr> </tbody> </table> <p data-bbox="610 1835 1427 1912">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 2012.</p>	<b>Castle Trust Income HouSA plc Statement of Financial Position</b>	<b>30 September 2012 GBP</b>	<b>Assets</b>		Other receivables	<u>2</u>	<b>Total assets</b>	<u>2</u>	<b>Equity</b>		Ordinary Shares	<u>2</u>	<b>Total Equity</b>	<u>2</u>	<b>Liabilities</b>		Liabilities	<u>-</u>	<b>Total liabilities</b>	<u>-</u>	<b>Total Equity and Liabilities</b>	<u><u>2</u></u>
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<b>B.24</b>	<b>Material adverse changes</b>	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 2012.
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### **Documents available for inspection**

Copies of the Base Prospectus, the December 2012 Supplementary Prospectus, this Supplementary Prospectus and the Annual Report may be inspected free of charge at the offices of JTC (Jersey) Limited, Elizabeth House, 9 Castle Street, St. Helier, Jersey JE4 2QP and at the offices of Macfarlanes LLP, 20 Cursitor Street, London EC4A 1LT.

## THE SCHEDULE

**CASTLE TRUST INCOME HOUSA PLC (FORMERLY  
CASTLE TRUST INCOME HOUSA LIMITED)**

**EXTENDED PERIOD REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD 24 MAY 2011 TO 30 SEPTEMBER 2012**

# *CASTLE TRUST INCOME HOUSA PLC*

## **Financial Statements**

**For the period 24 May 2011 to 30 September 2012**

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# **CASTLE TRUST INCOME HOUSA PLC**

## **Management and Administration**

<b>Directors</b>	Keith Abereromby (appointed 24 May 2011) Timothy John Hanford (appointed 24 May 2011) Sean Oldfield (appointed 12 July 2011) Sir Callum McCarthy (appointed 14 October 2011) Dr David Morgan AO (appointed 14 October 2011) Dame Deirdre Hutton (appointed 14 October 2011) Richard Ramsay (appointed 14 October 2011) Patrick Gale (appointed 14 October 2011) Lord Deben (appointed 14 October 2011)
<b>Registered Office</b>	Elizabeth House 9 Castle Street St Helier Jersey JE2 3RT Channel Islands
<b>Secretary and Administrator</b>	JTC (Jersey) Limited Elizabeth House 9 Castle Street St Helier Jersey JE2 3RT Channel Islands
<b>Marketing Manager</b>	Castle Trust Capital Management Limited 10 Norwich Street London EC4A 1BD
<b>English Legal Adviser</b>	Macfarlanes LLP 20 Cursitor Street London EC4A 1LT
<b>Jersey Legal Adviser</b>	Carey Olsen 47 Esplanade St Helier Jersey JE1 0BD Channel Islands
<b>Independent Auditors</b>	Ernst & Young LLP Liberation House Castle Street St Helier Jersey JE1 1EY Channel Islands

# CASTLE TRUST INCOME HOUSA PLC

## Report of the Directors

### Incorporation and structure

Castle Trust Income HouSA PLC (formerly Castle Trust Income HouSA Limited) (the "Company") was incorporated in Jersey, Channel Islands, on 24 May 2011 under the Companies (Jersey) Law 1991 as a private company. On 14 December 2011, the Company re-registered as a public company under the Companies (Jersey) Law 1991 and at the same time changed its name to Castle Trust Income HouSA PLC.

The Company issues Index Linked Income HouSA Loan Notes ("Loan Notes"), the first tranche of which were listed on the Channel Islands Stock Exchange on 4 October 2012.

The Loan Notes are divided into individual tranches. There are currently 3 tranches offered each month: 3 year term Loan Notes; 5 year term Loan Notes; and 10 year term Loan Notes. The Company is an investment product which is designed to grant the investor exposure to the potential growth or fall of the Halifax House Price Index (the "HHPI") over the life of the product and a fixed income that the investor will receive quarterly over the term of the product. It will provide a return such that the amount invested will be adjusted by the returns providing full exposure to both the upside and downside of HHPI movements. The precise terms of the return payable to Investors will depend on the duration of the product.

As at the reporting date no Loan Notes had been issued by the Company. Subsequent to the reporting date and at the date of signing the financial statements, the Company has issued 750,000,000 Loan Notes to Castle Trust Capital PLC ("Castle Trust"), of which 71,825 were fully paid by external investors and 500,000 were fully paid by Castle Trust. The remaining 749,428,175 Loan notes were forfeited and cancelled. The table below sets out the Loan Note issues in further detail.

Tranche	Number of Loan Notes Issued	Number of Loan Notes Fully Paid	Number of Loan Notes Forfeited
3 Year October 2012	50,000,000	-	50,000,000
5 Year October 2012	50,000,000	2,425	49,997,575
10 Year October 2012	50,000,000	-	50,000,000
3 Year November 2012	50,000,000	-	50,000,000
5 Year November 2012	50,000,000	30,000	49,970,000
10 Year November 2012	50,000,000	-	50,000,000
3 Year December 2012	50,000,000	-	50,000,000
5 Year December 2012	50,000,000	19,400	49,980,600
10 Year December 2012	50,000,000	15,000	49,985,000
3 Year January 2013	50,000,000	500,000*	49,500,000
5 Year January 2013	50,000,000	-	50,000,000
10 Year January 2013	50,000,000	-	50,000,000
3 Year February 2013	50,000,000	-	50,000,000
5 Year February 2013	50,000,000	-	50,000,000
10 Year February 2013	50,000,000	-	50,000,000

\* Castle Trust purchased 500,000 3 year January 2013 Loan Notes to ensure that the requirement for a minimum investment of £500,000 in the Cell is met. Whilst Castle Trust may redeem all or part of their subscription in the future, it is the intention that sufficient amounts will remain invested such that the total investment in the Company remains in excess of £500,000. The price which Castle Trust would receive on early redemption would be the price as applied to all investors seeking to redeem their shares on that day.

The Company's financial assets will include HHPJ Derivative Swap positions which are due from Castle Trust under the HHPJ Swap Agreement.



# CASTLE TRUST INCOME HOUSA PLC

## Report of the Directors (continued)

### Incorporation and structure (Continued)

Castle Trust will provide partnership mortgages ("Partnership Mortgages") to homebuyers and homeowners. A Partnership Mortgage is a mortgage for 20% of the value of a property, advanced alongside a 60% (or less) capital and interest mortgage from a traditional lender. The customer must provide a minimum 20% deposit (or retain 20% equity if using a Partnership Mortgage and not purchasing a property). Partnership Mortgages will be issued to good credit quality customers for the purchase or remortgage of their primary residence. There are no monthly payments on the Partnership Mortgage. At the end of the mortgage term or on the sale of the property, Castle Trust receives its principal back:

- plus 40% of the increase in property value, if the property has increased in value; or
- less 20% of the decrease in property value, if the property has decreased in value in relation to Partnership Mortgages used to purchase a home; that is to say the homebuyer would repay less than the amount borrowed. For homeowners who take a Partnership Mortgage to remortgage an existing home, or who sell their property within 12 months, the repayment would just be the original amount of the Partnership Mortgage.

Castle Trust will be the only counterparty under the HHPI Derivative Swap agreement. This means that the risks Castle Trust faces as a result of its Partnership Mortgage lending operation and its cash investment operation may adversely impact its solvency and will directly affect its ability to meet payments due to the Company.

### Investment Return

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

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

### Interest

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

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

### Activities and results

There was no movement in the Income Statement/Statement of Comprehensive Income in the current period, and therefore no Statement of Comprehensive Income has been presented.

### Going Concern

The financial statements of the Company 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.
- whether there are adequate provisions within the Investment and Shareholder Agreement to ensure that the Company is adequately capitalised to continue operations.
- risk management policies and how the Company is placed to manage business risks.
- the fact that there is no material uncertainty that the Company is a going concern.

Castle Trust Capital Management Limited ("CTCM") has borne the set-up costs relating to the establishment of the Company. The Company will incur its own ongoing administration expenses which will be paid by Castle Trust under the Set off Agreement dated 24 September 2012 ("Set off Agreement").

# **CASTLE TRUST INCOME HOUSA PLC**

## **Report of the Directors (continued)**

### **Dividends**

The Directors do not recommend the payment of a dividend for the period.

### **Directors**

The membership of the board of directors of the Company is set out on page 1.

### **Directors' Interest**

No directors of the Company have any interest in the Company excluding director fees.

### **Independent Auditors**

Ernst & Young LLP the Company's auditors were appointed on 12 February 2013. A resolution to re-appoint Ernst & Young LLP as Independent Auditors of the Company will be proposed at the next Annual General Meeting.

### **Secretary**

The secretary of the Company who held office during the period, and subsequently, was JTC (Jersey) Limited who were appointed on 9 June 2011.



JTC (Jersey) Limited  
Secretary

# *CASTLE TRUST INCOME HOUSA PLC*

## **Statement of directors' responsibilities in relation to the financial statements**

The directors are responsible for preparing the extended period report and the financial statements in accordance with applicable law and regulations.

Jersey Company law require the directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the period end and of the profit or loss of the Company for the period then ended. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and appropriate;
- specify which generally accepted accounting principles have been adopted in their presentation; and
- 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 accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLE TRUST INCOME HOUSA PLC**

We have audited the financial statements of Castle Trust PCC for the period ended 30 September 2012 which comprise the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 2012;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'Andrew Dann'.

Andrew Jonathan Dann, FCA  
for and on behalf of Ernst & Young LLP  
Jersey  
Date: 26 March 2013


# CASTLE TRUST INCOME HOUSA PLC

## Statement of Financial Position

As at 30 September 2012

	Notes	2012 GBP
<b>Assets</b>		
Other receivables		<u>2</u>
<b>Total assets</b>		<u>2</u>
<b>Equity</b>		
Ordinary Shares	5	<u>2</u>
<b>Total Equity</b>		<u>2</u>
<b>Liabilities</b>		
Liabilities		<u>-</u>
<b>Total liabilities</b>		<u>-</u>
<b>Total Equity and Liabilities</b>		<u>2</u>

The financial statements on pages 7 to 14 were approved and authorised for issue by the directors on **25 April 2013** and signed on behalf of the Board by:

  
Director

  
Director

The accompanying notes on pages 9 to 14 form an integral part of these financial statements.

# *CASTLE TRUST INCOME HOUSA PLC*

## Statement of Changes in Equity

For the period 24 May 2011 to 30 September 2012

	2012 Number of shares	2012 GBP
At the beginning of the period	-	-
Issue of ordinary shares	<u>2</u>	<u>2</u>
Total comprehensive income for the period	<u>-</u>	<u>-</u>
Balance at the end of the period	<u>2</u>	<u>2</u>

There was no movement in the Statement of Comprehensive Income in the current period.

The accompanying notes on pages 9 to 14 form an integral part of these financial statements.

# CASTLE TRUST INCOME HOUSA PLC

## Notes to the Financial Statements

For the period 24 May 2011 to 30 September 2012

### 1. General information

#### *Incorporation and structure*

Castle Trust Income HouSA PLC (formerly Castle Trust Income HouSA Limited) (the "Company") was incorporated in Jersey, Channel Islands, on 24 May 2011 under the Companies (Jersey) Law 1991 as a private company. On 14 December 2011, the Company re-registered as a public company under the Companies (Jersey) Law 1991 and at the same time changed its name to Castle Trust Income HouSA PLC.

The Company issues Index Linked Income HouSA Loan Notes ("Loan Notes"), the first tranche of which were listed on the Channel Islands Stock Exchange on 4 October 2012.

There will be no comparative figures within the financial statements as the current period is since incorporation.

The address of the Company's registered office is Elizabeth House, 9 Castle Street, St Helier, Jersey JE2 3RT.

### 2. Accounting policies

#### a. *Basis of presentation*

The financial statements have been prepared in accordance and in compliance with EU endorsed International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on a historical cost basis, as modified by financial assets held at fair value and classified as fair value through profit or loss.

#### *Cash Flow Statement*

The Company does not have a bank account and therefore no balance will be recorded. As a result there is no requirement to prepare a cash flow statement.

#### *Standards and Amendments to existing standards that are relevant to the Company, not yet effective and have not been early adopted by the Company*

The directors have considered all applicable standards and interpretations in issue but not yet effective and do not believe that these will have a material impact on the financial statements.

#### *Going Concern*

The financial statements of the Company 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.
- whether there are adequate provisions within the Investment and Shareholder Agreement to ensure that the Company is adequately capitalised to continue operations.
- risk management policies and how the Company is placed to manage business risks.
- the fact that there is no material uncertainty that the Company is a going concern.

Castle Trust Capital Management Limited ("CTCM") has borne the set-up costs relating to the establishment of the Company. The Company will incur its own ongoing administration expenses which will be paid by Castle Trust under the Set off Agreement dated 24 September 2012 ("Set off Agreement").

# CASTLE TRUST INCOME HOUSA PLC

## Notes to the Financial Statements (continued)

For the period 24 May 2011 to 30 September 2012

### 2. Accounting policies (continued)

#### b. *Financial instruments*

Financial instruments carried on the Statement of Financial Position include receivables. The particular accounting policies adopted for these financial instruments are disclosed in the individual policy statements associated with each item below.

##### *(i) Classification*

###### *Loan and receivables*

The Company classifies other receivables, comprising amounts due for issue of ordinary shares upon initial recognition, as loans and receivables.

##### *(ii) Recognition and derecognition*

The Company recognises financial assets and financial liabilities when, and only when, the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset where:

- the rights to receive cash flows from the assets 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 (i) the Company has transferred substantially all the risks and rewards of the assets, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has met the last two conditions above but has not transferred control of the asset, the asset is recognised to the extent of the Company's involvement in the asset, which is measured as the extent to which the Company is exposed to changes in the value of the transferred asset.

The Company derecognises a financial liability when the obligation under the liability is discharged.

##### *(iii) Measurement*

###### *Initial measurement*

Loans and receivables are initially measured at fair value plus any directly attributable incremental costs.

###### *Subsequent measurement*

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment costs.

#### c. *Foreign currency*

##### *Functional and presentation currency*

The Company's functional and presentation currency is Sterling ("GBP"), 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 Loan Notes are issued in GBP and any returns to the investors in a liquidation would be in GBP.



# CASTLE TRUST INCOME HOUSA PLC

## Notes to the Financial Statements (continued)

For the period 24 May 2011 to 30 September 2012

### 2. Accounting policies (continued)

#### c. Foreign currency(continued)

##### Foreign currency translations

Transactions denominated in currencies other than GBP are translated into GBP at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into GBP at exchange rates in effect at the reporting date. Resulting translation differences are charged or credited to the Statement of Comprehensive Income as foreign currency gains or losses. Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'net gain/loss on financial assets and financial liabilities at fair value through profit or loss'.

#### d. Expenses

Initial expenses were borne by Castle Trust Capital Management (UK) Limited ("CTCM").

#### e. Ordinary Shares

The Company issues ordinary shares which are non-redeemable and as such are classified as equity.

### 3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires the directors to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

### 4. Segmental information

The directors do not consider that any of the Company's activities constitute reportable segments. Accordingly, no segment reporting has been provided.

### 5. Share Capital

	2012 Number	2012 GBP
Authorised		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>
Ordinary shares issued and fully paid:		
		2012 GBP
As at 24 May		-
Issued in the period		<u>2</u>
As at 30 September		<u>2</u>

# CASTLE TRUST INCOME HOUSA PLC

## Notes to the Financial Statements (continued)

For the period 24 May 2011 to 30 September 2012

### 6. Taxation

Profits arising in the Company are subject to United Kingdom Corporation tax at the small companies rate of 20%.

### 7. Capital Management

Ordinary shares were issued in the period for consideration of £2. This is the only capital of the Company. The capital required by the Company will be monitored by management on an ongoing basis. Going forward, fees receivable are anticipated to exceed expenses payable and as such no further capital will be required. In the event of a shortfall, Castle Trust, its parent, will provide a loan facility in the short to medium term.

### 8. Financial risk management

This note presents information about the Company's exposure to market risk, liquidity risk and credit risk.

#### *8.1 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 at 30 September 2012, the Company was not considered to be currently exposed to market risk.

#### *8.1a 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 GBP and all contracts are in GBP, therefore there is little to no currency risk exposure.

#### *8.1b 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 not exposed to interest rate risk as the financial instruments held by the Company are non-interest bearing.

#### *8.2 Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. As at 30 September 2012, the Company was not exposed to liquidity risk as the Company has no financial liabilities.

#### *8.3 Credit risk*

Credit risk is the risk that the counterparty to a financial asset will fail to honour an obligation under the original terms of a contract, resulting in a loss to the Company. As at 30 September 2012, the Company's exposure to credit risk was £2.

# CASTLE TRUST INCOME HOUSA PLC

## Notes to the Financial Statements (continued)

For the period 24 May 2011 to 30 September 2012

### 9. Related party transactions

The following are considered related parties to the Company:

#### Marketing Manager

Castle Trust Capital Management Limited ("Marketing Manager") is considered a related party by virtue of the contractual arrangements with the Company. The initial expenses of the Company were paid and borne by the Marketing Manager. The amount paid during the period was £18,255.

Under the terms of the Marketing Agreement, the marketing fee will be 0.2% of those Loan Notes issued which shall be refundable during an investor's cooling off period. During the period no marketing fee was paid as no Loan Notes had been issued.

#### Castle Trust

Castle Trust Capital PLC ("Castle Trust") is considered a related party by virtue of the contractual arrangements with the Company. The first being in relation to the HHPI Derivative Swaps. The second in relation to the Loan Notes, which confirms that if an investor redeems before maturity any gain/loss will be recognised by Castle Trust and not the Company.

### 10. Subsequent events

Subsequent to the reporting date and at the date of signing the financial statements, the Company has issued 750,000,000 Loan Notes to Castle Trust, of which 71,825 were fully paid by external investors and 500,000 were fully paid by Castle Trust. The remaining 749,428,175 Loan notes were forfeited. The table below sets of the Loan Note issues in further detail.

Tranche	Number of Loan Notes Issued	Number of Loan Notes Fully Paid	Number of Loan Notes Forfeited
3 Year October 2012	50,000,000	-	50,000,000
5 Year October 2012	50,000,000	2,425	49,997,575
10 Year October 2012	50,000,000	-	50,000,000
3 Year November 2012	50,000,000	-	50,000,000
5 Year November 2012	50,000,000	30,000	49,970,000
10 Year November 2012	50,000,000	-	50,000,000
3 Year December 2012	50,000,000	-	50,000,000
5 Year December 2012	50,000,000	19,400	49,980,600
10 Year December 2012	50,000,000	15,000	49,985,000
3 Year January 2013	50,000,000	500,000*	49,500,000
5 Year January 2013	50,000,000	-	50,000,000
10 Year January 2013	50,000,000	-	50,000,000
3 Year February 2013	50,000,000	-	50,000,000
5 Year February 2013	50,000,000	-	50,000,000
10 Year February 2013	50,000,000	-	50,000,000

\* Castle Trust purchased 500,000 3 year January 2013 Loan Notes to ensure that the requirement for a minimum investment of £500,000 in the Cell is met. Whilst Castle Trust may redeem all or part of their subscription in the future, it is the intention that sufficient amounts will remain invested such that the total investment in the Company remains in excess of £500,000. The price which Castle Trust would receive on early redemption would be the price as applied to all investors seeking to redeem their shares on that day.

***CASTLE TRUST INCOME HOUSA PLC***

**Notes to the Financial Statements (continued)**

**For the period 24 May 2011 to 30 September 2012**

**11. Ultimate controlling party**

The directors consider the ultimate controlling party to be James Christopher Flowers.