BASE 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

Castle Trust Income HouSA plc (the "**Issuer**") may from time to time issue notes (the "**Notes**") that are linked to the performance of the Halifax House Price Index (the "**Index**") under this £1,800,000,000 note programme (the "**Programme**"). The Notes will be denominated in pounds Sterling.

This Base Prospectus has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to Notes issued under the Programme during the period of twelve months after the date hereof. Notes issued under the Programme by completion of the Final Terms on or after the date of this Base Prospectus are issued subject to the provisions hereof. "**Final Terms**" means the terms set out in a Final Terms supplement substantially in the form set out in this Base Prospectus.

Applications will be made to the Channel Islands Stock Exchange (the "**CISX**") for the Notes issued under the Programme to be admitted during the period of twelve months after the date hereof to listing on the Official List of the CISX and to trading on the CISX. The CISX is not a regulated market for purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notes will be issued in registered form. The Notes of each Tranche will initially be represented by a global certificate in registered form, without receipts, interest coupons or talons (a ''**Global Certificate**") which will be delivered to, and registered in the name of, Castle Trust Capital Nominees Limited ("**CTCN**") as nominee or nominee for all persons acquiring Notes ("**Investors**") (save for those Investors who choose for legal title to the Notes to be transferred to themselves or another person), as specified in the Relevant Final Terms. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £1,800,000,000, subject to increase as described herein.

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

The Issuer may decide that Notes are to be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to this Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The date of this Base Prospectus is 3 October 2012.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer and the Directors (the "**Responsible Persons**") accept responsibility for the information contained in this Base 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 Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Castle Trust and the Castle Trust Directors accept responsibility for the statements of belief attributed to them relating to Castle Trust, the information contained in this Base Prospectus relating to Castle Trust, the risks relating to Castle Trust and its business in Part II of this Base Prospectus and Parts III, IX (in relation to Castle Trust) and XIII of this Base Prospectus and 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 statements of belief attributed to them relating to Castle Trust, the information contained in this Base Prospectus relating to Castle Trust, the risks relating to Castle Trust and its business in Part II of this Base Prospectus and Parts III, IX (in relation to Castle Trust) and XIII of this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The information in Part XV of this Base Prospectus entitled "Description of the Index" has been accurately reproduced from publicly available information in relation to the Index.

The Issuer hereby consents that this Base Prospectus published for the issuance programme “£1,800,000,000 Castle Trust Income HouSA Note Programme” may be used by all financial intermediaries which are authorised to offer securities to the public or distribute notes ("**Financial Intermediaries**") from the date of publication of this Base Prospectus for the subsequent resale or final placement of the Notes in the United Kingdom. The Issuer accepts responsibility for the content of the Base Prospectus also with respect to later resale or final placements of Notes by any Financial Intermediaries. **Financial Intermediaries using this Base Prospectus must state on their website that they use the Prospectus in accordance with the consent.** This consent is granted for the period of 12 months from the date of this Base Prospectus. The offer period within which the later resale or final placement by Financial Intermediaries may take place shall be the Offer Period as set out in the Relevant Final Terms.

If an offer is being made by a Financial Intermediary, such Financial Intermediary must inform Investors of the terms and conditions of the Offer at the time the offer is made. Any Financial Intermediary using this Base Prospectus must disclose that the Base Prospectus is used by such Financial Intermediary with the Issuer's consent.

The Issuer hereby specifically consents that this Base Prospectus published for the issuance programme “£1,800,000,000 Castle Trust Income HouSA Note Programme” may be used by Castle Trust Capital plc (“**CTC**”) and Castle Trust Capital Management Limited (“**CTCM**”), which are authorised to offer securities to the public or distribute notes from the date of publication of this Base Prospectus for the subsequent resale or final placement of the Notes in the United Kingdom. The Issuer accepts responsibility for the content of the Base Prospectus also with respect to later resale or final placements of Notes by either of CTC or CTCM. **If either CTC or CTCM uses this Base Prospectus then it must state on its website that it is using the Prospectus in accordance with the consent.** This consent is granted for the period of 12 months from the date of this Base Prospectus. The offer period within which the later resale or final placement by CTC or CTCM may take place shall be the Offer Period as set out in the Relevant Final Terms. The address of both CTC and CTCM is 41 Lothbury, London EC2R 7HG. Further information unknown at the date of this Base Prospectus or the Relevant Final Terms will be published on the website: www.castletrust.co.uk.

If an offer is being made by CTC or CTCM, CTC or CTCM (as appropriate) must inform Investors of the terms and conditions of the Offer at the time the offer is made. CTC or CTCM, if using this Base Prospectus, must disclose that the Base Prospectus is used by them with the Issuer's consent.

Neither JTC Listing Services Limited nor Castle Trust Capital Management Limited ("**CTCM**") has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by JTC Listing Services Limited or CTCM as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

Neither JTC Listing Services Limited nor CTCM accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer, Castle Trust or CTCM to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, Castle Trust or CTCM.

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. Castle Trust and CTCM expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any Investor of any information coming to their attention. Where information relating to the terms of any offer of Notes that is required pursuant to the Prospectus Directive is not contained in this Base Prospectus, any supplement hereto or the Relevant Final Terms, it will be the responsibility of the relevant Offeror at the time of such offer to make such information available to the Investor.

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

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

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

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

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offer contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, the Issuer has not authorised, nor does it authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer to publish or supplement a prospectus for such offer.

For the purposes of Jersey law, the Issuer has been established as an unregulated exchange-listed fund under the Collective Investment Funds (Unregulated Funds) (Jersey) Order 2008. Accordingly, the Issuer is not a scheme or arrangement that constitutes a collective investment fund for the purposes of the Collective Investment Funds (Jersey) Law 1988. This unregulated exchange-listed fund is not regulated in Jersey. The Jersey Financial Services Commission has neither evaluated nor approved:

(a) the scheme or arrangement of the Issuer;

(b) the parties involved in the promotion, management or administration of the Issuer; or

(c) this Base Prospectus.

The Jersey Financial Services Commission has no ongoing responsibility to monitor the performance of the Issuer, to supervise the management of the Issuer or to protect the interests of investors in the Issuer.

The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Notes by the Issuer. It must be distinctly understood that, in giving this consent, neither the registrar of companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law.

All references herein to "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom.

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

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

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any of the Notes, prepare a supplement to this Base Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes.

CONTENTS

		Page
Part I	Summary	7
Part II	Risk Factors	22
Part III	Overview of Castle Trust and its business	31
Part IV	Form of the Notes	44
Part V	Pro Forma Final Terms	46
Part VI	Terms and Conditions of the Notes	53
Part VII	The Offer	61
Part VIII	Subscription and sale	66
	Information on Payments and Redemption of Notes	68
	Information on the Operation of the Offer Tranches	70
Part IX	Financial Information	74
	Financial information on the Issuer	74
	Financial information on Castle Trust	75
Part X	Use of proceeds, investment policy and returns and information about the Issuer	102
Part XI	Information on the Issuer	108
Part XII	Taxation	121
Part XIII	Additional information on Castle Trust	124
Part XIV	Information on Castle Trust Capital Management Limited	134
Part XV	Description of the Index	135
Part XVI	General information	137
Part XVII	Income HouSA Terms and Conditions	138
Part XVIII	Glossary of terms and definitions	156
Part XIX	Directory	163

PART I

SUMMARY

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

Words and expressions defined in the Base Prospectus shall have the same meanings in this description.

Section A – Introduction and warnings		
A.1	**Introduction**	This summary should be read as an introduction to this Base Prospectus. Any decision to invest in Notes should be based on consideration of the Base Prospectus as a whole by the investor. Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the Summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Use of the Base Prospectus**	The Issuer has consented to the use by all financial intermediaries which are authorised to offer securities to the public or distribute notes and by CTC and CTCM from the date of publication of this Base Prospectus and to distribute Notes pursuant to the £1,800,000,000 Castle Trust Income HouSA Note Programme in the United Kingdom. The offer period within which the later resale or final placement by financial intermediaries or by CTC or CTCM shall be from 4 October 2012 to 30 September 2013. The offer of Notes by financial intermediaries or by CTC or CTCM must be made pursuant to the Terms and Conditions. **If an offer is being made by a financial intermediary or by CTC or CTCM, such financial intermediary or CTC or CTCM must inform Investors of the terms and conditions of the Offer at the time the offer is made.**

Section B – Issuer		
B.1	**Legal and Commercial Name**	Castle Trust Income HouSA plc (the "**Issuer**")
B.2	**Domicile/Legal**	The Issuer was incorporated in Jersey as a private company

	Form/Legislation/ Country of Incorporation	limited by shares under the Law on 24 May 2011 under the name of Castle Trust Income HouSA Limited with registered number 108225. The Issuer was converted to a public limited company on 14 December 2011.
B.16	**Owner/Controller**	Castle Trust Capital plc ("**Castle Trust**") is the sole beneficial holder of all of the Ordinary Shares and, therefore, directly exercises control over the Issuer. Only holders of Ordinary Shares are entitled to attend and vote at general meetings of the Issuer and as at the date of this Base Prospectus, the Issuer is not aware of any other person who directly or indirectly has an interest in the Issuer's capital or voting rights.
B.20	**Special Purpose Vehicle/Entity Status**	The Issuer was incorporated as a special purpose vehicle for the purpose of issuing the Notes being securities backed by the Investment Product.
B.21	**Description of Principal Activities and overview of parties to securitisation programme**	The objective of the Issuer is to provide a return to Investors of each Tranche comprising Interest on a quarterly basis and the Investment Return of the relevant Tranche on the relevant maturity date as specified in the Relevant Final Terms. In order to generate the Investment Return, the Issuer will enter into a financial contract (such contract being the "**Investment Product**") with the Investment Provider, being Castle Trust. Under the Investment Product, the issue proceeds received by the Issuer for subscription for Notes (net of its costs) will be advanced to the Investment Provider until the maturity date of the relevant tranche of Notes. The Investment Product will expire on the Maturity Date The Investment Provider will then pay to the Issuer in an amount not less than the Investment Return for each Note maturing. The maturing Notes will then be redeemed by the Issuer from Investors for an amount equal to the Investment Return. The only business of the Issuer is the issue of Notes and the investment of the net Proceeds in the Investment Product to generate the Investment Return. The Notes are issued by Castle Trust Income HouSA plc for a fixed term investment of 3, 5 or 10 years and are known as Income HouSAs. The capital return over the period matches the movement of the Index during the investment term and the Notes also pay a fixed quarterly income for duration of the investment term. The level of income is determined by the investment term selected. Income HouSAs are available for a minimum investment of £1,000 and provide returns for those who wish to ensure their investment at least keeps pace with UK house prices or who wish to diversify their existing investment portfolios. Income HouSAs qualify for inclusion in SIPPs and ISAs. HouSAs that are purchased from Castle Trust by UK retail investors will be subject to the Financial Services

		Compensation Scheme ("**FSCS**") for investment products, which as at the date of this document is for £50,000. Castle Trust is a regulated investment firm operating in the UK. Castle Trust, which was incorporated in England in 2010, operates predominantly from its head office in London and had 21 permanent employees as at 31 March 2012. Castle Trust provides shared equity ("**Partnership Mortgages**") to UK customers. A Partnership Mortgage can be used for the purchase of a new home or the refinancing of an existing home. A Partnership Mortgage for a purchase is a loan for 20% of the purchase price of a home, advanced to good credit quality owner occupiers buying a home with a deposit of at least 20% of the purchase price, alongside a capital and interest mortgage of up to 60% of the purchase price from a traditional lender. There are no regular payment obligations on a Partnership Mortgage and, on sale of the property or at the end of the term, the borrower repays Castle Trust the loan plus 40% of any increase in value of the home or less 20% of any decrease in value. A Partnership Mortgage for an existing home is a loan for 20% of the value of a home, advanced to good credit quality owner occupiers not moving home, with between 20% and 60% equity remaining in their home. On a sale of the property or at the end of the term, the borrower repays Castle Trust the loan plus 40% of any increase in value; if the value has fallen, the borrower repays the original loan amount (Castle Trust does not share in any loss). Castle Trust intends when providing Partnership Mortgages to customers to match the range and spread of properties that make up the Index. By doing so, Castle Trust's return on Partnership Mortgages should match the performance of the Index which will enable Castle Trust to meet its liabilities to the Issuer under the Investment Product, and in turn enable the Issuer to pay the Investment Return (which tracks the movement of the Index) to Investors. Liquid Assets: approximately 20% of the Investment Amount paid by Investors for their Notes will be invested by Castle Trust into liquid assets with a maturity of less than two years. This is intended to ensure that Castle Trust will have sufficient liquid reserves in order to fund the Interest payments and the Investment Return payments due pursuant to the Investment Product. As at the date of this prospectus, Castle Trust holds in excess of £50m of liquid assets. Castle Trust uses the advances under the Investment Product to fund its Partnership Mortgage business.
B.22	**Statement regarding lack of operations/ financial statements since incorporation**	Since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up as of the date of this document.

B.23	**Key Financial Information**	Not applicable; since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up as of the date of this document.
B.24	**Material adverse changes**	There has been no material adverse change in the prospects of the Issuer since its incorporation (no financial statements have been made up as of the date of this document).
B.25	**Description of underlying assets**	**The Investment Product** The Issuer will enter into a financial contract, (the Investment Product) with Castle Trust (the Investment Provider) for each Tranche. Under the Investment Product the Issuer will pay the amount raised from the issue of the Notes (less certain costs payable by the Issuer) to the Investment Provider. In return, the Investment Provider will agree to pay to the Issuer (a) the Interest as it falls due and (b) an amount not less than the Investment Return as the Notes mature. The Issuer should therefore always have the necessary funds to meet Interest and Investment Return payments. However, the Interest and Investment Return payable to the Investors will be dependent on the Investment Provider's ability to meet its payment obligations under the relevant Investment Product. The Investment Provider will not provide any security to the Issuer to meet its obligations under the Investment Products The Investment Provider (Castle Trust) will meet its obligations under the Investment Product to pay the Interest and Investment Return by providing Partnership Mortgages to UK customers and investing in liquid assets. **Castle Trust's business** Castle Trust provides shared equity mortgages ("**Partnership Mortgages**") to UK customers. A Partnership Mortgage can be used for the purchase of a new home or the refinancing of an existing home. A Partnership Mortgage for a purchase is a loan for 20% of the purchase price of a home, advanced to good credit quality owner occupiers buying a home with a deposit of at least 20% of the purchase price, alongside a capital and interest mortgage of up to 60% of the purchase price from a traditional lender. There are no regular payment obligations on a Partnership Mortgage and, on sale of the property or at the end of the term, the borrower repays Castle Trust the loan <u>plus</u> 40% of any increase in value of the home or <u>less</u> 20% of any decrease in value A Partnership Mortgage for an existing home is a loan for 20% of the value of a home, advanced to good credit quality owner occupiers not moving home, with between 20% and

		60% equity remaining in their home. On a sale of the property or at the end of the term, the borrower repays Castle Trust the loan plus 40% of any increase in value; if the value has fallen, the borrower repays the original loan amount (Castle Trust does not share in any loss). Liquid Assets: approximately 20% of the Investment Amount paid by Investors for their Notes will be invested by Castle Trust into liquid assets with a maturity of less than two years. This is intended to ensure that Castle Trust will have sufficient liquid reserves in order to fund the Interest payments due pursuant to the Investment Product. At the date of this Base Prospectus, Castle Trust has not loaned any Partnership Mortgages and therefore does not have a valuation report of its portfolio of mortgages. Investors will not have any rights over the mortgages provided by Castle Trust nor the liquid assets it holds from time to time.
B.26	**Details of actively managed pool of assets**	Not applicable; there is not an actively managed pool of assets backing the Notes.
B.27	**Statement if further securities backed by same assets**	Not applicable; the Investment Product is structured such that a new supplementary confirm is executed with each Tranche of Notes, effectively constituting a new contract and therefore asset for that new Tranche.
B.28	**Transaction Structure**	All Notes will be issued by the Issuer to Castle Trust. Once issued the Notes will be admitted to trading on the CISX on the same business day. Castle Trust will sell the Notes to investors who make valid applications during the Offer Period. Castle Trust will pay the sums received from the sale of the Notes to the Issuer to discharge an outstanding inter-company loan created when the Notes are issued by the Issuer to Castle Trust. Any Notes which are not sold by Castle Trust during the Offer Period will be redeemed. The Issuer will advance all subscription monies received from Castle Trust (less certain fees payable to CTCM) to Castle Trust under the Investment Product. On the Maturity Date for each Tranche of Notes, the Investment Product held by the Issuer in relation to that Tranche will mature and Castle Trust will pay the Issuer a sum not less than the Investment Return. The Issuer will pay the Investment Return to the Investor and the Notes of such Tranche will be redeemed in full. The terms and conditions pursuant to which Investors will purchase the Notes contain a buy back arrangement in favour of Castle Trust over Notes held by Investors. This states that Castle Trust will agree to purchase the Notes held by that Investor on the Maturity Date if they have not been redeemed by 14.00 on that day for an amount equal to the

		Investment Return. The Issuer intends to ensure Notes are redeemed prior to this buy-back taking place.
B.29	**Flow of Funds**	The Notes will be issued to Castle Trust and the subscription amount will be left outstanding on inter-company account. Castle Trust will sell the Notes to investors who make valid applications during the Offer Period. Castle Trust will pay the sums received from the sale of the Notes to the Issuer to discharge an outstanding inter-company loan created when the Notes are issued by the Issuer to Castle Trust. Any Notes which are not sold by Castle Trust during the Offer Period will be redeemed. The Issuer will advance all subscription monies received from Castle Trust (less certain costs payable by the Issuer) to Castle Trust under the Investment Product. The Issuer will offset its liability to pay the subscription monies to Castle Trust under the Investment Product against Castle Trust's liability to satisfy the inter-company debt for the subscription amount for the Loan Notes. This reduces the number of money flows required, in accordance with the Umbrella Agreement. Interest is payable on the Notes every three months from the first day of the month following the end of the Offer Period in which the Notes are offered. Interest is funded by Castle Trust's obligations under the Investment Product. Approximately 20% of the Investment amount paid by Investors for their Notes will be invested by Castle Trust into liquid assets with a maturity of less than two years. This is intended to ensure that Castle Trust will have sufficient liquid reserves in order to fund the Interest payments and the Investment Return payments due pursuant to the Investment Product. Payment of the Investment Return in respect of Notes which are redeemed on their Maturity Date shall be made by the Issuer to Investors within ten Business Days of the Maturity Date or, if the realisation of the Investment Products of the Tranches to which the Notes relate is delayed, within ten Business Days of such later date on which the realisation proceeds are actually received by the Issuer in cleared monies. The payment of redemption proceeds will be made by the Issuer by cheque or BACS made payable to each relevant Investor (or all named holders in the case of joint holders) and posted to the name and address of the Investor (or to the name and address of the first named holder in the case of joint holders) as appearing in the Register.
B.30	**Name/Description of originators of Securitised Assets**	The only assets of the Issuer are the Investment Provider's obligations under the Investment Product. Castle Trust Capital plc is the counterparty to the Investment Product and provides Partnership Mortgages to borrowers. The address of

		Castle Trust is: 41 Lothbury, London EC2R 7HG.

Section C – Securities		
C.1	**Type and class of Securities**	Up to £1,800,000,000 aggregate nominal amount of Notes outstanding at any one time pursuant to the £1,800,000,000 Castle Trust Income HouSA Note Programme offered by Castle Trust Capital plc. The Notes will be issued in series (each a ‘‘**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the rate of interest and the maturity date). Each Series may be issued in tranches (each a ‘‘**Tranche’**’) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, rate of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the relevant final terms (the “**Relevant Final Terms**’’). The Notes will be issued in registered form (‘‘**Registered Notes**’’) only. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Tranche. Certificates representing Registered Notes that are registered in the name of the Nominee are referred to as ‘‘**Global Certificates**’’. Under the Programme, in each calendar month commencing October 2012 and concluding September 2013, three tranches of Notes, which are unsecured loan notes in minimum denominations of £1.00 each, will be issued, as follows: 50,000,000 3 Year October 2012 Notes 50,000,000 5 Year October 2012 Notes 50,000,000 10 Year October 2012 Notes 50,000,000 3 Year November 2012 Notes 50,000,000 5 Year November 2012 Notes 50,000,000 10 Year November 2012 Notes 50,000,000 3 Year December 2012 Notes 50,000,000 5 Year December 2012 Notes 50,000,000 10 Year December 2012 Notes 50,000,000 3 Year January 2013 Notes 50,000,000 5 Year January 2013 Notes 50,000,000 10 Year January 2013 Notes 50,000,000 3 Year February 2013 Notes 50,000,000 5 Year February 2013 Notes 50,000,000 10 Year February 2013 Notes

		50,000,000 3 Year March 2013 Notes 50,000,000 5 Year March 2013 Notes 50,000,000 10 Year March 2013 Notes 50,000,000 3 Year April 2013 Notes 50,000,000 5 Year April 2013 Notes 50,000,000 10 Year April 2013 Notes 50,000,000 3 Year May 2013 Notes 50,000,000 5 Year May 2013 Notes 50,000,000 10 Year May 2013 Notes 50,000,000 3 Year June 2013 Notes 50,000,000 5 Year June 2013 Notes 50,000,000 10 Year June 2013 Notes 50,000,000 3 Year July 2013 Notes 50,000,000 5 Year July 2013 Notes 50,000,000 10 Year July 2013 Notes 50,000,000 3 Year August 2013 Notes 50,000,000 5 Year August 2013 Notes 50,000,000 10 Year August 2013 Notes 50,000,000 3 Year September 2013 Notes 50,000,000 5 Year September 2013 Notes 50,000,000 10 Year September 2013 Notes Series Number: [●] Tranche Number: [●] Aggregate Nominal Amount: 150,000,000 (i) Series: 150,000,000 (ii) Tranche: 50,000,000 Registered Notes: Global Certificate exchangeable for Individual Certificate only upon upon request to hold legal title to Notes ISIN Code: [●]
C.2	**Currency of Securities**	Pounds Sterling
C.5	**Restrictions on free transferability of securities**	This document is not for distribution in the US, Australia, Canada or Japan. The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, including outside the United States in offshore transactions in reliance on Regulation S.
C.8	**Rights of Securities**	**Ranking** The Notes will constitute direct, unconditional, senior, unsubordinated and unsecured obligations of the Issuer that will rank ***pari passu*** among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time

		outstanding. **Interest Rates and Interest Periods** The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. **Fixed Rate Notes** Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Final Terms. Rate of Interest: [●] per cent. per annum payable quarterly in arrear on each Interest Payment Date Interest Payment Date(s): [●] in each year **Maturities** Subject to compliance with all relevant laws, regulations and directives, each Series of Notes may have a maturity between three years and 10 years. Maturity Date: [●] **Redemption** The Investment Return is the amount payable with respect to each Income HouSA Note on the relevant Maturity Date calculated by Castle Trust on the redemption of such Note as follows: (Index Percentage Change x Investment Amount) + Investment Amount Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date (see above) for the Investment Return. The Initial Index Level shall be the level of the Index published in [●] The Final Index Level shall be the level of the Index published in [●] **Redemption at the option of the Issuer** The Issuer may redeem any Notes beneficially held by Castle Trust. The Issuer will redeem such Notes issued to Castle Trust for which the amount owed by Castle Trust on inter-company account has not been or will not be paid by the close of business on the fifth Business Day following the expiry of the Offer Period, at the end of the last day of the Offer Period for the Investment Return as calculated by reference to the Index as published during the Offer Period. In the event that Castle Trust still holds Notes at the close of business on the fifth Business Day following the expiry of the Offer Period, such Notes will be redeemed by the Issuer at

		their nominal value. **Optional Redemption** The Issuer may at its sole discretion redeem all or any Notes held by Castle Trust at any time giving not less than 5 days' notice for the Investment Return as calculated by reference to the Index on the date that notice to redeem is given. **Early redemption** The Issuer may, by mutual agreement, redeem all or any Notes held by an Investor at a price or prices to be agreed between the Issuer and the Investor. **Withholding tax** All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United Kingdom or Jersey as the case may be, unless the withholding is required by law. **Governing law** English law.
C.11	**Status of trading on regulated market**	The Issuer will apply for the Notes to be admitted to trading on the CISX which is not a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).
C.12	**Minimum denomination of Issue**	£1.00.
C.15	**Underlying instrument effect on investment value**	The Investment Return is determined by reference to the Index. The amount payable shall be the Investment Amount multiplied by the percentage change in the Halifax House Price Index (the "**Index**") from the level published during the month of the Offer Period to the level published during the month prior to the maturity of the Notes. If the Final Index Level is 10% higher than the Initial Index Level, the Investor's Investment Return will be 10% higher than their Investment Amount. Alternatively, if the Final Index Level is 10% lower than the Initial Index Level, the Investor's Investment Return will be 10% lower than their Investment Amount. Investors should note that only the Initial Index Level and the Final Index Level will affect the Investment Return payable. There may be movements during the course of the Investment Return which are not reflected in the final Index Percentage Change. (Index Percentage Change x Investment Amount) + Investment Amount The Initial Index Level shall be the level of the Index published in [●].

		The Final Index Level shall be the level of the Index published in [●].
C.16	**Expiration date of derivative securities**	Notes will be issued for terms of either three years, five years or ten years. Maturity Date: [●].
C.17	**Settlement procedure of derivatives securities**	Payment of the Investment Return in respect of Notes which are redeemed on their Maturity Date shall be made by the Issuer to Investors within 10 Business Days of the Maturity Date (the "**Settlement Date**"). The payment of redemption proceeds will be made by Castle Trust at the direction of the Issuer by cheque or BACS, made payable to each relevant Investor (or all named holders in the case of joint holders) and sent by first class post to the name and address of the Investor (or to the name and address of the first named holder in the case of joint holders) as appearing in the Register. Settlement Date: [●].
C.18	**Description of return on derivatives securities**	Fixed interest will be payable quarterly for the period from the first day of the month following the end of the Offer Period until the Interest Payment Date immediately preceding the Maturity Date, or the next following Business Day. Interest will accrue on a daily basis. The Investment Return will be calculated by multiplying the percentage change in the value of the Index from the Initial Index Level to the Final Index Level by the Investment Amount.
C.19	**Exercise/Final reference price of underlying**	The Final Index Level will be the level of the Halifax House Price Index on (i) the most recent date of publication of the Index falling prior to the month in which Maturity Date or, (ii) in the case of an early redemption, the most recent date of publication of the Index falling prior to the month in which the Early Payment Date falls. The Final Index Level shall be the level of the Index published in [●]
C.20	**Description of underlying**	The underlying is the Index, being the Halifax House Price Index of the UK national housing market which includes all houses, all buyers, non-seasonally adjusted, monthly data. The Index is published monthly and can be found on the Halifax Bank of Scotland website at http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp

Section D – Risks		
D.2	**Key information on the key risks specific to the Issuer**	• The Issuer is newly incorporated. Investors should be aware that the Issuer has no material assets save for the Investment Provider's obligations under the Investment Product and therefore if the Investment Provider fails to meet those obligations, then the Issuer will not be able to meet its obligations to Investors. • The Issuer's only investments for each Tranche will be in the relevant Investment Product and there will be no counterparty risk diversification; The risks associated with the Investment Provider include the following: • the Investment Product will be unsecured, and Castle Trust will not provide collateral in respect of its obligations under the Investment Product. The Notes are therefore subject to the credit risk of Castle Trust; • Castle Trust is exposed to housing market price fluctuations; • Castle Trust may be exposed to the risk of borrowers defaulting on their repayment obligations and therefore Castle Trust may be unable to meet its liabilities under the Investment Product to enable the Issuer to meet its obligations to Investors; • Castle Trust's overall financial performance depends to a certain extent on a number of macroeconomic factors outside the control of Castle Trust which impact on UK house buying and mortgage lending, including political, financial and economic conditions. Factors which impact on house buying and mortgage lending include, among other things, gross domestic product growth, unemployment rates, consumer confidence, social and industrial unrest, the availability and cost of credit, interest rates, taxation, and regulatory changes which could reduce the level of demand for Partnership Mortgages and therefore Castle Trust may be unable to meet its liabilities under the Investment Product to enable the Issuer to meet its obligations to Investors; • Partnership Mortgages that have been loaned by Castle Trust are unlikely to be easily sold by Castle Trust. If the period of time for which borrowers hold Partnership Mortgages is longer than usual for the UK mortgage market, Castle Trust may not have sufficient liquid resources to meet its obligations under the Investment Product because insufficient Partnership Mortgages have been repaid; • Castle Trust seeks to match its lending profile with the properties that make up the Index. This means that its assets (the Partnership Mortgages it lends) should match its Investment Product liabilities (the liabilities

		under the Investment Product match the Index movements). However, there remains the risk that the Index will outperform Castle Trust's assets and therefore Castle Trust may be unable to meet its liabilities under the Investment Product if Castle Trust holds insufficient cash or fixed or floating rate income securities to enable the Issuer to meet its obligations to Investors; • Castle Trust is a newly formed entity with no operating history and no revenues. It will not commence operations prior to obtaining the advances to it under the Investment Product of the Proceeds of the first Offer from the Issuer. As with any new business, there is a limited basis on which to evaluate the level of demand for, or Castle Trust's ability to sell, Partnership Mortgages. Castle Trust cannot be certain that its business strategy will be successful or that it will successfully address this risk over the long term and therefore Castle Trust may be unable to meet its liabilities under the Investment Product to enable the Issuer to meet its obligations to Investors.
D.6	**Key information on the key risks specific to the securities**	• Investors may lose a significant proportion of their investment; • Ignoring the Interest payable on the Notes, the Notes will provide Investors with a positive return on their investment only if the Final Index Level is greater than the Initial Index Level. If the Final Index Level is equal to or lower than the Initial Index Level, Investors will receive an Investment Return on redemption that may be equal to or less than their Investment Amount; • the Index tracks the UK housing market. As such, the Index can be volatile and affected by many economic factors outside the control of the Issuer and the Index Sponsor. Shocks to the economy and financial system can have significant negative impacts on the UK housing market, and therefore, the Index. The methodology affecting the compilation of the Index may also be changed by the Index Sponsor. Before buying Notes, prospective investors should carefully consider the behaviour of the Index and have in mind that not only economic factors such as interest rate volatility, but also geographical and political factors may affect the Index; • Investors will not be entitled to redeem any of their Notes prior to the Maturity Date. However, Investors may dispose of their Notes if a secondary market develops but there is no guarantee that such a market will develop or whether it will be liquid or illiquid. The FSCS does not apply to Investors who acquire Notes on any such secondary market; • Investors who purchase their Notes from Castle Trust will do so under the Terms and Conditions and Castle

		Trust will be obliged to repurchase the Notes from such Investors on the Maturity Date for an amount equal to the Investment Return. In the event that Castle Trust has insufficient reserves to repurchase all Notes maturing, qualifying Investors only recourse will be to the FSCS (under which, at the date of this document, they may seek to recover up to £50,000 of losses); • otherwise, in the event that Castle Trust has insufficient reserves to pay to the Issuer the Investment Return for the Notes as they mature, all affected Investors would rank as ordinary unsecured creditors of the Issuer to the extent that the Issuer has insufficient funds to pay in full the Investment Return due on their Notes; • changes in the tax status or other tax changes affecting the Issuer or Investors; • changes to the FSCS and its ability to pay out would affect Investors in the event that they claim against Castle Trust for an amount equal to their Investment Return and Castle Trust is unable to pay it; and • the Notes may be affected by a number of interrelated factors, including economic, financial and political events in the UK, Jersey and elsewhere, including factors affecting capital markets generally.

Section E – Offer		
E.2b	**Reasons for offer/ use of proceeds**	The net proceeds from the issue of Notes will be used by the Issuer to invest in the Investment Product for that Tranche. This is in line with the investment objective to pay to Investors the Investment Return at the Maturity Date. Castle Trust will use the funds it receives from the Issuer under the Investment Product to lend Partnership Mortgages (about 80 per cent. of such funds received) and also to invest in liquid assets (about 20 per cent. of such assets). Obligations under the Investment Product mean that Castle Trust must pay the Issuer an amount equal to the Investment Return as Notes mature.
E.3	**Description of Terms and Conditions of Offer**	The Offer is conditional upon the Issuer: (a) having received the approval of the CISX for the Notes in the Offer Tranche to be admitted to the Official List of the CISX and to trading on the CISX (subject only to their issue); and (b) having entered into (or the Directors being satisfied that the Issuer is reasonably likely to be able to enter into) the Investment Product in respect of each Offer Tranche on terms that the Directors, at the time that such Investment Product is entered into (or, if earlier,

		on the Issue Date), consider to be such as to be reasonably likely to enable the Issuer to meet the investment objective of each Offer Tranche. If either of these conditions is not satisfied in respect of the Notes in the Offer Tranche, the Issuer shall not issue any Notes pursuant to the Offer.
E.4	**Description of any Interests**	Each of the Directors of the Issuer is also a director of CTCM and of Castle Trust. Therefore, the counterparty to the Issuer for the Investment Product has the same board of directors as the Issuer, as does the Marketing Manager. The Issuer board is acutely aware of its duties as directors of the Issuer and will not allow any interest in Castle Trust or CTCM to conflict.
E.7	**Estimated Expenses Charged to Investor**	The Issuer will not charge any fee or expenses to Investors. Investors who purchase notes directly from Castle Trust or CTCM will be charged a fee of 3% of their Investment Amount. Investors introduced to the Issuer by other financial intermediaries may be charged up to 3% of their Investment Amount by the financial intermediary depending on their arrangements with their financial advisor. No other charges will be charged to Investors.

PART II

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons, which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Any risk that the Directors consider to be material has been disclosed here.

Risks relating to the Issuer

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

Risks relating to the Issuer's business

The Investment Return payable on the maturity of the Notes of the relevant Tranche is dependent upon market fluctuations and other risks inherent in investing in investments linked to the Index. The Index can fall as well as rise and Investors may not realise the full amount of their investment in the Notes. Investment Return on the Notes issued in respect of each Tranche will mirror the performance of the Index and the Notes will pay out interest on a quarterly basis for the relevant Notes over their Investment Term and return to Investors the Investment Return on the maturity of the relevant Notes. As the Investment Return is referenced to the Index, such Investment Return is necessarily dependant on the movement of the Index and therefore a net fall in the Index over the course of the Investment Term will see an Investment Return per Note that is less than the Issue Price. The investment objective for the Notes issued in respect of each Tranche will be achieved through entering into the Investment Product. Interest and the Investment Return will be funded by payments due to the Issuer under the Investment Product. The returns the Investment Provider will gain from its Partnership Mortgage business and the investment in cash and sterling fixed and floating interest rate instruments are intended to generate the funds to satisfy the Investment Provider's obligations under the Investment Product and so provide the Issuer with the funds it requires to pay Interest and the Investment Return.

Credit Risk

Investors should be aware that the Issuer has no material assets save for the Investment Provider's obligations under the Investment Product and the funding of the Investment Return will come entirely from the Investment Product. There will be no other source of funding of the Investment Return. Investors should review the "Risks relating to Castle Trust" for an understanding as to the risks associated with the Investment Provider.

Investors should be aware that the Issuer's only investments in respect of each Tranche will be in the relevant Investment Product. There will be the same counterparty in respect of each Investment Product and accordingly there will be no counterparty risk diversification. The obligations of the Investment Provider under the Investment Products will not be collateralised.

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

The underlying investments for each Tranche may include financial contracts. Further details of the underlying investments to be entered into or acquired by the Issuer to fund amounts scheduled to be paid by the Issuer to Investors of a particular Tranche are set out in this document.

If in respect of any Investment Product referable to a Tranche (i) the Investment Provider defaults or does not make the payment that it is obliged to pay to the Issuer under the relevant Investment Product for any reason; or (ii) an Investment Product is terminated for any reason, there will be a shortfall in the monies to pay the relevant Investment Returns payable and, consequently, the relevant Investors may not receive the Investment Return, distributions or any other amounts.

Risks relating to Castle Trust – the Investment Provider

Castle Trust provides 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 repayment 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 are only 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 is the only counterparty for the purposes of the Investment Products. 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 Issuer under the terms of the Investment Products. Various factors could adversely impact Castle Trust's solvency including the following:

Castle Trust's exposure to the creditworthiness of borrowers

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

Castle Trust's exposure to macroeconomic factors

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

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

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

Castle Trust's regulatory risk

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

Castle Trust's asset and liability matching risk

Castle Trust's Partnership Mortgages are not readily tradable and, if the time from origination to repayment is longer than usual in the UK mortgage market (since Q4 1999 the implied average duration has varied from 4.1 years to 9.5 years according to publicly available information sourced from the Bank of England and analysed by Castle Trust), Castle Trust may not have sufficient liquid resources to meet its obligations as the Investment Provider.

Castle Trust seeks to match the constituents of the Index meaning that its assets should match its Investment Product liabilities. However, there remains the risk that the Index will outperform Castle Trust's assets and therefore it may be unable to meet its liabilities under the Investment Product if Castle Trust holds insufficient cash or fixed or floating rate income securities. Changes to the methodology, rules or data used by the Index Sponsor in calculating the Index may reduce the ability of Castle Trust to match its assets and liabilities. The probability of basis risk having such an extreme impact that Castle Trust will be unable to meet its liabilities is low. This is because in the event that Castle Trust sees general falls in the value of properties for which it has provided Partnership Mortgages, then providing that such properties are a reflective sample of properties that make up the

Index, then the Index will fall in a similar manner, reducing Castle Trust's liabilities under the Investment Product and the Issuer's liabilities to Investors. In circumstances where there is a greater than 25% fall in national property values, the likelihood is increased that borrowers will have moved into negative equity, thereby exposing Castle Trust to greater potential for a loss on foreclosure. The probability of this occurring is considered by Castle Trust to be low because historical trends indicate that it is very unlikely to happen but it may have a significant impact on Castle Trust's business if it were to occur.

Asset and liability matching is core to Castle Trust's business model and members of Castle Trust's management team and board have significant experience in managing the matching of assets and liabilities. Castle Trust will seek to match the expected duration of the HouSA investments to the expected average mortgage duration. To provide a liquidity buffer for fluctuations around the expected average duration, Castle Trust targets retaining a minimum of 20% of funds raised from HouSAs in liquid assets such as money market, cash and cash equivalents.

Castle Trust's risk of losing key employees

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

Castle Trust's risk as a new business

Members of Castle Trust's management team and board have significant experience in establishing and running new businesses and developing and marketing shared equity products similar to Partnership Mortgages. Castle Trust is a newly formed entity with no operating history and no revenues. It will only commence operations as it obtains the advances to it under the Investment Product of the Proceeds of the Offer from the Issuer. As with any new business, there is a limited basis on which to evaluate the level of demand for, or Castle Trust's ability to sell, Partnership Mortgages. Castle Trust cannot be certain that its business strategy will be successful or that it will successfully address this risk over the long term.

Financial Services Compensation Scheme ("FSCS")

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

When investing, investors will purchase their Notes from Castle Trust, a purchase which will be governed by the Terms and Conditions. Under the Terms and Conditions, on the maturity of the Notes, Castle Trust will repurchase the Notes for an amount equal to the Investment Return.

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

There is a risk, however, that the FSCS may cease to operate or will not be sufficiently funded to meet the compensation claims of Investors and accordingly they may not be compensated for the full amount of the Investment Return.

Investment Product risk

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

Risks relating to the Index and the UK housing market

The Index is designed to track the performance of the UK housing market by reflecting the movements in prices of UK housing.

The Index's exposure to the UK housing market is purely notional. There are no assets to which any person is entitled or in which any person has any ownership interest or which serve as collateral for any Investment Product related to the Index. In particular, Investors will not have any rights in respect of the Index.

The Index Sponsor is under no obligation to continue the calculation, publication and dissemination of the Index. The Index may be terminated at any time by the Index Sponsor. Should the Index cease to exist, this may have a negative impact on the return on any investment in Notes.

The methodology and rules relating to the Index may be changed (such as being amended, modified or adjusted) from time to time by the Index Sponsor. The data utilised by the Index Sponsor will change from month to month due to market conditions, customer profile, the Index Sponsor's underwriting criteria and marketing intentions. Any such change may have an adverse effect on the level of the Index and will occur without the consent of or notice to Investors. Investors do not have a right to notice of or to veto such changes.

The Index is designed to track the UK housing market. As such, the Index can be volatile and affected by many economic factors outside the control of the Issuer and the Index Sponsor. Shocks to the economy and financial system can have significant negative impacts on the UK housing market, and therefore, the Index. Before buying Notes, prospective investors should carefully consider the behaviour of the Index and have in mind that not only economic factors such as interest rate volatility, but also geographical and political factors may affect the Index.

The Final Index Level is the level of the Index as at the Reference Date. This level may not be the highest level of the Index over the period of the Investment Term.

The level of the Index may go down as well as up and past performance is not a guarantee of future performance.

Notes issued in respect of any particular Tranche will have a return which is linked to the Index.

No representation or warranty, express or implied, is given on any aspect of any Index by the Issuer or any other person. Investors should seek independent financial advice on the suitability for their purposes of any part of an Investment Return which is derived from the Index.

Each of the following factors may affect the Investment Return in respect of a particular Tranche linked to the Index and none of the Issuer, the Directors or any other person gives any assurance whatsoever nor is under any obligation regarding:

(i) the continuity of the Index;

(ii) the continuity in the methodology used in calculating the Index;

(iii) the continuity in the collection of data used in the calculation of the Index;

(iv) the continuity in the calculation, publication and dissemination of the Index;

(v) the precision, integrity and lack of errors in the composition or calculation of the Index; or

(vi) the accuracy and use by the Issuer of the Index.

Investors should note that the Issuer will be involved in calculating the value of the Index applicable to the relevant Notes and, if applicable, in the event of:

(i) an Index Disruption Event; or

(ii) determining whether to use a Rebased Index

any determination made by the Issuer in the context of any such event or circumstance will be binding on the Issuer (in the absence of manifest error) and may affect the Investment Return applicable to the relevant Notes. Any such event or circumstance occurring on or prior to the Reference Date for the relevant Notes may delay the calculation of the Index values and, as a consequence, the payment of the Investment Return to the Investors of the relevant Notes may be delayed.

The Investment Return (if any) and/or interest payable, and the timing of any such payment, may depend on the performance of the Index on specified dates (as set out in this document). Accordingly, prospective investors in the Notes should ensure that they fully understand how the performance of the Index may affect an investment in the Notes.

Any change in the level of the Index during the course of the Investment Term other than the difference between the Initial Index Level and the Final Index Level will not be reflected in the determination of the level of the Index for the purposes of calculating the relevant Investment Return. Accordingly, before making an investment decision with respect to the Notes, prospective investors should carefully consider whether an investment linked to the Index and the manner of such linkage are suitable for them. Ignoring the Interest payable on the Notes, the Notes will provide Investors with a positive return on their principal investment only if the Final Index Level is greater than the Initial Index Level. For more information regarding the calculation of the Investment Return, see Part VII of this Base Prospectus.

No assurance can be given that the investment objectives of the Issuer will be successful or that the Index will outperform any alternative strategy that might be employed by the Issuer.

Risks relating to the Notes

There has been no prior market for the Notes and an active trading market may not develop or be sustained.

Prior to Admission, there has been no public trading market for the Notes. Dealing in the Notes on the CISX will only commence following Admission.

However, there is no assurance and no expectation that an active trading market for the Notes will develop or, if developed, be sustained until Notes reach their Maturity Date. There will not be a market maker to offer to buy and sell the Notes in the secondary market during their Investment Term. Investors may request Castle Trust to repurchase their Notes prior to their Maturity Date but this will be entirely at the sole discretion of Castle Trust. Castle Trust may repurchase Notes from an Investor at its sole discretion and at a price it shall determine. Castle Trust may decide not to purchase the Notes until they reach their maturity.

Investors should be aware that investment in any Notes should be viewed as an investment for the full Investment Term of such Notes and there is no assurance that Investors will be able to sell their Notes prior to the relevant Maturity Date or as to the price at which any sale may be possible (please see further the sub-section headed "Liquidity" below).

If an active trading market is developed (contrary to expectation), the liquidity and trading secondary market price in respect of any Notes will reflect numerous factors including trade size, volatility of the Index, cost of funding, interest rates, credit risk, supply and demand as well as a bid/offer spread. Accordingly investors should not expect that any secondary market price for any Notes will be calculated entirely or almost entirely by reference to an index of any description, by reference to any index or asset referred to in the terms of any Notes, or by reference to any interest then outstanding to be paid during the remainder of the Investment Term.

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

The market price of the Notes may fluctuate significantly in response to a number of factors, many of which will be beyond the Issuer's control.

If an active trading market develops, the market price of the Notes may fluctuate significantly in response to a number of factors, most of which are beyond the Issuer's control, including trade size, volatility of the Index, cost of funding, interest rates, credit risk, supply and demand as well as a bid/offer spread. The market price of Notes will be particularly vulnerable to volatile movements in the housing market which in turn will be affected by other external macroeconomic factors. Any or all of these events could result in a material decline in the price of the Notes. **Investors should note that any Notes purchased on the secondary market will not be covered by the FSCS in respect of the Investment Return payable for such Notes on the maturity of such Notes, or any Interest payable.**

Changes in taxation may affect the value of the investments held by an Investor or the Investment Return.

Any change in the Issuer's tax status, or in taxation legislation or in the interpretation or application of tax legislation in Jersey or the UK, or in any other tax jurisdiction affecting an Investor, could affect the value of the investments held by an Investor, the amount paid to the Issuer under the Investment Products, the Issuer's ability to achieve the stated investment objective of each Tranche and/or alter the post-tax returns to Investors. Statements in this document concerning the taxation of Investors resident in the UK are based upon current UK tax law and practice which is subject to change, possibly with retrospective effect. Any such change could adversely affect the ability of the Issuer to meet the stated investment objective or adversely affect the ability of the Issuer to pay the Investment

Return in relation to the Notes on the relevant Settlement Date and the net amount of the Investment Return payable to Investors. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Issuer will endure indefinitely.

Notes with an Investment Term of five years or more will qualify to be held by Investors in an ISA or a SIPP to shelter them from tax that might otherwise be payable. There is a risk that the ISA Regulations may change or HMRC's interpretation of the existing rules may change such that any gains from the Notes held in a SIPP or ISA may become taxable.

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

Determinations in relation to the Investment Return

The Investment Product to be entered into by the Issuer as part of the arrangements required to fund the Investment Return payable to the Company under the Investment Product will confer on Castle Trust a discretion (to be exercised in good faith and in a commercially reasonable manner) in making certain calculations and determinations that may from time to time be required in the event of certain adjustments to the Index. The Issuer will perform the same role in respect of calculating the Investment Return per Note payable to Investors (also to be exercised in good faith and in a commercially reasonable manner). The exercise of such discretions in the making of any calculations and determinations may adversely affect the price in any secondary market of the Notes of any Tranche and the Investment Return payable in respect of such Notes. Without limitation to the generality of the foregoing, Castle Trust and the Issuer have discretion in calculating the Index in the event of an Index Disruption Event or determining whether to use a rebased index.

Status

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

Early realisation of investment

An investment in the Notes should be viewed as a fixed term investment. Investors will not be entitled to require the Issuer to purchase or redeem the Notes at any time prior to the Maturity Date. Any Investor wishing to dispose of their Notes prior to the Maturity Date may normally only do so by means of a transfer or sale of such Notes on a secondary market, should one develop. Castle Trust may purchase Notes from Investors at its sole discretion but will not provide any guarantee to Investors that it will do so. Investors should be aware that the price offered, if any, may not be based on the same principles used in the calculation of the Investment Return, it will be less than the Investment Return based upon the Index level at that time and may be below the Issue Price in respect of those Notes.

It is not possible to predict whether any trading market for the Notes will develop or, if it does, the price at which the Notes will trade in any secondary market or whether any such market will be liquid or illiquid. To the extent that there is no liquid market in the Notes, an Investor may have to wait the relevant Maturity Date to realise the value of its investment.

Risk of cancellation

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

Conditionality of the Offer

The Offer is conditional on the Issuer:

(i) having received the approval of the CISX for the Notes of each Tranche to be admitted to the Official List of the CISX (subject only to their issue); and

(ii) having entered into (or the Directors being satisfied that the Issuer is reasonably likely to be able to enter into) the Investment Product in respect of each Tranche on terms that the Directors, at the time that each such Investment Product is entered into (or, if earlier, on the Issue Date), consider to be such as to enable the Issuer to meet the investment objective of each Tranche.

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

PART III

OVERVIEW OF CASTLE TRUST AND ITS BUSINESS

BACKGROUND TO CASTLE TRUST AND ITS MARKETS

1 Introduction

Castle Trust is a newly established UK mortgage and investment firm. The core of Castle Trust's business is the provision of Partnership Mortgages to UK customers and house-price linked investments to investors who, the Castle Trust Directors believe, are not being adequately served by the product range available from existing banks and investment firms. Partnership Mortgages will be funded by shareholder equity and by the issue of HouSA investments by the Issuer which will pay the net proceeds of such issues to Castle Trust to allow Castle Trust to offer its Partnership Mortgages. Further details regarding Partnership Mortgages and HouSAs can be found on pages 34 and 36 respectively.

Castle Trust, which was incorporated in 2010, operates predominantly from its head office in Central London, and had 21 permanent employees as at 31 March 2012.

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

The Castle Trust Directors believe that by virtue of its ability to gain exposure to the UK housing market via Partnership Mortgages and the absence of large fixed overheads in the form of a branch network, Castle Trust is able to offer competitively priced retail investments, being HouSAs. Castle Trust intends to have all of its lending entirely funded by HouSA investments or its own equity and, accordingly Castle Trust has no exposure to wholesale funding. To reduce liquidity risk, Castle Trust intends to actively manage the blend of HouSA investments (ranging from three to ten years) with the expected duration profile of the Partnership Mortgage portfolio (which is based on UK experience) using its systems and controls.

At the date of this Base Prospectus, Castle Trust had over £50 million of shareholders equity and held over £50m of liquid assets. In September 2012, Castle Trust received a £50.6m injection of share capital from its sole shareholder, Castle Trust Holdings (Jersey) Limited, to support the business in its operations and provide an adequate buffer above its regulatory capital requirements. This followed Castle Trust meeting all conditions required for business launch.

If the share capital injection had occurred at 31 March 2012, the date to which Castle Trust's latest unaudited half year financial report was prepared, and for illustrative purposes only, this would have increased equity shareholders' funds from £4.03 million at that date.

2 History

Castle Trust was incorporated in 2010. Since its incorporation, Castle Trust has been hiring the necessary people and establishing the necessary commercial relationships, authorisations, licenses, systems, controls, business processes and infrastructure to enable it to trade.

During the last 24 months Castle Trust has hired its management team including Sean Oldfield as Chief Executive Officer, Keith Abercromby as Chief Financial Officer, as well as all other members of the management team.

On 11 August 2011, Castle Trust was licensed by the OFT to provide consumer credit products and on 5 September 2012 was authorised by the FSA to undertake regulated investment business with retail customers. In 2012, Castle Trust executed contracts with distribution partners to enable the distribution of both Partnership Mortgages and HouSAs. Castle Trust has also signed administration agreements with IFDS and Target Servicing (together the "Third Party Administrators").

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

Residential Property

The value of UK residential property is over £4,000 billion, as at June 2012, which is greater than UK shares, gilts and commercial property combined. However, despite its value, it has been difficult to invest in because the majority of properties are owner-occupied, which by definition means that they are not owned by external investors.

The value of the housing market is influenced by many different factors including credit conditions and the availability of mortgage finance, interest rates, employment levels, demographics, planning restrictions, new housing supply, and general market sentiment.

The housing market has the following attractive investment features:

Low volatility: The annualised volatility of the Index is significantly lower than that of UK equities or commercial property. In addition, the Index has historically been more resilient during a market crash. For example: the peak to trough declines for the Index from its peak in August 2007 to March 2009 was 22% whereas the FTSE All Share fell by 48% from October 2007 to March 2009.

Low correlation to other major asset classes: The correlation of the Index is relatively low to that of commercial property and equities.

Relatively high risk-adjusted returns: Including HouSAs within an investment portfolio can provide an increase in the expected return, for a given level of risk or alternatively reduce the level of risk for an expected level of return.

Further information in relation to the Index can be found in Part XV of this Base Prospectus.

Commercial Overview of UK Mortgage Lending

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

- the management of significantly impaired legacy loan books;

- balance sheet restructurings, in particular addressing liquidity, funding and capital issues;

- sizeable and inefficient infrastructure including multiple IT systems; and

- in some cases the impact of being wholly or partly nationalised.

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

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

UK mortgage market

In July 2012, the Bank of England reported that total mortgage loans outstanding were £1,250 billion as at May 2012.

Castle Trust targets certain specific segments of the UK mortgage market, being good credit quality customers with at least a 20% deposit (or existing equity) who would like to reduce the financial risk of owning their home or to withdraw equity from their home to invest sensibly, in exchange for sharing potential future profits or losses. Castle Trust intends to focus on its two core products: Partnership Mortgages for house purchases and Partnership Mortgages for refinancing existing homes. Based on external customer research, the Castle Trust Directors expect Partnership Mortgages may appeal to half of its target customer base. When exclusions for credit and suitability are also included, of the 11.3 million households in the UK with a mortgage, the Castle Trust Directors estimate that the target market for Partnership Mortgages is approximately 1 million customers. The Castle Trust Directors estimate customer demand in the target market to be in the order of £30 billion.

UK retail deposit and investment markets

The UK retail deposit market was estimated by the Bank of England to be worth in excess of £1.2 trillion as at 31 December 2011. Castle Trust does not offer deposits. However, some HouSA customers may be switching their holding from deposit and current accounts into HouSAs.

The UK investment market was estimated by the Investment Management Association to be worth in excess of £575 billion as at 31 December 2011, held across equities, fixed income, money market, mixed asset, property, other and ISAs. The Castle Trust Directors expect that most HouSA customers will be switching to HouSAs from their existing investment holding classes.

The Castle Trust Directors estimate Castle Trust's target retail customer base in the UK for HouSAs to be in the order of £50 billion.

4 Strategy for growth

Castle Trust's objective is to build on its position as a new UK mortgage and investment firm through a focus on delivering to customer needs in carefully selected segments of the market, treating customers fairly and adopting a prudent approach to capital and liquidity. The Castle Trust Directors believe that they will achieve this objective through the following strategy:

• Growth in lending – Castle Trust anticipates expanding its approved group of distribution partners and expanding its panel of primary lenders and is pursuing a number of potential near term opportunities.

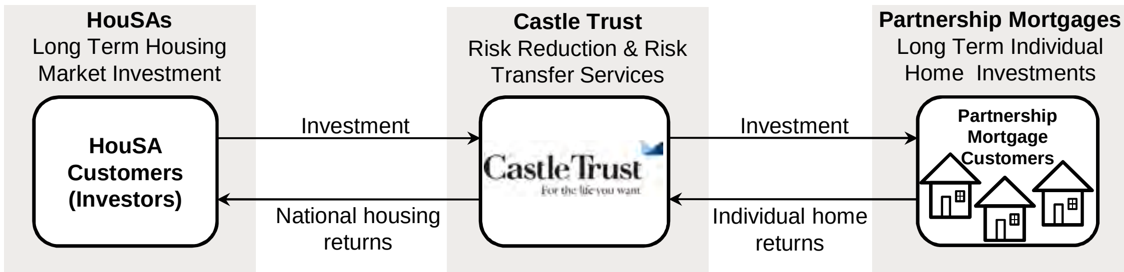
• Growth in retail investments – Castle Trust anticipates expanding its approved group of distribution partners and is pursuing a number of potential near term opportunities.

BUSINESS OVERVIEW OF CASTLE TRUST

1 Overview of the Castle Trust business model

The Castle Trust business model takes on homeowners' risk on a small part (20%) of each individual property (reducing the homeowner's risk) and pools it, thereby reducing the overall housing risk on an aggregate basis. This reduced overall housing risk is then, in effect, offered to investors who seek exposure to UK housing returns through the HouSA investments. By providing a means for homeowners and investors to share risk and return, the Castle Trust Directors believe Castle Trust is making the housing finance market in the UK more efficient, creating real value in the system by reducing systemic risk, and allowing all parties to benefit.

The business model is depicted below:



Castle Trust manages the house price risk on its balance sheet by matching its HouSA liabilities (which are directly and predictably linked to the Index) with a portfolio of liquid assets and Partnership Mortgages (which are directly and predictably linked to the value of customers' individual houses). The product design, pricing and matching between Castle Trust's assets and liabilities means that Castle Trust's profitability from providing these products is expected to be positive irrespective of whether the Index grows or declines.

2 Partnership Mortgages

A Partnership Mortgage is a second-charge mortgage for 20% of the value of a property, advanced alongside a 60% (or less) capital and interest repayment mortgage from a traditional lender. The homebuyer must provide a minimum 20% deposit (or retain 20% equity if using a Partnership Mortgage and not purchasing a property). Partnership Mortgages are only 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 (the "**Profit Share**"); 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 (the "Loss Share"); 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.

Partnership Mortgages are loaned for terms of between 10 and 25 years but borrowers of a Partnership Mortgage may redeem their Partnership Mortgage before the end of its term. There are no penalty clauses for doing so. If such borrowers are redeeming their Partnership Mortgage 12 months or more from origination, they must repay Castle Trust in accordance with the terms of the Partnership Mortgage taking into account the Profit Share or the Loss Share if applicable. If the borrower chooses to repay the Partnership Mortgage in full before the end of the mortgage term without selling his home, this is called an Optional Repayment and the borrower will repay the original loan plus the Profit Share subject to a 4.5% per annum minimum repayment amount (4.5% of the original Partnership Mortgage loan amount, multiplied by the number of the days the borrower has held the Partnership Mortgage, divided by 365).

If the borrower sells his home at a loss within 12 months of purchase, Castle Trust will not share that loss and the customer will repay the full amount of the Partnership Mortgage borrowed.

If the borrower decides to make a partial repayment, the borrower will repay Castle Trust the amount he wants to repay plus the Profit Share applicable on the amount being repaid subject to a 4.5% per annum minimum repayment amount on the amount of the Partnership Mortgage that is being repaid.

A borrower is free to refinance his primary mortgage at any time, provided the amount borrowed under the primary mortgage is not increased. The only exception to this is when the borrower uses the additional amount borrowed under the primary mortgage to (partially) repay Castle Trust.

A Partnership Mortgage cannot be transferred to a new property. In this instance, a Partnership Mortgage must be repaid but the borrower is free to reapply for a new Partnership Mortgage in relation to the new property purchase. Partnership Mortgages are governed by English law.

3 Target Market

There are five categories of target customer for Partnership Mortgages:

a) existing homeowners who wish to move home and to reduce their monthly mortgage payments;

b) first time buyers who wish to buy a home and reduce their monthly mortgage payments;

c) existing homeowners who wish to remortgage their home and to reduce their monthly mortgage payments;

d) existing homeowners who wish to withdraw equity to help their children onto the property ladder without increasing their own monthly mortgage payments; and

e) existing homeowners who wish to withdraw equity in order to reduce their financial exposure to the value of their home and to release funds to invest in other assets.

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

4 Mortgage Underwriting Process

Partnership Mortgages are only available to owner occupiers, who have a minimum deposit or equity of 20% in their property, and are aged between 18 and 55 years old. Partnership Mortgages are not available for buy-to-let mortgages or on new build properties less than 2 years old.

Castle Trust's Mortgage underwriting process is similar to that of many primary mortgage lenders. The Partnership Mortgage application form contains approximately 400 data points which are taken into account when each borrower's application is considered. Appropriate consumer credit checking is conducted using credit reference agencies and industry standard mortgage fraud detection processes have been incorporated into the underwriting process. A detailed affordability assessment is made in all cases, where the borrower's ability to repay is evaluated based upon repayment of the primary and Partnership Mortgage combined (even though monthly payments are not required under the Partnership Mortgage).

5 Primary Lenders

Castle Trust will offer Partnership Mortgages alongside a primary lender's capital and interest repayment mortgage of up to 60% of the value of a property. However the Partnership Mortgage is a stand-alone product – there is no product bundling.

In relation to primary lenders, for customers who are purchasing their home with a Partnership Mortgage, Castle Trust intends to lend alongside a range of both building societies and banks in UK.

Where a customer has an existing primary mortgage and a Partnership Mortgage is subsequently taken out (e.g. for debt reduction or equity withdrawal purposes), the primary lender could be any existing first charge lender which allows second charge mortgages. A significant majority of first charge lenders accept second charge mortgages.

6 **HouSAs**

Income HouSAs and Growth HouSAs have the same essential features, being fixed term investments offering returns linked to the value of the UK housing market by reference to the performance of the Index. Growth HouSAs deliver a multiple of any increase of the Index (for example 150% for a 5 year investment) and a reduced factor of any decrease of the Index (for example 50% for a 5 year investment). Income HouSAs' capital returns match the Index and pay a fixed quarterly coupon. HouSAs provide those saving to buy a home with the opportunity to reduce the risk of being priced out of the property market, by allowing them to invest in a product with returns linked to the UK housing market (the asset for which they are saving). They also offer investors the opportunity to diversify their portfolios to include exposure to the UK housing market without the risks and expenses associated with a buy-to-let investment. Save for the Income HouSA with a 3 year term, both income and capital gains may be sheltered from tax if held within a SIPP or ISA.

7 **The advantages of investing in Notes over investing in a buy-to-let property**

Buy-to-let	Notes
An investor normally needs to put down a large deposit.	An investor needs £1,000 to invest in Notes.
An investor normally takes out a mortgage to buy the property. This can improve returns if the property value rises and can increase losses if the property value falls.	An investor does not take out a mortgage and returns (not including any income) match the change in the Index.
The net income from the property can rise or fall, depending on the rent charged by the investor, the interest paid on the mortgage, the cost of maintaining the property and any periods when the investor does not have tenants.	The income from Notes is fixed for the Investment Term and paid direct to the Investor's bank account every quarter.
An investor may have to pay tax on the income received from the property, although they may be able to offset mortgage interest payments and other costs against this.	Income from Notes is tax-free if the Notes are purchased through an ISA or a SIPP, otherwise an Investor may have to pay income tax.
An investor needs to manage the property, or find someone to manage it for them.	There is nothing for an Investor to do after purchasing Notes. The Issuer will pay the Interest every three months and send the Investor an six-monthly statement of the value of their anticipated Investment Return.
When the investor sells the property, the price it sells it for is largely influenced by the local housing market.	The Investment Return of the Notes is based on changes in the Index, which is based on the national housing markets.
The profit made on selling the property depends on demand for that particular	The Investment Return on the Notes at the end of the term depends on the Index,

property. Individual property prices vary much more than national house prices, which means that an individual property can increase or decrease in value much more than the HHPI.	which tracks house prices nationally across the UK.
An investor may have to pay capital gains tax on the profits from selling the property.	An Investor may have to pay capital gains tax on the Notes, unless invested through an ISA or a SIPP.
If an investor lets the property to unsuitable tenants, they may fall behind with the rent or cause damage to the property and lead to the investor making a loss (which may be reclaimed from insurance cover for such damage).	If Castle Trust become insolvent and cannot buy-back an Investor's Notes, that Investor would suffer loss (but may be able to claim under the FSCS).
An investor may choose when to sell the property and may be able to take advantage of strong housing market conditions.	An Investor chooses the investment term at the outset and the Investment Return is based on the change in the Index over the Investment Term.
A property is an asset that may be used as security for a loan if an investor has enough equity available.	An Investor may be unable to use Notes as security for a loan.

It should be noted that the Notes are subject to the risks set out in Part II of this document.

8 Partnership Mortgages funded by the HouSAs

The funds received by the PCC (which will issue Growth HouSAs) and the Issuer (which will issue Income HouSAs) will be paid under the Investment Product to Castle Trust. Castle Trust will use about 80% of such funds to offer Partnership Mortgages, keeping around 20% of funds received in liquid assets with a maturity of less than two years. This is to ensure that Castle Trust has sufficient liquid resources to meet its expected redemptions over the coming 12 months. Over the longer term, these liquid assets provide a buffer against the peaks and troughs in the rate at which Partnership Mortgages are redeemed. The Investment Products are designed to mature at the same time as the HouSAs mature.

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

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

Castle Trust will pay the amounts payable (which will be equal to the investment return due on those maturing Growth HouSA shares and the Investment Return due on the maturing Income HouSA

Notes), enabling Castle Trust PCC and Castle Trust Income HouSA plc to redeem the shares and loan notes they have issued.

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

9 Distribution

Castle Trust will distribute Partnership Mortgages exclusively via an approved group of mortgage adviser intermediaries in the UK. Each mortgage adviser group is subject to due diligence and on-going monitoring and review by Castle Trust with the aim of ensuring appropriate systems and controls over distribution of Partnership Mortgage products. Each individual mortgage adviser is required to complete a Chartered Insurance Institute accredited training programme prior to advising clients on Partnership Mortgages. To mitigate basis risk, the intention is to have an appropriate geographic spread of mortgage intermediaries across the UK advising on Partnership Mortgages.

Castle Trust intends to distribute HouSAs primarily via FSA authorised investment intermediaries of varying size, with a strong bias towards larger distributors. All larger investment intermediaries with whom Castle Trust deals are subject to due diligence and on-going review by Castle Trust, with the aim of controlling and monitoring the quality of distribution to ensure suitability of advice and the management of compliance risk. Castle Trust has developed adviser training materials for use by HouSA intermediaries which have been accredited by the Chartered Insurance Institute.

10 Key Service Providers

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

11 Head office

Castle Trust operates mainly from its head office premises in Central London where Castle Trust employs staff fulfilling management, finance, risk, compliance, distributor management, credit, underwriting, IT, marketing, HR and administration roles. Castle Trust had 21 permanent employees as at 31 March 2012.

12 Competitors

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

• Partnership Mortgages: banks and building societies providing traditional mortgages; and

• HouSAs: asset managers, life companies and investment trusts competing with offerings in other asset classes including equity, fixed income and commercial property.

13 Strategy for growth

Castle Trust's strategy is to build an established UK retail presence through a focus on offering products which deliver to customer needs in carefully selected segments of the market through carefully selected distribution partners, treating customers fairly, prudent underwriting and a prudent approach to capital and liquidity. It intends to continue growing its business through professional and responsible lending across existing and new lending segments and the introduction of new distribution partners.

14 Castle Trust's Asset and Liability Management

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

House price risk is the difference between the Index exposure of the HouSAs and the individual house price exposure of the Partnership Mortgages. For example, if Castle Trust has issued too many Partnership Mortgages compared to HouSAs then Castle Trust could make a loss if house prices fall. This risk will be managed by the lending of Partnership Mortgages and HouSA issuance. Castle Trust will not issue more Partnership Mortgages than it can fund via HouSAs and, if required, will scale back HouSA issuance accordingly. A fall in house prices reduces the value of both Castle Trust's assets (the Partnership Mortgages) and liabilities (the Growth HouSAs and the Income HouSAs). The net impact of this is to mitigate the impact of falling house prices on Castle Trust. Further information in relation to the management of house price risk can be found on page 132.

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

Duration risk is the risk that the portfolio of Partnership Mortgages will mature before or after the portfolio of HouSAs. Castle Trust intends to manage duration risk by: investing a proportion of the funds raised from HouSA issuance into liquid assets; controlling the distribution of HouSA issuance to balance the average term of the HouSAs with the term of the portfolio of Partnership Mortgages; and in certain circumstances, not accepting or offering early redemptions of the HouSAs. In general, duration risk will decrease as Castle Trust's balance sheet grows because the duration of a portfolio of Partnership Mortgages is much more stable and predictable than the duration of an individual mortgage. The risk management systems model the assets (Partnership Mortgages) and liabilities (HouSAs) over their lifetime and the net cashflows arising. This is the basis for monitoring and controlling duration risk. The contractual liability of the primary assets (Partnership Mortgages) is typically much longer than their expected duration (due to people moving house and remortgaging). The capital management and liquidity policies are designed to address any experienced mismatch between the actual duration of such assets and the liabilities under the HouSAs as they occur. Further information in relation to the management of duration risk can be found on page 133 under the heading "Liquidity Risk Management".

Castle Trust's financial risk management is overseen by the board risk committee which reports to the Castle Trust Directors. The Castle Trust Board benefits from board members with extensive experience of asset and liability matching and financial risk control: Dr David Morgan A.O., former CEO of Westpac Banking Corporation; Timothy Hanford, chair of the Risk Committee of Pension Insurance Corporation and a former director of Schroders; and the chief financial officer, Keith Abercromby, former Group Finance Director of Liverpool Victoria Friendly Society and board member of a number of UK financial institutions.

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

15 Regulatory Capital

Castle Trust is a limited license BIPRU investment firm subject to the regulatory capital rules of the FSA.

As at the date of this Base Prospectus, Castle Trust had in excess of £50m core Tier 1 regulatory capital prior to writing any business.

Castle Trust's regulatory capital position has been, and will continue to be, monitored as part of the Group ICAAP within which Castle Trust's capital resources and requirements are calculated separately. The ICAAP is updated annually with the capital requirements forming an integral part of Castle Trust's 5 year planning and budgeting process.

16 Current trading

Castle Trust's principal activities during the period ended 30 September 2011 and until the date of this Base Prospectus has been planning, preparation and building the regulatory, operational and commercial relationships and infrastructure required in order to launch the Castle Trust business – comprising the HouSA investment products and the Partnership Mortgage lending products.

17 Directors, Key Management Team and Employees

Directors of Castle Trust

Sir Callum McCarthy (Non-Executive Chairman)

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

Dr David Morgan, AO (Non-Executive Director)

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

Dame Deirdre Hutton CBE (Independent Non-Executive Director)

Chair of the Civil Aviation Authority, a non-executive director of HM Treasury, non-executive director of Thames Water, former deputy chair of the FSA, chair of the National Consumer Council, Scottish Consumer Council and the Personal Investment Authority Ombudsman Bureau. In her role as former deputy chair of the FSA, Dame Deirdre's role included oversight of prudential and conduct regulation of all regulated financial institutions, including banks and building societies which have in the order of £1,000 billion of exposure to residential property via mortgages.

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

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

Mr Tim Hanford (Non-Executive Director)

Managing director of JC Flowers & Co, a director of OneSavings Bank (a regulated UK residential mortgage provider), Pension Insurance Corporation (chair of Risk Committee), Shelbourne Syndicate Services Limited (Lloyds) and JSCB Investtradebank. Formerly co-head of FPK Capital, head of private equity at Dresdner and a director of Schroders

Mr Patrick Gale (Independent Non-Executive Director)

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

Mr Richard Ramsay (Independent Non-Executive Director)

Chairman of Wolsey Group Limited (which is a specialist UK residential property finance business), Redstone plc and Northcourt. Previously a director of the Shareholder Executive, Managing Director of Regulation and Financial Affairs at Ofgem and a director of Intelli Corporate Finance, Ivory & Sime and Aberdeen Football Club.

Mr Sean Oldfield (Chief Executive Officer)

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

Mr Keith Abercromby (Chief Financial Officer)

Keith was most recently the Group Finance Director of Liverpool Victoria Friendly Society, a mutual focused on asset management, banking, life insurance and general insurance with assets of £8 billion, 4000 employees and 4million customers. Principal roles before that were Finance Director for Norwich Union Life and its subsidiaries (NU Life, CU Life, GA Life plus others). From 2003 to 2005 roles included being Finance Director for HBOS Insurance & Investment Division, HBOS Financial Services, Clerical Medical, Halifax Life and others. From 2000 to 2003 Keith was the CEO for Halifax Financial Services and COO for HBOS Insurance & Investment Division. Before that Keith was responsible for product strategy and risk for the Halifax Retail Bank, as part of which his role included running asset and liability management. At the time, Halifax Retail Bank had assets of approximately £100 billion and was the UK's largest residential property mortgage provider. Keith has a mathematics degree and is a qualified actuary.

Key Management Team members

Mr Martyn Guerin (Chief Operating Officer)

Martyn was with Barclays for 27 years where his last role was as General Manager for Barclaycard's Credit Card and Loans business in Germany, which had assets of £1.3 billion, 1 million customers and 500 employees. Before this role he was the Chief Operating Officer for Barclaycard International where he was accountable for the Operations and Technology functions across Western Europe and South Africa (3million customers and 2,500 employees) and for building capabilities to support the launch of new credit card businesses in India and UAE. During his time at Barclays, Martyn also performed a number of executive and senior leadership roles in operations, IT, strategy and change management in consumer and corporate businesses in the UK and abroad.

Mr Tony Pauley (Chief Technology Officer)

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

Mr Mikkel Bates (Head of Marketing)

Mikkel has over 30 years' financial services, marketing and sales support experience, including 11 years at Société Générale Asset Management UK (SGAM UK), where he was Head of Marketing, responsible for marketing and communications for both the retail and institutional channels, and contributed to SGAM group's international marketing strategy. He has also sat on committees at the Investment Management Association (IMA) and the Tax Incentivised Savings Association (TISA). After leaving SGAM UK, he provided marketing and technical advice relating to UCITS IV to asset-management companies. Mikkel has an honours degree in business administration from the University of Bath.

Mr James Neave (Head of Lending)

James was previously Managing Director of CoreLogic Solutions Ltd, a leading provider of services to the UK residential-mortgage industry. CoreLogic's products include mortgage-fraud detection software for underwriting and credit decisions, and an automated property valuation model using a large database of UK property. Data Protection and IT security are critical elements for both products. His previous roles were Head of Valuation Services for Rightmove.co.uk, responsible for designing and building their AVM (2004 to 2007), Senior Design Engineer for Cambridge Consultants Ltd, focused on mathematical modelling and simulation of physical processes (1999 to 2003). James has an engineering degree from Oxford, is a chartered engineer, and has an MBA from Cambridge.

Mr Mike Hughes (Commercial Director)

Mike has significant experience in a wide range of businesses within the financial-services sector. He was CEO of Burns Anderson PLC, the longest established IFA network in the UK, which he developed into a well-respected, profitable and growing business, serving over 400,000 customers. Before that Mike was a Director of Legal & General Bank Ltd, which won a number of awards for customer service and value. Mike has had various customer-based and strategic roles at Bristol & West Building Society, which had 164 branches and over a million customers. Mike has an MBA, with distinction, from The University of Warwick.

Mr Mark Banham (General Counsel)

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

Employees

Castle Trust had 21 permanent employees as at 31 March 2012, including two executive directors (but excluding non-executive directors). All of Castle Trust's employees are based in the UK.

18 Incentive Arrangements

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

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

As part of this exercise, the remuneration committee has decided that the introduction of the Share Ownership Plan ("Plan") will support Castle Trust's business strategy in the future.

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

In addition to the Plan, Castle Trust will operate a discretionary bonus scheme (the "Bonus Scheme") in relation to certain employees. Any award of bonuses under the Bonus Scheme will be made at the discretion of the remuneration committee.

The Castle Trust Directors believe, on the basis that it is a Tier Four Firm for the purposes of the FSA Remuneration Code, that the terms of both the Plan, the Bonus Scheme and the other aspects of the remuneration arrangements of Castle Trust are compliant with the requirements of the FSA Remuneration Code in force as at the date of this Base Prospectus.

19 Dividends Policy for Castle Trust

Castle Trust intends to start trading on 1 October 2012 and does not anticipate paying a dividend in respect of the first year of trading. Thereafter, prior to approving a dividend, the Castle Trust Board will satisfy itself that after any such dividend had been paid, Castle Trust would retain surplus capital resources in excess of its regulatory capital requirements.

20 Use of proceeds

The proceeds raised from the HouSA offers will enable Castle Trust to lend to UK resident owner occupiers as referred in the paragraph headed "UK residential property mortgage market, retail deposit and investment markets" of this Part III (with about 20% of proceeds retained for liquid asset investments) thereby generating the necessary returns from Partnership Mortgages which, together with the return on the liquid assets investments, are designed to provide the proceeds to fund returns to investors in HouSAs.

PART IV

FORM OF THE NOTES

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

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

Payments of principal, interest and any other amount in respect of the Notes will, in the absence of provision to the contrary, be made to the person shown on the Register on the relevant Record Date as the registered holder of the Notes. Where CTCN is the registered holder, any payment of principal, interest or other amount will be paid by the Issuer on behalf of CTCN to that person registered with CTCN as holding a beneficial interest in that Note. Neither Castle Trust nor the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Whenever a Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within 5 business days of the delivery by or on behalf of the registered holder of the Global Certificate to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Deed of Covenant and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

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

Under the Deed of Covenant, persons shown in the records of CTCN as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Certificate became void, they had been the registered holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of CTCN.

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

Amendment to Conditions

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

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

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

PART V

PRO FORMA FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[***Date***]

CASTLE TRUST INCOME HOUSA PLC

Issue of 50,000,000 Castle Trust Income HouSA Loan Notes

Offered by CASTLE TRUST CAPITAL PLC

Under the Castle Trust Income HouSA Programme

PART A – CONTRACTUAL TERMS

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

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Base Prospectus and these Final Terms and the Base Prospectus is available for viewing at and copies may be obtained during normal working hours from the Issuer's office Elizabeth House, 9 Castle Street, St. Helier, Jersey JE4 2QP. For the purposes of Article 14 of the Prospectus Directive, the Base Prospectus and the Final Terms have been published on the Castle Trust Capital plc website: www.castletrust.co.uk. A summary of the individual issue is annexed to these Final Terms.

1.	(i) Issuer:	Castle Trust Income HouSA plc
2.	[(a)] Series Number:	[•]
	[(b)] Tranche Number:	[•]
3.	Aggregate Nominal Amount:	[•]
	[(a)] Series:	[•]
	[(b)] Tranche:	[•]
4.	Issue/Offer Price:	£1.00
5.	(a) Specified Denominations:	£1.00

6.	(a) Issue Date:	[•]
	(b) Interest Commencement Date:	[[•]/Issue Date/Not applicable]
7.	Maturity Date:	[•]
8.	Interest Basis:	[[•] per cent. Fixed Rate]
9.	Redemption/Payment Basis:	[Index Linked Redemption]
10.	Change of Interest Basis or Redemption/Payment Basis:	[•]
11.	Put/Call Options:	Issuer Call (further particulars specified below)
12.	Date Board approval for issuance of Notes Obtained:	[•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions	Applicable
	(a) Rate(s) of Interest:	[•] per cent. per annum payable quarterly in arrear
	(b) Interest Payment Date(s):	[•] in each year up to and including [•]
	(c) Fixed Coupon Amount(s):	[•] per [•] in Nominal Amount
	(d) Broken Amount(s):	Not applicable
	(e) Day Count Fraction:	90/360
	(f) Determination Date(s):	[•] in each year
	(g) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/[•]]

PROVISIONS RELATING TO REDEMPTION

14.	Call Option:	Applicable only for such Notes held by Castle Trust Capital plc
	(a) Optional Redemption Date(s):	[•]

	(b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	***(Index Percentage Change x Issue Price) + Issue Price*** and the Final Index level shall be the most recently published level of the Index
	(c) Notice Period	[•]
15.	Final Redemption Amount of each Note:	Other – Index-linked
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
	(a) Index/Formula/variable:	Halifax House Price Index
	(b) Calculation Agent responsible for calculating the Final Redemption Amount:	Issuer
	(c) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	(Index Percentage Change x Investment Amount) + Investment Amount Initial Index Level publication month: [•]
	(d) Final Index Level publication month:	[•]
	(e) Settlement Date:	[•]
16.	Early Redemption Amount	Such price as is mutually agreed between the Investor and the Issuer

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the £1,800,000,000 Castle Trust Income HouSA Note Programme of Castle Trust Income HouSA plc.

By:	By:
....	....
Duly authorised	***Duly authorised***

PART B – OTHER INFORMATION

1. **LISTING**

(i) Listing:	Channel Islands Stock Exchange, LBG
(ii) Admission to trading:	Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the CISX. It is expected that the first dealing day will be [●]

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

[In addition to the disclosures on pages [70] and [105] in the Base Prospectus, [•] has an interest material to the offer by virtue of [•].]/[None save as disclosed on pages [70] and [105] in the Base Prospectus]

3. **RELATIONSHIPS MATERIAL TO THE ISSUE/OFFER BETWEEN THE ISSUER AND THE INVESTMENT PROVIDER**

The Issuer entered into a supplementary confirm in relation the Investment Product in respect of the Offer Tranche on [•] on the terms set out on page [69] in the Base Prospectus.

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer	See "Use of Proceeds" wording in Base Prospectus
[(ii)] Estimated net proceeds:	[•]
[(iii)] Estimated total expenses:	[•]

5. **PERFORMANCE OF INDEX**

The Index is the Halifax House Price Index of the UK national housing market which includes all houses, all buyers, non-seasonally adjusted, monthly data. The Index is published monthly and further information and historical performance can be found on the Halifax Bank of Scotland website at http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp

6. **OPERATIONAL INFORMATION**

(a)	ISIN Code:	[•]
(b)	Other Final Terms:	

(i)	Offer Price:	£1.00
(ii)	Offer Period:	[•] - [•]
(iii)	Offer Period for which consent is given for the later resale or final placement by Financial Intermediaries may take place	[•] - [•]

(iv)	Conditions to which the offer is subject:	The Offer is conditional upon the Issuer: (a) having received the approval of the CISX for the Notes in the Offer Tranche to be admitted to the Official List of the CISX and to trading on the CISX (subject only to their issue); and (b) having entered into (or the Directors being satisfied that the Issuer is reasonably likely to be able to enter into) the Investment Product in respect of each Offer Tranche on terms that the Directors, at the time that such Investment Product is entered into (or, if earlier, on the Issue Date), consider to be such as to be reasonably likely to enable the Issuer to meet the investment objective of each Offer Tranche. If either of these conditions is not satisfied in respect of the Notes in the Offer Tranche, the Issuer shall not issue any Notes pursuant to the Offer and shall return the application monies (without interest) for such Notes to each applicant at the applicant's risk by no later than 30 days after the date that the Offer Period closes.
(v)	Further conditions to consent to use Prospectus	[•] / [Not applicable]
(vi)	Description of the application process:	Any investor who wishes to acquire Notes must apply and send the Investment Amount in respect of such Notes to Castle Trust during the relevant Offer Period. Castle Trust will use the Investment Amount to discharge the inter-company debt owed to the Issuer by a corresponding amount and will arrange for the beneficial interest in the relevant number of Notes to be transferred to the Investor (apart from where the Investor wishes for the Notes to be registered in his name in which case legal title will be transferred).
(vii)	Details of the minimum and/or maximum amount of application:	£1,000 and £1,000,000 (for retail Investors) respectively. The directors of the Issuer may waive the

		minimum and maximum application sizes at their discretion.
(viii)	Manner in and date on which results of the offer are to be made public:	Details of the total number of Notes issued and admitted to trading on the Official List of the CISX pursuant to each Offer (and not redeemed at the end of the Offer Period) will be available from the CISX website (www.cisx.com) on the day following the closing of the Offer Period.
(ix)	Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	Please see page 62 of the Base Prospectus under the heading Offer Period.
(x)	Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	The Issuer will not charge any fee or expenses to Investors. Investors who purchase Notes directly from Castle Trust or CTCM will be charged a fee of 3% of their Investment Amount. Investors introduced to the Issuer by other financial intermediaries may be charged up to 3% of their Investment Amount by the financial intermediary depending on their arrangements with their financial advisor.

ANNEX – FORM OF ISSUE SPECIFIC SUMMARY

(ISSUER TO APPEND FORM OF ISSUE SPECIFIC SUMMARY TO FINAL TERMS)

PART VI

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions (the ‘‘**Conditions**” and each a ‘‘**Condition**”) that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the Relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Certificates representing each Tranche. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Form of the Notes” above. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Relevant Final Terms. Those definitions will be endorsed on the definitive Certificates.

1 INTRODUCTION

1.1 Programme

Castle Trust Income HouSA plc (the “**Issuer**”) has established a programme (the “**Programme**”) for the issuance of up to £1,800,000,000 in aggregate principal amount of notes (the “**Notes**”).

1.2 Final Terms

Notes issued under the Programme are issued in series (each a “**Series**”) and each series may comprise one or more tranches (each a “**Tranche**”). Each Tranche is the subject of final terms applying to notes (the “**Final Terms**”) which supplements these Conditions. The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented or varied in accordance with the provisions of the Final Terms. In the event of any inconsistency between these Conditions and the Relevant Final Terms, the Relevant Final Terms shall prevail.

1.3 Deed of Covenant

The Notes are constituted by a deed of covenant made by the Issuer (the “**Deed of Covenant**”) dated 25 September 2012.

1.4 The Notes

References in these Conditions to the ‘‘**Notes**’’ are to the Notes of one Tranche which are the subject of the relevant Final Terms.

1.5 Summaries

The holders and the Noteholders (each as defined below) are bound by, and are deemed to have notice of, all the provisions of the Deed of Covenant applicable to them. A copy of the Deed of Covenant is available for inspection by Noteholders during normal business hours at the specified offices of each of the Issuer and the Registrar, the initial specified offices of which are set out below.

2 FORM, DENOMINATION AND TITLE

2.1 The Notes are issued in registered form and represented by certificates (“**Certificates**”) and each Certificate shall represent the entirety of Notes of a particular Tranche.

2.2 The Notes are in the minimum denomination(s) specified in the Relevant Final Terms or integral multiples thereof.

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

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

3 TRANSFERS

3.1 A Note may, upon the terms and subject to the conditions set forth in this Condition 3 and the Deed of Covenant, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Final Terms) upon the surrender of the relevant Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new certificate will be issued to the transferee and, in the case of a transfer of part only of a Note, a new certificate in respect of the balance not transferred will be issued to the transferor.

3.2 Subject to the Deed of Covenant and Condition 3.6 below, Notes may be transferred by execution of the relevant form of transfer under the hand of the Noteholder or, where the transferor is a corporation, under its common seal or under the hand of two of its officers duly authorised in writing. Where the form of transfer is executed by an attorney or, in the case of a corporation, under seal or under the hand of two of its officers duly authorised in writing, a copy of the relevant power of attorney certified by a financial institution in good standing or a notary public or in such other manner as the Registrar may require or, as the case may be, copies certified in the manner aforesaid of the documents authorising such officers to sign and witness the affixing of the seal must be delivered with the form of transfer. In this Condition 3, "**transferor**" shall, where the context permits or requires, include joint transferors and shall be construed accordingly.

3.3 The Certificate issued in respect of the Notes to be transferred must be surrendered for registration, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed thereon, duly completed and executed, at the specified office of the Registrar, and together with such evidence as the Registrar (as the case may be) may reasonably require to prove the title of the transferor and the authority of the persons who have executed the form of transfer.

3.4 No transfer or exchange of a Note may be effected unless:

3.4.1 such Note is transferred or exchanged in a transaction that does not require registration under the Securities Act and is not in violation of the United States Investment Company Act of 1940, as amended;

3.4.2 such transfer or exchange is effected in accordance with the provisions of any restrictions on transfer specified in the legends (if any) set forth on the face of the Certificate issued in relation to such Note; and

3.4.3 in the case of a transfer, the transferee delivers to the Registrar a form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed on the Certificate issued in relation to such Note.

3.5 A certificate representing each new Note or Notes to be issued upon the transfer of a Note will, within three Relevant Banking Days of the transfer date (as defined below) be available for collection by each relevant holder at the specified office of the Registrar or, at the option of the holder requesting such transfer, be mailed (by uninsured post at the risk of the holder(s) entitled thereto) to such address(es) as may be specified by such holder. For these purposes, a form of transfer received by the Registrar after the Record Date in respect of any payment due in respect of Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment. For the purposes of these Conditions:

“**Relevant Banking Day**" means a day, other than a Saturday or Sunday, on

3.5.1 which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located; and

3.5.2 the "**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Note shall have been surrendered for transfer in accordance with Condition 3.1 above

3.6 No holder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for the payment of any principal or interest in respect of such Note.

4 STATUS

The Notes constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank ***pari passu*** and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

5 INTEREST

5.1 **Accrual of interest:** The Notes bear interest on their outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum as stated in the Relevant Final Terms. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Interest Payment Date immediately preceding the Maturity Date in respect of the Notes. The amount of interest payable shall be determined in accordance with Condition 5.2. Each Note will cease to bear interest from the Interest Payment Date immediately preceding the due date for final redemption unless, upon due presentation on the Maturity Date, payment is improperly withheld or refused, in which event it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Registrar has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

5.2 **Calculation of Interest Amount:** The Issuer will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by 90/360.

6 REDEMPTION

6.1 **Scheduled redemption:** Unless previously redeemed, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 7 (***Payments***).

6.2 **Redemption at option of the Issuer:**

6.2.1 The Issuer shall, at its sole discretion, redeem all of the Notes in which Castle Trust holds an interest (save for such Notes which Castle Trust indicates it will transfer to an Investor subject to receipt of cleared funds) on the day before the Interest Commencement Date at the Final Redemption Amount as calculated by reference to the Index in publication at that date;

6.2.2 Where Castle Trust has failed to discharge the inter-company debt owed to the Issuer in consequence of the initial subscription for Notes by the end of day falling 4 Business Days after the day before the Interest Commencement Date, the Issuer shall, at its sole discretion, redeem all of the Notes in which Castle Trust holds an interest on the day falling 5 Business Days after the day before the Interest Commencement Date at the Issue Price;

6.2.3 The Issuer shall, at its sole discretion, redeem all or any of the Notes which are held by Castle Trust at any time giving not less than 5 days' notice to redeem at the Optional Redemption Amount.

6.3 **Optional redemption:** All or any of the Notes held by a Noteholder may be redeemed by mutual agreement between the Issuer and such Noteholder at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Noteholder on the Issuer giving not less than 15 nor more than 30 days' notice to the relevant Noteholders (which notice shall be irrevocable).

6.4 **Cancellation:** Notes redeemed by the Issuer shall be cancelled and may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 PAYMENTS

7.1 **Investment Return:** Payments of the Investment Return shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Registrar by cheque drawn in Sterling, or, if requested by the

Noteholder, by BACS to a Sterling account of the relevant payee, and shall be made within ten Business Days of the Maturity Date or, if the realisation of the Investment Products to which the Notes relate is delayed, within ten Business Days of such later date on which the realisation proceeds are actually received by the Issuer in cleared monies.

7.2 **Interest:** Interest on the Notes shall be paid to the person shown on the Register at the close of business on the Interest Payment Date. Payments of interest on each Note shall be made in Sterling by cheque drawn on a bank and mailed to the holder or by BACS to a Sterling account of the relevant payee (or to the first named of joint holders) of such Note at its address appearing in the Register, in each case within 20 days of the relevant Interest Payment Date.

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

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

7.5 **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, ''**business day''** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as ''**Financial Centres''** hereon and where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency.

8 TAXATION

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

9 PRESCRIPTION

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

10 MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

10.1 **Meetings of Noteholders:** The Deed of Covenant contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters (which include, amongst other things, a change to the investment objective of any particular Tranche of Notes) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

10.2 **Modification:** The Notes and these Conditions may be amended or modified without the consent of the Noteholders to correct a manifest error or where the amendment or modification is of a formal, minor or technical nature or is, in the reasonable opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

11 REPLACEMENT OF CERTIFICATES

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

12 FURTHER ISSUES

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

13 NOTICES

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

14 DEFINITIONS

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

Final Redemption Amount: the Investment Return;

Index: the relevant index by reference to which the Investment Return for each Note issued in respect of a Tranche will be determined, which shall be (unless otherwise stated in the Final Terms) the Halifax House Price Index of the UK national housing market which includes all houses, all buyers, non-seasonally adjusted, monthly data

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

Interest Commencement Date: the first day of the month following the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the Relevant Final Terms;

Interest Payment Date: the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms;

Interest Period: each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

Investment Product: has the meaning given in the Base Prospectus;

Investment Return: has the meaning given in the Base Prospectus;

Issue Date: has the meaning given in the Relevant Final Terms;

Maturity Date: has the meaning given in the Relevant Final Terms;

Optional Redemption Amount: the Investment Return as calculated by reference to the Index on the date that notice to redeem is given by the Issuer;

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

Rate of Interest: the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in Relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the Relevant Final Terms;

Redemption Amount: as appropriate, the Final Redemption Amount, the Optional Redemption Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Relevant Final Terms;

Relevant Date: in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Registrar on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders; and

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

15 LAW AND JURISDICTION

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

15.2 **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Notes.

15.3 **Appropriate forum:** The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

15.4 **Rights of the Noteholders to take proceedings outside England:** Condition 15.2 above is for the benefit of the Noteholders only. As a result, nothing in this Condition 15 (***Law and Jurisdiction***) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

15.5 **Process Agent:** The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being marked for the attention of "General Counsel" and delivered to Castle Trust Capital plc, 41 Lothbury, London EC2R 7HG. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Registrar, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Registrar. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

Specified Offices

Registrar:

JTC (Jersey) Limited
Elizabeth House
9 Castle Street
St. Helier
Jersey JE4 2QP

Issuer:

Castle Trust Income HouSA plc
Elizabeth House
9 Castle Street
St. Helier
Jersey JE4 2QP

PART VII

THE OFFER

The Notes

Offer information will be provided at the time of any sub-offers

Investors will purchase their Notes from Castle Trust. Castle Trust will contract with the Investor to repurchase their Notes on the Maturity Date for an amount equal to the Investment Return. Castle Trust is authorised and regulated by the Financial Services Authority to carry out regulated activity and is a participant in the Financial Services Compensation Scheme ("**FSCS**") established under the Financial Services and Markets Act 2000. The FSCS can pay compensation to Investors if an investment firm (such as Castle Trust) is unable to meet its financial obligations. If an Investor has suffered a loss as a result of Castle Trust failing to meet its financial obligations (for example, if it fails to buy back the Notes because it has become insolvent) then the Investor would be able to make a claim under the FSCS. Most Investors, including most individuals and some small businesses, are covered by the FSCS. However, Investors will only be covered if they have purchased their Notes directly from Castle Trust or inherited them from someone who purchased the Notes directly from Castle Trust. They will not be eligible for FSCS compensation if they purchase their Notes on the secondary market. In respect of investments, an eligible investor is entitled to claim up to £50,000. For further information about the FSCS, including the amounts covered and eligibility to claim, please ask Castle Trust for more detail or refer to the FSCS website www.fscs.org.uk. CTCM is the Marketing Manager for these Notes and Investors have no right of recourse against CTCM.

The key features of the Notes are:

- the Notes are suitable for investors who expect that the Final Index Level will be above the Initial Index Level and who wish to receive interest payments during the Investment Term;
- the Notes are sterling-denominated, have a fixed investment term of 3, 5 or 10 years respectively and will be governed by English law;
- Investors will receive an Investment Return that reflects any increase in the Index if the Final Index Level exceeds the Initial Index Level but will also risk losing some or all of their Investment Amount if the Final Index Level is lower than the Initial Index Level.
- Investors will receive fixed quarterly interest payments of 2% (for 3 year term Notes), 2.5% (for 5 year term Notes) or 3% (for 10 year term Notes) per annum;
- an application has been made to list and admit to trading the Notes on the CISX by way of an offer for sale;
- the Notes will be issued in registered global form; and
- the Investment Products for each Tranche of Notes are the Issuer's sole assets and the Investment Product is unsecured.

It should be noted that three separate Tranches of Notes will be created for the different fixed investment term of 3, 5 or 10 years respectively (each being a distinct "**Offer**

Tranche").

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

The currency for the Offer is pounds sterling.

Issue Price

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

Minimum and maximum Offer size

A minimum of one thousand (1,000) Income HouSA Notes in aggregate will be made available under each Offer.

A maximum of 150 million (150,000,000) Income HouSA Notes in aggregate will be made available under each Offer, 50 million (50,000,000) for each of the three Tranches offered.

The Proceeds of each Offer (being the aggregate Issue Price of all Notes) are expected to be £1,000 if the minimum number of Notes are issued and the subscription price paid, and £150,000,000 if the maximum number of Notes are issued and the subscription price paid.

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

Minimum and Maximum Application Size per Investor

The minimum application size per Investor is £1,000 and the maximum application size for retail Investors is £1,000,000.

The Directors of the Issuer may waive the minimum and/or maximum application sizes.

Offer Period

Castle Trust will offer Notes from the Opening Date until 14.00 (London time) on the Closing Date or such earlier or later date as the Directors may agree. Applications received after the end of the Offer Period will not be accepted. Notes will be allocated and transferred to Investors as successful applications are received and processed by Castle Trust.

No Notes of any Offer Tranche will be offered for sale after the Closing Date (subject to the Directors' above-mentioned discretion to extend or shorten the Offer Period). The

Directors on behalf of the Issuer (as advised by Castle Trust) may reject any application in respect of the Offer in their absolute discretion.

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

Conditions of Offer

The Offer is conditional upon the Issuer:

(a) having received the approval of the CISX for the Notes in the Offer Tranche to be admitted to the Official List of the CISX and to trading on the CISX (subject only to their issue); and

(b) having entered into (or the Directors being satisfied that the Issuer is reasonably likely to be able to enter into) the Investment Product in respect of each Offer Tranche on terms that the Directors, at the time that such Investment Product is entered into (or, if earlier, on the Issue Date), consider to be such as to be reasonably likely to enable the Issuer to the investment objective of each Offer Tranche.

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

Cancellation of the Offer

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

Investment Return

The Investment Return is the amount payable with respect to each Income HouSA Note on the relevant Maturity Date calculated by Castle Trust as follows:

(Index Percentage Change x Investment Amount) + Investment Amount

The month of publication of the relevant Initial Index Level and the relevant Final Index Level will be included in the Relevant Final Terms.

Interest

Each Note bears interest from (and including) the first day following the end of the Offer Period at the rate per annum as stated in the Relevant Final Terms. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the

Interest Payment Date immediately preceding the Maturity Date. Interest will be calculated on the full nominal amount outstanding of the Notes and will be paid to Investors by Castle Trust by way of BACS or cheque within 20 days after the Interest Payment Date. In respect of each Note, interest will be calculated on its outstanding nominal amount and, in each case, multiplying such sum by 90/360, and rounding the resultant figure to the nearest pence, half of any such pence being rounded upwards or otherwise in accordance with applicable market convention.

Example of potential returns:

The following table shows the potential returns if £1,000 were invested at the Issue Date by way of subscription for Income HouSA Notes with a fixed term of 5 years. **This is a worked example on the fictional assumption as to Index performance given in the table below, and should not be relied on as an indicator of future performance.**

	Index Percentage Change (%)	**Interest (%)**	**Investment Return**	**Interest over 5 years**	**Total Return**
20% Growth	20	2.5	£1,200	£125	£1,325
10% Growth	10	2.5	£1,100	£125	£1,225
5% Growth	5	2.5	£1,050	£125	£1,175
5% Fall	(5)	2.5	£950	£125	£1,075
10% Fall	(10)	2.5	£900	£125	£1,025
20% Fall	(20)	2.5	£800	£125	£925
30% Fall	(30)	2.5	£700	£125	£825

"**Index Percentage Change**" is the difference expressed in percentage terms between the Final Index Level and the Initial Index Level of the relevant Tranche. For the avoidance of doubt, the Index Percentage Change shall be a positive number where the Final Index Level is greater than the Initial Index Level and a negative number where the Final Index Level is lower than the Initial Index Level.

Castle Trust will fund its obligations under the Investment Product through its business activities. Castle Trust lends second charge mortgages with the cash it receives from the Proceeds advanced to it by the Issuer in accordance with the Investment Product, less approximately 20% of the Investment Amount paid by Investors for their Notes which will be invested by Castle Trust into liquid assets with a maturity of less than two years. The redemption of mortgages provides Castle Trust with the returns it needs to fund its obligations to the Issuer under the Investment Product, together with the liquid investments.

Listing and settlement

An application will be made for £50 million Notes in each Offer Tranche to be admitted to listing on the Official List of the CISX and to be traded on the CISX and issued to Castle Trust. No application has been made for the Notes to be listed on any other stock exchange. The CISX is not a regulated market for purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC)).

Unless an investor requests that the Notes be registered in his name, legal title to the

Notes will be vested in the Nominee with the beneficial interest being held by the investor. On a transfer of the beneficial interest, the beneficial interest will vest with the transferee only when the beneficial accounts maintained by the Nominee are updated to reflect such transfer. Every transfer of legal title of the Notes, once entered in the Register, shall vest in the transferee legal title in the Notes transferred.

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

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

Final Offer details

Details of the total number of Notes issued and admitted to trading on the Official List of the CISX pursuant to each Offer will be available from the CISX website (www.cisx.com).

PART VIII

SUBSCRIPTION AND SALE

1 Subscription

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

In respect of each Tranche, all Notes will be issued to the Nominee, who will hold the legal title thereto on behalf of Castle Trust. Once issued the Notes will be admitted to trading on the CISX on the same business day. Castle Trust will borrow the subscription amount from the Issuer with the amount left outstanding on the inter-company account.

2 Purchase

Castle Trust will offer for sale the Notes to potential investors and once sold, Castle Trust will use the Investment Amount to pay up the amounts due on the relevant number of Notes and will arrange for the beneficial interest in the relevant number of Notes to be transferred to the Investor (apart from where the Investor wishes for the Notes to be registered in his name in which case legal title will be transferred). The Issuer will advance all subscription monies received from Castle Trust (less certain fees payable to CTCM) to Castle Trust under the Investment Product. In practice, the Issuer will offset its liability under the Investment Product against Castle Trust's obligation to discharge the inter-company debt to reduce the number of money flows required in accordance with the Umbrella Agreement.

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

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

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

Notes are transferable by instrument in writing signed by (or, in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor being delivered to the Registrar.

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

3 Sale

The distribution of this Base Prospectus and the Relevant Final Terms and the offering or purchase of the Notes may be restricted in certain jurisdictions. Persons receiving a copy of this Base Prospectus and/or the Relevant Final Terms in any such jurisdiction may not treat any such document as constituting an offer, invitation or solicitation to them to subscribe for

Notes unless in that jurisdiction, such an offer, invitation or solicitation could lawfully be made to them without compliance with any registration or other legal requirement. It is the responsibility of any persons in possession of this Base Prospectus and/or the Relevant Final Terms and any persons wishing to apply for Notes pursuant to this Base Prospectus, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Applicants should inform themselves as to the legal requirements of so applying, and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

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

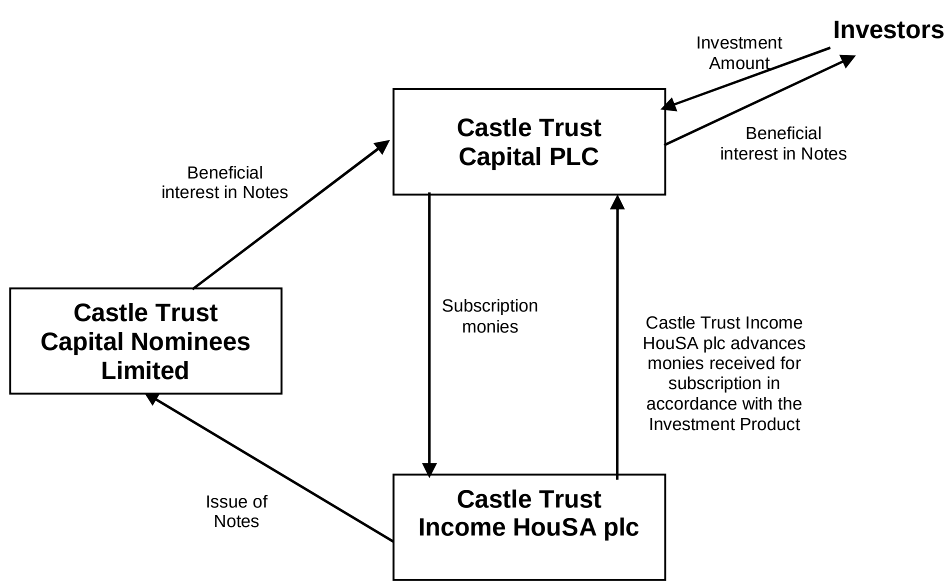
This document is not for distribution in the US, Australia, Canada or Japan. The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities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

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

No incorporation of website information

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

4 Diagram of the Issue structure



INFORMATION ON PAYMENTS AND REDEMPTION OF NOTES

1 Payment of Interest

Interest is payable every three months from the first day of the month following the end of the Offer Period in which the Notes were offered. Castle Trust will pay the Interest to Investors directly on the direction of the Issuer. Interest is funded by Castle Trust's obligations under the Investment Product. A minimum of 20 per cent. of the Investment Amount paid by Investors will be retained in liquid assets such as money market, cash and cash equivalents. This is intended to ensure that Castle Trust will have sufficient liquid reserves in order to fund the Interest payments and the Investment Return payments due pursuant to the Investment Product.

2 Payment at Maturity

Payment of the Investment Return in respect of Notes which are redeemed on their Maturity Date shall be made by the Issuer to Investors within 10 Business Days of the Maturity Date or, if the realisation of the Investment Products of the Tranches to which the Notes relate is delayed, within ten Business Days of such later date on which the realisation proceeds are actually received by the Issuer in cleared monies.

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

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

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

3 Market for Notes and Early Redemption

The Directors do not anticipate that an active secondary market will develop in the Notes. An investment in the Notes should be viewed as a fixed term investment. In its absolute discretion, Castle Trust may purchase Notes from Investors before the Maturity Date of the Notes. Investors will not be entitled to require the Issuer to purchase or redeem the Notes at any time prior to the Maturity Date, and so any purchases by Castle Trust will be at such price as it may determine in its discretion (and it shall not in any event be under any obligation to purchase loan notes).

If Castle Trust does decide to acquire Notes prior to their maturity, specific provisions in the Investment Products will enable the Notes to be redeemed (with the agreement of the Issuer) in return for a proportionate part of each relevant Investment Product exposure being cancelled. Investors should be aware that the price offered, if any, may not be based on the same principles used in the calculation of the Investment Return, it will be less than the estimated Investment Return based upon the Index level at that time and may be below the Issue Price in respect of those Notes. Castle Trust will adjust the amount paid for such Notes to reflect the economic conditions and cost for Castle Trust to replace the funding, which may be substantial at that time. It is not expected that Castle Trust would hold any Notes so acquired for any material length of time and would not offer them to new investors. Castle Trust may realise profits or sustain losses in the amount of any differences between the prices at which it buys Notes and the amounts it receives on redemption of such Notes and the proportionate cancellation of each relevant Investment Product. Any profit made by Castle Trust may be retained by it for its absolute use and it shall not be liable to account to the Issuer in respect of such profits.

The return to any Investor who disposes of any Notes prior to their Maturity Date is likely to depend on the price at which Castle Trust determines, in its sole discretion, to pay for the Notes at that time and may be less than the Investment Return or even the Issue Price in respect of such Notes.

Any Investor who disposes of any Notes prior to their Maturity Date may receive back less than the amount he or she invested in the Notes.

4 **Redemption at Maturity**

On or about the Maturity Date for the Notes issued in respect of a Tranche, the Investment Product held by the Issuer in relation to that Tranche will mature in order to generate the Investment Return per Note and such Notes will be redeemed in full at the applicable Maturity Date by the Issuer.

The payment obligations of the Investment Provider under the Investment Products on or around the Maturity Date are designed to enable the Issuer, in turn, to pay to Investors on or around the Settlement Date the Investment Return in respect of their Notes on the redemption of those Notes. An Investor has no right to require the Issuer to redeem or purchase any of its Notes prior to the Maturity Date.

The Terms and Conditions and the application form contain a buy back arrangement in favour of Castle Trust over Notes held by Investors under which, as part of selling the Notes to an Investor, it will agree to purchase the Notes held by that Investor on the Maturity Date if they have not been redeemed by 14.00 on that day and the Nominee will be deemed authorised to sell the Investor's Notes to Castle Trust on the Maturity Date for an amount equal to the Investment Return. However, the Issuer intends to redeem the Notes prior to this buy-back taking place. The Note redemption will be funded by the amount due from Castle Trust under the maturing Investment Product. The Umbrella Agreement will offset the Investment Product payment and the redemption of the Notes payment and because the Investment Return will then lie with Castle Trust, Castle Trust will pay to Investors their Investment Return.

Investors who purchase their Notes from Castle Trust, an FSA authorised firm, will qualify for the FSCS in the event that Castle Trust is unable to meet the repayment to that Investor of an amount equivalent to the Investment Return. The buy back arrangement will only apply to Investors who initially acquired their Notes from Castle Trust and so it will not apply to Investors who acquire Notes on the secondary market. Those Investors who have bought their Notes on the secondary market will not qualify for the FSCS.

If the buy-back has occurred, immediately following Castle Trust's purchase of the Notes from the Investors, the Issuer will redeem the Notes for an amount equal to the Investment Return. The Note redemption by the Issuer will be funded by the payment due from Castle Trust under the now mature Investment Product. As Castle Trust will be the holder of the Notes having bought them back from Investors, these payments will be offset under the Umbrella Agreement.

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

INFORMATION ON THE OPERATION OF THE OFFER TRANCHES

This Part describes the objective of the Offer Tranches and the rights (including rights on redemption) attaching to the Notes.

1 Objective of the Notes

The Notes provide the Investors in the Tranche with the Investment Return referenced to the performance of the Index plus interest on the Issue Price.

The Issuer solely invests the Proceeds in respect of a Tranche in financial contracts that are solely for the purposes of achieving the investment object of that Tranche, as described below under the heading "Investment Product". No other hedging transactions are undertaken by the Issuer in respect of any Tranche.

2 Suitability

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

1 have sufficient knowledge and experience to make an evaluation of an investment in the relevant Notes and the merits and risks of investing in such Notes;

2 have sufficient financial resources and liquidity to bear all of the risks of an investment in any Notes, including the risk of loss of such investment and, where their currency is not sterling, any currency risk; and

3 be able to meet the Minimum Application Size.

The Offer is made to and an investment in the Notes may be suitable for investors (both retail and institutional investors) who believe that the Final Index Level will be higher than the Initial Index Level and who consider that the Index reflects the performance of the UK housing market.

3 Investment Product

The Issuer will enter into an Investment Product, a financial contract, with the Investment Provider in respect of each Tranche. Each Investment Product is a confirmation for the specific Tranche to be issued and is governed by a master contract. The Investment Product will be in the form of a financial instrument. Descriptions of certain provisions of the Investment Product in this Base Prospectus are summaries only and are subject to the detailed terms of the financial instrument and the master agreement that governs the Investment Product of each Tranche. The Investment Product is designed such that all Proceeds from subscriptions for Notes (less certain costs payable by the Issuer) are advanced by the Issuer to the Investment Provider. In consideration, the Investment Provider is obligated to pay to the Issuer amounts not less than the Interest as it falls due and amounts equal to the Investment Return as the Notes mature.

The Investment Product, together with the wider business structure of Castle Trust, backing the issue has the characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes. The terms of the Investment Product are such that Castle Trust is obliged to meet the payments (which are at least equal to the Interest payments and the Investment Returns) as they fall due and payable prior to the Issuer being obliged to make the equivalent payments to Investors. Therefore, the Issuer should always have the necessary funds to meet Interest and Investment Return payments. Castle Trust will meet such obligations through returns it earns on the Partnership Mortgages it lends and its liquid investments. The Investment Product has the capacity to produce funds to service any payments due and payable on the Notes.

On receipt of the Investment Amount from the Issuer, having received the same from Investors, Castle Trust will use about 80% of such funds to offer Partnership Mortgages, keeping around 20% of funds received in liquid assets with a maturity of less than two years. Applicants should note that the sole assets of the Issuer will comprise the obligations owed to the Issuer by the Investment Provider in respect of the relevant Investment Products. The Investment products are governed by English law. The Investment Provider will not provide collateral to meet its obligations under the Investment Products and the Investment Products shall therefore be unsecured. Any assets or arrangements which the Investment Provider acquires or enters into, to hedge its obligations under the Investment Product do not form part of the assets of the Issuer. The Interest and Investment Return payable to the Investors will be dependent on the Investment Provider's ability to meet its payment obligations under the relevant Investment Product. The Investment Product will expire on the maturity of the relevant Notes following the Investment Provider’s payment of the Investment Return. The Investment Product is governed by English law. The Investment Product is a specific product created by the Investment Provider for the sole purpose of providing this investment opportunity. The relationship between the Issuer and the Investment Provider is material because the payments due from the Investment Provider to the Issuer to allow the Issuer to meet the Interest payments and Investment Return due, is the only source of income for the Issuer. Further, the Investment Provider has a material interest in the offer because the net Proceeds will be advanced to the Investment Provider under the Investment Product. The Investment Provider will use such monies for its Partnership Mortgage business.

The Investment Product is structured such that there is a master contract governing the Investment Product with a new confirm issued with each fresh issue of Notes and therefore each confirm matures at the same time as each Tranche matures. Therefore, there is created a new contract in respect of each new Tranche of Notes and therefore a new asset backing each new issue. It should be noted, however, there is not a separate identifiable pool of Partnership Mortgages for each Investment Product. Accordingly the same assets may be used to support the Investment Provider’s obligations under multiple Investment Products and therefore **the Issuer proposes to issue further securities, each month, backed by the same assets. Each new issue of Notes will be announced to the market.**

For further information in relation to the Investment Product, please see page 119.

4 **Index Adjustment**

The Issuer shall act as the calculation agent in respect of the Notes in making any determinations, calculations or adjustments required in connection with the Investment Return payable on the Notes. For example, the Issuer will, in certain circumstances as set out below, determine the level of an Index if such level is unavailable. Whenever the Issuer is required to act or exercise its judgement in any way, it shall do so acting in good faith and in a commercially reasonable manner and having regard to such factors as it feels appropriate including, but not limited to:

(i) the circumstances giving rise to the requirement for the Issuer to act or exercise its judgement;

(ii) then prevailing market practice; and

(iii) any factors specific to the method of calculating the Investment Return.

Any determinations, calculations or adjustments made by the Issuer in accordance with the provisions of "Rebasing”, “Error in Publication”, “Index Disruption” or “Maturity Date Index Level Determination" below will constitute a variation or abrogation of rights, special rights and/or terms and conditions of the relevant Notes but only to the extent necessary to deal with the rebase, error, disruption or determination. Castle Trust will perform the same role as calculation agent in respect of the Investment Product and the provisions below should be interpreted in the same way in respect of such role of Castle Trust.

Rebasing

Where "Rebasing" applies to the Notes issued in respect of an Income HouSA Tranche and the Issuer determines that the Index has been revalued (as revalued the "**Rebased Index**") by the Index Sponsor by the application of a new historic value of the data pool used by the Index Sponsor as the benchmark for the Index, without amendment to the formula for or the method of calculating the Index, the Rebased Index will be used for the purposes of determining the Index from the date of revaluation, ***provided, however,*** that the Issuer may make adjustments, in consultation with the Cell and Castle Trust, to any level of the Index published on a publication date, so that use of the Rebased Index reflects what would have been the performance of the Index had the rebasing not occurred.

Error in Publication

Where "Error in Publication " applies to the Notes issued in respect of a Growth HouSA Share Class, if the Index Sponsor (i) announces that an error has occurred with respect to any Index level as published on any publication date, (ii) corrects such level and then (iii) publishes the correction prior to any determination to be made in respect of the Investment Return, the Issuer shall, to the extent that it has sufficient time and it is commercially reasonable to do so prior to the payment of any amounts to Shareholders, use the corrected index level in its calculation of any related amount to be paid.

Index Disruption

Where "Index Disruption" applies to the Notes issued in respect of a Growth HouSA Share Class, upon the occurrence of any one or more of the following events (an "**Index Disruption Event**"):

(i) an announcement by the Index Sponsor of an adjustment with respect to the formula or methodology it uses to calculate the Index, where the Index as calculated prior to such adjustment will no longer continue to be published; or

(ii) the Index Sponsor discontinues the calculation and publication of the Index,

the Issuer will determine, within 30 days of notifying the Cell and Castle Trust of the occurrence of such event, a suitable replacement Index, the appropriate level for such Index and such adjustments that are commercially appropriate to place the Cell and Castle Trust, as far as reasonably possible, in the economic position they would have been in had the relevant event not occurred.

Maturity Date Index Level Determination

Where "Maturity Date Index Level Determination" applies to the Notes issued in respect of a Growth HouSA Share Class, in the event that a level of the Index is not published by the last day of the month (the "**Publication Cut-off Date**") prior to the month in which the relevant Maturity Date or an Early Payment Date falls, then the Final Effective Index Price shall be equal to the published level of the Index from the most recent publication date falling before the Publication Cut-off Date.

5 Calculations and determinations

The Issuer shall make calculations and determinations in its sole discretion with respect to the Investment Return payable on the Notes, acting in good faith and in a commercially reasonable manner.

6 Taxation

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

PART IX

FINANCIAL INFORMATION

FINANCIAL INFORMATION ON THE ISSUER

Financial Information

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

FINANCIAL INFORMATION ON CASTLE TRUST

The financial information included in this Base Prospectus has been extracted from Castle Trust's 2011 annual accounts and has not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002 but in accordance with UK GAAP. There may be material differences in the financial information had Article 3 of Regulation (EC) No. 1606/2002 been applied to the historical financial information.

1 **Auditors Report in respect of the annual accounts for Castle Trust for the period 29 November 2010 to 30 September 2011**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLE TRUST CAPITAL LTD

We have audited the financial statements of Castle Trust Capital Limited for the period ended 30 September which comprise the Group Consolidated and Company Profit and Loss Account, the Group Consolidated and Company Balance Sheets, the Group Consolidated and Company Statement of Cash Flows, the Group Consolidated and Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and The Financial Reporting Standard for Smaller Entities (effective April 2008).

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

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities in respect of the Group financial statements set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2011 and of the Group's and of the Company's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Angus Grant (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 November 2011

2 **Castle Trust's group profit and loss account for the period from 29 November 2010 to 30 September 2011:**

	Notes	*2011* *£*
Administrative expenses		(7,189,957)
Operating loss	4	(7,189,957)
Other interest receivable and similar income	3	8,422
Loss on ordinary activities before taxation		(7,181,535)
Taxation	6	-
Loss on ordinary activities after taxation		(7,181,535)

Recognised gains and losses

A statement of total recognised gains and losses has not been included as there were no recognised gains or losses for the current financial period other than those already dealt with in the profit and loss account.

The results for the period ended 30 September 2011 are derived from continuing operations.

3 **Castle Trust's group balance sheet as at 30 September 2011:**

	Notes	*Audited Actual 2011 £*
Fixed assets		
Tangible assets	7	48,050
		48,050
Current assets		
Prepayments	8(a)	66,700
Cash at bank and in hand		3,446,674
Interest receivable		1,559
Debtors: amounts falling due after more than one year	8(b)	757
		3,516,690
Creditors: amounts falling due within one year	9	(1,625,273)
Net current assets		1,890,417
Total assets less current liabilities		1,938,467
Capital and reserves		
Called up share capital	10	912,000
Share premium account		8,208,002
Profit and loss account		(7,181,535)
Equity shareholders' funds	11	1,938,467

4 **Castle Trust's group statement of cash flows from 29 November 2010 to 30 September 2011:**

	2011
	£
Operating Activities	
Adjustments to reconcile loss for the period to net cash flow from operating activities	(7,181,535)
Net interest income	(8,291)
Depreciation and impairment of property plant and equipment	11,683
Others: creditors & accruals	1,625,275
Cash generated from operations	(5,552,868)
Income taxes paid	-
Net cash flow from operating activities	(5,552,868)
Investing Activities	
Interest received	6,863
Purchase of property plant and equipment	(59,733)
Prepayments	(66,700)
Net cash flow from investing activities	(119,570)
Financing Activities	
Interest paid	(132)
Issue of share capital	9,120,002
Others	(757)
Net cash flow from financing activities	9,119,113
Net increase in cash at bank and in hand	***3,446,674***
Cash at bank and in hand at 30 November 2010	**-**
Cash at bank and in hand at 30 September 2011	3,446,674

5 **Accounting policies and explanatory notes**

1. Authorisation of financial statements and compliance with UK GAAP

The financial statements of Castle Trust Capital Limited and its subsidiaries (the "Group") for the period ended 30 September 2011 were authorised for issue by the board of directors on 16 November 2011 and the balance sheet was signed on the board's behalf by Sean Oldfield and Keith Abercromby. Castle Trust Capital Limited is a limited liability company incorporated and resident in England and Wales.

2. Accounting policies

Basis of preparation
The Group's financial statements have been prepared under the historical cost convention and The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 in accordance with UK GAAP and the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 30 September 2011. The Group financial statements are presented in Pounds Sterling.

Judgements and key sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Taxation
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense already recorded in the future.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the deferred tax asset at 30 September 2011 is nil. The unrecognised tax losses at 30 September 2011 were £1,867,199. The unrecognised tax losses relate to pre-trading losses which will be available to be used to offset future taxable income. Due to the uncertainty regarding this future income, pending receipt of a licence from the Financial Services Authority to enable to Group to conduct a regulated business, deferred tax assets created as a result of these losses have not been recognised.

Basis of consolidation
The Group financial statements consolidate the financial statements of Castle Trust Capital Ltd and the entities it controls (its subsidiaries) drawn up to 30 September each year. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement.

The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the parent company and are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated.

Foreign currency translation
Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date and differences on translation are taken to profit and loss.

Fixed assets
Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all fixed assets, other than land, on a straight-line basis over its expected useful life as follows:

- Office Equipment - 3 years
- Computer equipment - 3 years

Leases
Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Cash at bank and in hand
Cash at bank and in hand in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Other interest receivable and similar income
Other interest receivable and similar income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

3. Revenue

Other interest receivable and similar income recognised in the income statement is analysed as follows.

Group	***2011***
	£
United Kingdom:	
Interest income on deposits with banks	8,422
	8,422

Company	***2011***
	£
United Kingdom:	
Interest income on deposits with banks	8,422
	8,422

4. Operating loss

Operating loss is stated after charging:

	Group	Company
	2011	***2011***
	£	***£***
Depreciation of tangible fixed assets	11,683	11,683
Auditors' remuneration:		
Audit services	30,000	30,000
Non audit services	103,200	103,200
Staff costs - (note 5)	1,669,630	1,669,630
Other operating lease expense:		
Land and buildings	271,814	74,564

5. Staff costs

a) Employment costs of all employees included above comprise:

	Group 2011 £	Company 2011 £
Wages and salaries	1,391,451	1,391,451
National insurance costs	235,130	235,130
Pension costs (defined contribution scheme)	43,049	43,049
	1,669,630	1,669,630

b) Directors remuneration:

	Group 2011 £	Company 2011 £
Aggregate remuneration in respect of services	477,109	477,109
Number of directors accruing benefits under defined contribution pension schemes in respect of qualifying services	1	1

6. Taxation

(a) Tax on profit on ordinary activities:

	Group 2011 £	Company 2011 £
Total tax charge for the period	-	-

(b) Reconciliation of tax on profit for the period:

	Group 2011 £	Company 2011 £
Loss on ordinary activities before tax	(7,181,535)	(6,780,862)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.8%	(1,924,651)	(1,817,271)
Effect of:		
Pre-trading expenditure not recognised	1.924,651	1,817,271
Current tax	-	-

7. Tangible fixed assets

Group	*Office equipment* *£*	*Total* *£*
Cost:		
Additions	59,733	59,733
At 30 September 2011	59,733	59,733
Depreciation:		
Charge for the period	11,683	11,683
At 30 September 2011	11,683	11,683
Net book value:		
At 30 September 2011	48,050	48,050

Company	*Office equipment* *£*	*Total* *£*
Cost:		
Additions	59,733	59,733
At 30 September 2011	59,733	59,733
Depreciation:		
Charge for the period	11,683	11,683
At 30 September 2011	11,683	11,683
Net book value:		
At 30 September 2011	48,050	48,050

8. Debtors

	Group ***2011*** ***£***	Company ***2011*** ***£***
(a) Amounts falling due within one year:		
Prepayments	66,700	66,700
	66,700	66,700

(b) Amounts falling due after more than one year:

	Group *2011* *£*	Company *2011* *£*
Related party loan		
Debtor balance at 30 September	757	1,680,119
Impairment charges in period	-	1,679,362
Net Debtor balance at 30 September	757	757

9. Creditors: amounts falling due within one year

	Group *2011* £	Company *2011* £
Other Creditors	181,573	181,574
Accruals	1,443,700	1,042,169
	1,625,273	1,223,743

10. Allotted and called up share capital

	Group *2011*	Company *2011*
Authorised: Ordinary shares of £0.10 each	912,000	912,000

11. Reconciliation of movement in shareholders' funds

	Group *2011* £	Company *2011* £
Opening shareholders' funds	-	-
Share capital issued in the period	9,120,002	9,120,001
Loss for the period	(7,181,535)	(6,780,862)
Closing shareholders' funds	1,938,467	2,339,139

The shareholders' funds do not include any amounts attributable to non-equity interests.

In the period 9,120,000 shares of £0.10 were allotted with an aggregate nominal value of £912,000 and total consideration received of £9,120,000.

12. Commitments

At 30 September 2011 the Group had annual commitments under non-cancellable operating leases as set out below:

Group	*Land and buildings 2011 £*
Within one year	482,250
Greater than one year	-
	482,250

Company

Land and

	buildings ***2011*** ***£***
Within one year	-
Greater than one year	-
	-

13. Related party transactions

During the period the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 30 September with other related parties, are as follows:

- ***Entities with significant influence over the Group***

  Castle Trust Holdings (Jersey) Limited ***£757***

- ***During the year the Company made purchases on behalf of a wholly owned subsidiary at normal business terms***

  Castle Trust Capital Management Limited ***£1,679,362***

The nature of transactions entered into during the year was in relation to business establishment costs.

14. Ultimate parent company

Castle Trust's immediate parent undertaking is Castle Trust Holdings (Jersey) Limited which is incorporated in the Channel Islands. Castle Trust's ultimate parent company is Castle Trust Holdings (Cayman) Limited which is based in the Cayman Islands.

15. Investments

Details of the investments in which the group and the parent company hold 20% or more of the nominal value of any class of share capital are as follows:

Name of company	***Holding***	***Proportion of voting rights and shares held***	***Nature of business***
Castle Trust Capital Management(1)	Ordinary shares	100%	Investment company
Castle Trust Income HouSA plc(2)	Ordinary shares	100%	Investment company

(1) Castle Trust Capital Management Limited was incorporated 25 January 2011
(2) Castle Trust Income HouSA plc was incorporated 24 May 2011

16. Subsequent events

The Group is currently awaiting FSA authorisation as a limited licence investment firm under BIPRU.

By way of a written resolution dated 14 October 2011, Castle Trust Capital Limited resolved that its share capital be reduced by the balance of the share premium account with the reduction was effective from 20 October 2011 and registered at Companies House. Following the share capital reduction, Castle Trust Capital Limited will be converted to public limited company status. Further capitalisation of the company is scheduled following all conditions precedent to launch being completed and the business commencing operations.

6 Interim results for Castle Trust for the period from 30 September 2011 to 31 March 2012

These interim results have been prepared by Castle Trust as interim results and have not been audited.

6.1 Directors' report

The directors present the half yearly financial report for Castle Trust Capital plc ("the Group" or "Castle Trust") for the period from 1 October 2011 to 31 March 2012

Principal activity and business review

The Group is planning to be a provider of mortgages (Partnership Mortgages) and house price linked investments (HouSAs). Castle Trust is authorised by the Office of Fair Trading to issue Partnership Mortgages and subsequent to 31 March 2012 has received authorisation from the Financial Services Authority (FSA) for permission to carry out regulated investment activities.

The Group continues to ready itself for launch and has established a first class board and management team, implemented a robust legal, regulatory and operational framework for its business. Costs continue to be carefully monitored in the start-up phase and the Group is well placed to launch the business in late 2012.

In the six months to 31 March 2012, a number of significant developments have taken place:

- a further injection of £5.1m share capital to support the business through the development phase prior to launch;
- a transfer of £12.8m from share premium to distributable reserves; and
- the conversion of Castle Trust Capital Limited to Castle Trust Capital plc.

In September, following Castle Trust meeting all conditions required for business launch, the shareholders have further capitalised the business with a £50.6m injection of share capital from its sole shareholder, Castle Trust Holdings (Jersey) Limited, to support the business in its operations and provide an adequate buffer above its regulatory capital requirements.

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

- business activities, future developments and the financial position of the Group.
- there are adequate provisions within the Investment and Shareholder Agreement to ensure that the Group is adequately capitalised to commence operations.
- 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.

Results and dividends

The results of the Group for the period are set out in the profit and loss account on page 91. The Group has made a loss in the current period amounting to £2,967,504. The Group remains adequately capitalised to continue operations prior to launch.

Directors' Indemnity and Directors' & Officers' Liability Insurance

Castle Trust maintains a Directors' and Officers' Liability Insurance policy. In accordance with the Castle Trust's articles of association, the Castle Trust 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. Each director has taken necessary steps to be made aware of any relevant audit information and to establish that Castle Trust's auditors are aware of that information.

By order of the Castle Trust Board

Mr Mark Banham
Company Secretary
5 September 2012

6.2 Independent review in relation to interim results

INDEPENDENT REVIEW REPORT TO CASTLE TRUST CAPITAL PLC

Introduction

We have been engaged by Castle Trust Capital plc to review the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2012 which comprises the Group Profit and Loss Account, the Group Balance Sheet, the Group Statement of Cash Flows, the Group Reconciliation of Movements in Shareholders' Funds and the related explanatory notes 1 to 14. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the accounting policies set out in note 2.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with those policies.

Our Responsibility

Our responsibility is to express to Castle Trust a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2012 is not prepared, in all material respects, in accordance with the accounting policies set out in note 2, which comply with United Kingdom Generally Accepted Accounting Practice.

Angus Grant (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
6 September 2012

6.3 Castle Trust's group profit and loss account for the six month period ending 31 March 2012

	Notes	*March 2012 £*	*March 2011 £*	*Full Year September 2011 £*
Administrative expenses		(2,986,368)	(1,727,470)	(7,189,957)
Operating loss	4	(2,986,368)	(1,727,470)	(7,189,957)
Other interest receivable and similar income	3	18,864	783	8,422
Loss on ordinary activities before taxation		(2,967,504)	(1,726,687)	(7,181,535)
Taxation	5	-	-	-
Loss on ordinary activities after taxation		(2,967,504)	(1,726,687)	(7,181,535)

Recognised gains and losses

A statement of total recognised gains and losses has not been included as there were no recognised gains or losses for the current financial period other than those already dealt with in the profit and loss account.

The results for the period ended 31 March 2012 are derived from continuing operations.

6.4 **Castle Trust's Group reconciliation of shareholders' funds for the period ended 31 March 2012:**

	Share Capital	***Share Premium***	***Distributable Reserve***	***Retained Earnings***	***Total Equity***
	£	***£***	***£***	***£***	***£***
Balance at 30 September 2011	912,000	8,208,001	-	(7,181,535)	1,938,466
Share issue	506,000	4,554,000	-	-	5,060,000
	1,418,000	12,762,001	-	(7,181,535)	6,998,466
Share Premium Cancellation	-	(12,762,001)	12,762,001	-	-
Loss for the period	-	-	-	(2,967,504)	(2,967,504)
Balance at 31 March 2012	1,418,000	-	12,762,001	(10,149,039)	4,030,963

6.5 Castle Trust's consolidated balance sheet as at 31 March 2012:

	Notes	March 2012 £	September 2011 £
Fixed assets			
Tangible assets	6	37,904	48,050
		37,904	48,050
Current assets			
Prepayments	7(a)	64,300	66,700
Cash at bank and in hand		4,959,407	3,446,674
Interest receivable		2,202	1,559
VAT recoverable		544,767	-
Debtors: amounts falling due after more than one year	7(b)	31,050	757
		5,601,726	3,515,690
Creditors: amounts falling due within one year	8	(1,608,667)	(1,625,273)
Net current assets		3,993,059	1,890,417
Total assets less current liabilities		4,030,963	1,938,467
Capital and reserves			
Called up share capital	9	1,418,000	912,000
Distributable reserve		12,762,002	-
Share premium account		-	8,208,002
Profit and loss account		(10,149,039)	(7,181,535)
Equity shareholders' funds	10	4,030,963	1,938,467

These accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and approved for issue by the board of directors on 5 September 2012.

Sean Oldfield
Chief Executive Officer
5 September 2012

Keith Abercromby
Chief Financial Officer
5 September 2012

6.6 **Castle Trust's statement of cash flows for the six months ended 31 March 2012:**

	March 2012	***March 2011***	***Full Year September 2011***
	£	***£***	***£***
Operating Activities			
Adjustments to reconcile loss for the period to net cash flow from operating activities	(2,967,504)	(1,726,687)	(7,181,535)
Net interest income	(18,864)	(651)	(8,291)
Depreciation and impairment of fixed assets	10,146	2,014	11,683
Tax asset	(544,767)		
Others: creditors & accruals	(16,606)	1,808,013	1,625,273
Cash generated from operations	(3,537,595)	82,689	(5,552,870)
Income taxes paid	-	-	-
Net cash flow from operating activities	(3,537,595)	82,689	(5,552,870)
Investing Activities			
Interest received	18,221	-	6,863
Purchase of fixed assets	-	(33,673)	(59,733)
Deposit repayment	2,400	(22,813)	(66,700)
Net cash flow from investing activities	20,621	(56,486)	(119,570)
Financing Activities			
Interest paid	-	(132)	(131)
Issue of share capital	5,060,000	4,000,000	9,120,002
Others	(30,293)	54,908	(757)
Net cash flow from financing activities	5,029,707	4,054,776	9,119,114
Net increase in cash at bank and in hand	***1,512,733***	***4,080,979***	***3,446,674***
Cash at bank and beginning of period	3,446,674	-	-
Cash at bank and in hand at end of period	4,959,407	4,080,979	3,446,674

6.7 Notes to the interim financial statements

1 Reporting entity

Castle Trust Capital plc (the 'Company') is a company resident in the United Kingdom. The condensed consolidated interim financial statements of Castle Trust as at and for the six months ended 31 March 2012 comprises Castle Trust and its subsidiaries (together referred to as the 'Group'). The Group is planning to be a provider of mortgages (Partnership Mortgages) and house price linked investments (HouSAs).

2 Accounting policies

Basis of preparation

The financial information contained in these interim financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The interim results, which have not been audited but have been reviewed by the company's auditors, have been prepared on the basis of accounting policies adopted by the Group for the year ended 30 September 2011 as set out in the Group's financial statements. Copies of the statutory accounts for that year have been delivered to the Registrar of Companies.

The same accounting policies, presentation and methods of computation have been followed in these interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 30 September 2011.

The Group does not intend to adopt IFRS until its business operations are active.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the six months ended 31 March 2012. The Group financial statements are presented in Pounds Sterling.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

Taxation

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 balance sheet date.

Deferred Tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date."

Basis of consolidation

The Group financial statements consolidate the financial statements of Castle Trust Capital plc and the entities it controls (its subsidiaries) for the six months ended 31 March 2012.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement.

The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the parent company and are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date and differences on translation are taken to profit and loss.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all fixed assets, other than land, on a straight-line basis over its expected useful life as follows:

- Office Equipment - 3 years
- Computer equipment - 3 years

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Cash at bank and in hand

Cash at bank and in hand in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash at bank and in hand consist of cash at bank and in hand.

Other interest receivable and similar income

Other interest receivable and similar income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

3 **Other interest receivable and similar income**

Other interest receivable and similar income recognised in the income statement is analysed as follows.

	March 2012 £	***March 2011 £***
United Kingdom		
Interest income on deposits with banks	18,864	783
	18,864	783

4 **Operating loss**

Operating loss is stated after charging:

	March 2012 £	***March 2011 £***
Depreciation of tangible fixed assets	10,146	2,014
Staff costs	1,964,019	481,591
Other operating lease expense:		
Land and buildings	207,608	39,443

5 **Taxation**

(a) Tax on profit on ordinary activities:	***March 2012 £***	***March 2011 £***
Total tax charge for the period	-	-

(b) Reconciliation of tax on profit for the period:

	March 2012 £	***September 2011 £***
Loss on ordinary activities before tax	(3,616,002)	(1,726,687)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (September 2011: 26.8%)	(940,161)	(462,752)
Effect of:		
Pre-trading expenditure not recognised	940,161	462,752

Current tax	-	-

At the period end, Castle Trust has pre-trading expenses of £10,149,039 (September 2011: £7,181,535) on which no deferred tax is recognised. This is due to uncertainty surrounding the availability of taxable profits against which these could be offset. The total deferred tax asset unrecognised at the period end is £2,435,769 based on the corporate tax rate of 24% (September 2011: £1,867,199 based on the corporate tax rate of 26%).

Legislation already enacted at the balance sheet date means that with effect from 1st April 2012 the corporation tax rate reduced to 24% (from 26%). On the basis that it is anticipated that Castle Trust's deferred tax assets are expected to crystallise after 1st April 2012 the closing unrecognised deferred tax asset balance has been calculated at 24%.

In addition, the Government has announced its intention to further reduce the UK corporation tax rate to 23% from 1st April 2013 and 22% from 1st April 2014. The aggregate impact of the proposed reductions from 24% to 22% would reduce the unrecognised deferred tax asset by approximately £202,980. The 23% rate was enacted after the balance sheet date and the 22% rate is yet to be enacted."

6 Tangible fixed assets

31 March 2012	***Office equipment £***	***Total £***
Cost:		
At 30 September 2011	59,733	59,733
Additions	-	-
At 31 March 2012	59,733	59,733
Depreciation:		
At 30 September 2011	11,683	11,683
Charge for the period	10,146	21,829
At 31 March 2012	21,829	21,829
Net book value:		
At 30 September 2011	48,050	48,050
Depreciation charge for the period	(10,146)	(10,146)
At 31 March 2012	37,904	37,904

7 Debtors

	March 2012 £	September 2011 £
(a) Amounts falling due within one year:		
Prepayments	64,300	66,700
	64,300	66,700

(b) Amounts falling due after more than one year:

	March 2012 £	September 2011 £
Related party loan (note 12)		
Debtor balance	31,050	757

8 Creditors: amounts falling due within one year

	March 2012 £	September 2011 £
Other Creditors	27,725	181,573
Accruals	1,580,942	1,443,700
	1,608,667	1,625,273

9 Allotted and called up share capital

	March 2012	September 2011
Authorised: Ordinary shares of £0.10 each	1,418,000	912,000

10 Reconciliation of movement in shareholders' funds

	March 2012 £	***September 2011*** £
Opening shareholders' funds	1,938,467	-
Share capital issued in the period	5,060,000	9,120,002
Loss for the period	(2,967,504)	(7,181,535)
Closing shareholders' funds	4,030,963	1,938,467

The shareholders' funds do not include any amounts attributable to non-equity interests.

In the period 5,060,000 shares of £0.10 were allotted with an aggregate nominal value of £506,000 and total consideration received of £5,060,000.

11 Commitments

At 31 March 2012 the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings March 2012 £	***Land and buildings September 2011*** £
Within one year	281,250	482,250
Greater than one year	-	-
	281,250	482,250

12 Related party transactions

During the period the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March with other related parties, are as follows:

- ***Entities with significant influence over the Group***
  Castle Trust Holdings (Jersey) Limited ***£31,050***

The nature of transactions entered into during the period was in relation to business establishment costs.

13 Ultimate parent company

Castle Trust's immediate parent undertaking is Castle Trust Holdings (Jersey) Limited which is incorporated in the Channel Islands. Castle Trust's ultimate parent company is CTC Holdings (Cayman) Limited which is based in the Cayman Islands.

14 **Subsequent events**

Subsequent to 31 March 2011, both Castle Trust Capital plc and Castle Trust Capital Management Ltd were FSA authorised as limited licence investment firms under BIPRU.

The shareholders capitalised the business with a further £50.6m injection of share capital from its sole shareholder, Castle Trust Holdings (Jersey) Limited, to support the business in its operations and provide an adequate buffer above its regulatory capital requirements. This followed Castle Trust meeting all conditions required for business launch.

PART X

USE OF PROCEEDS, INVESTMENT POLICY AND RETURNS AND INFORMATION ABOUT THE ISSUER

The net proceeds from each issue of Notes will, unless specified in the Relevant Final Terms, be used by the Issuer for investing in the relevant Investment Product for that Tranche. This is in line with the investment objective to pay to Investors the Investment Return at the Maturity Date.

Investors will purchase their Notes from Castle Trust and will contract for Castle Trust to buy-back the Notes from them on the maturity of such Notes for the value of their Investment Return. Castle Trust is authorised and regulated by the Financial Services Authority to carry out regulated activity and is a participant in the Financial Services Compensation Scheme ("**FSCS**") established under the Financial Services and Markets Act 2000. The FSCS can pay compensation to Investors if an investment firm (such as Castle Trust) is unable to meet its financial obligations. If an Investor has suffered a loss as a result of Castle Trust failing to meet its financial obligations (for example, if it failed to buy back the Notes because it had become insolvent) then the Investor would be able to make a claim under the FSCS. Most Investors, including most individuals and some small businesses, are covered by the FSCS. In respect of investments, an eligible investor is entitled to claim up to £50,000. For further information about the FSCS, including the amounts covered and eligibility to claim, please ask Castle Trust for more detail or refer to the FSCS website www.fscs.org.uk. **Those Investors who have bought their Notes on the secondary market will not qualify for the FSCS.**

The only business that the Issuer carries out is the provision of the investment opportunity for Investors in the Notes by investing the Proceeds in the Investment Product. Such Notes will receive Interest on a quarterly basis and the Investment Return on maturity of such Notes.

1 Investment Policy and Objective

The objective of the Issuer is to provide a return to Investors of each Tranche equal to the Investment Return of the relevant Tranche on the relevant Maturity Date.

The only source of funding that will be available to the Issuer to enter into the Investment Products designed to generate the Investment Return in respect of any Notes will derive from the capital subscribed by the subscribers of such Notes.

The Issuer and its Directors are responsible for the formulation of the investment policy of each Tranche and any subsequent change to that policy.

In order to generate the Investment Return, the Issuer will enter into the Investment Product with the Investment Provider. Under the Investment Product, the monies received by the Issuer for subscription for Notes (less certain costs payable by the Issuer) will be advanced to the Investment Provider for a period equal to the Investment Term. On or about the Maturity Date of such Notes, the Investment Product will expire and trigger a payment from the Investment Provider to the Issuer for an amount not less than the Investment Return for each Note maturing. The Notes will then be redeemed for an amount equal to the Investment Return. The Umbrella Agreement will offset these payments to the extent identical and so Castle Trust will be free to pay Investors the Investment Return as described below.

On issue, Castle Trust will subscribe for the Notes and will borrow the subscription amount from the Issuer with the amount left outstanding on the inter-company account. Investors will apply to Castle Trust during the relevant Offer Period to purchase Notes and this purchase will be governed by the Terms and Conditions. The Terms and Conditions contain an obligation on the part of Castle Trust to repurchase the Notes held by the Investor on the Maturity Date of such Notes for an amount equal to the Investment Return for such maturing Notes. However, the Issuer will redeem the Notes prior to this buy-back taking place. The Note redemption will be funded by the amount due from Castle Trust under the maturing Investment Product. The Umbrella Agreement will offset the Investment Product payment and the redemption of the Notes payment and because the Investment Return will then lie with Castle Trust, Castle Trust will pay to Investors their Investment Return.

In the absence of unforeseen circumstances, the investment in the Investment Product with respect to each Tranche will be adhered to for the Investment Term of that Tranche.

It is the intention of the Directors that the investment objectives for each Tranche will be achieved by investing the net Proceeds of the Offer Notes issued in respect of such Tranche in the Investment Products as set out in the Relevant Final Terms. The Issuer anticipates that the Investment Products will consist solely of financial contracts provided and/or issued by Castle Trust and/or any other person approved by the Issuer, the Administrator and, if required by applicable law or regulation, the JFSC.

The returns on the Investment Products are designed to enable the Issuer to meet its stated investment objective for the relevant Tranche. The Investment Products are designed by the Issuer to provide a Tranche, as at the relevant Maturity Date, with an amount not less than the aggregate Investment Return of the Notes issued in respect of that Tranche. However, there is no guarantee that the investment objective of a Tranche will be met or that the Investment Return in respect of any Tranche will be achieved.

Each Relevant Final Terms will set out information relating to the relevant underlying investments, deposits or indices and details of the Investment Products.

2 **Investment Restrictions**

The Proceeds in respect of each Offer Tranche will only be invested in Investment Products and to pay fees incurred in connection with such investment and the costs of offering the Notes.

3 **Investment Product returns**

The Investment Product acquired for and entered into in respect of each Tranche will be designed to impose an obligation on the Investment Provider to pay the Issuer an amount equal to the Interest payable by the Issuer on each Interest Payment Date and to pay or repay to the Issuer on or around the relevant Maturity Date an aggregate amount not less than the Investment Return for the Notes issued in respect of the relevant Tranche, as set out in the Relevant Final Terms.

The total amount payable or repayable by the Investment Provider to the Issuer under the relevant Investment Product for each Tranche will be paid on or around the Maturity Date for the Notes issued in respect of the relevant Tranche.

Under the Investment Products, the Investment Provider is obliged to pay the Investment Return on or around the Maturity Date to enable the Issuer, in turn, to pay to Investors on or around the Settlement Date the Investment Return in respect of their Notes.

The obligations of the Investment Provider under the Investment Product for each Tranche will not be collateralised or secured (unless otherwise specified in the Relevant Final Terms for the relevant Tranche).

In practice, Investors are expected to have acquired their Notes in the first instance from Castle Trust under the Terms and Conditions. Castle Trust will use the Investment Amount to discharge the inter-company debt owed to the Issuer by a corresponding amount and the Issuer will advance those monies to the Investment Counterparty under the Investment Product. The Umbrella Agreement will offset those payments.

The Terms and Conditions and the application form contain a buy back arrangement in favour of Castle Trust over Notes held by Investors under which, as part of selling the Notes to an Investor, it will agree to purchase the Notes held by that Investor on the Maturity Date if they have not been redeemed by 14.00 on that day and the Nominee will be authorised to sell the Investor's Notes to Castle Trust on the Maturity Date for an amount equal to the Investment Return. However, the Issuer intends to redeem the Notes prior to this buy-back taking place. The Note redemption will be funded by the amount due from Castle Trust under the maturing Investment Product. The Umbrella Agreement will offset the Investment Product payment and the redemption of the Notes payment and because the Investment Return will then lie with Castle Trust, Castle Trust will pay to Investors their Investment Return.

Investors who purchase their Notes from Castle Trust, an FSA authorised firm, will qualify for the FSCS in the event that Castle Trust is unable to meet the repayment to that Investor of an amount equivalent to the Investment Return. The buy back arrangement will only apply to Investors who initially acquire their Notes from Castle Trust and so it will not apply to Investors who acquire Notes on the secondary market. Those Investors who have bought their Notes on the secondary market will not qualify for the FSCS.

If the realised assets of a Tranche are greater than the amounts payable on the relevant Notes and the Investors of that Tranche have been paid the amounts payable, the Investors shall have no entitlement to any such surplus. Any surplus will be retained by the Issuer.

The Notes are intended to appeal to investors who are seeking a return linked to the Index and/or any other index to which the performance of the particular Tranche is linked (if relevant) plus regular interest payments over the course of the Investment Term. The Notes are suitable to be marketed to retail and institutional investors alike.

4 Fees and Expenses

It is expected that the Issuer will incur two general categories of fees and expenses: general expenses (fees and expenses relating to the establishment and ongoing general administration of the Issuer, "General Expenses") and Tranche expenses (fees and expenses relating to the offer, issue and ongoing administration in respect of Notes, "Tranche Expenses"). All such costs will be met by the Issuer.

4.1 General Expenses

The General Expenses comprise the following fees and expenses:

Initial General Expenses

The initial General Expenses are the fees and expenses of: (1) establishing the Issuer; (2) the preparation of this Base Prospectus and its review by the CISX and the FSA (including regulatory fees and the fees and expenses of legal advisers and auditors to the Issuer); and (3) any initial set-up costs and any charges payable to the Directors and such other persons or entities as the Directors consider fit in their sole and unfettered discretion (including, but not limited to, service providers in respect of the Issuer).

Ongoing General Expenses

The ongoing General Expenses include the following fees and expenses to the extent that they do not relate to one or more specific Tranches: (1) the preparation of an updated Base Prospectus at least annually for the purposes of further issues of Notes; (2) the costs of preparing, printing, publishing and distributing annual reports, financial statements and other notices and communications to Investors as a whole; (3) general administrative out-of-pocket expenses such as postage and telephone expenses; (4) the payment of annual fees for regulatory filings in Jersey in relation to the Issuer; (5) the listing fees (including the listing sponsor fees); (6) service provider fees; (7) preparation of any documents required to supplement, amend, restate or replace any material documents identified in this Base Prospectus or any Relevant Final Term; and (8) a contribution to the central group overhead.

4.2 Tranche Expenses

In addition to the General Expenses, the Issuer will also incur fees and expenses relating to the Offer of Notes of particular Tranches including fees of 0.2% of Proceeds to CTCM under the Marketing Agreement and also to certain independent financial advisors. CTCM therefore has a material interest in the Offer by virtue of it receiving a fee based upon the Proceeds.

Save for an initial charge, as set out in the Terms and Conditions, which may be up to 3% of the amount invested charged by Castle Trust (for some Investors it may be nil depending on their arrangements with their financial advisor), Investors will not be charged any expenses or tax by the Issuer (save for such tax that the Issuer is required to withhold or any transaction charges incurred in the course of making payments due on the Notes).

5 **Borrowing and lending powers**

The Directors of the Issuer have power under the Articles to borrow money, however they do not intend for the Issuer to enter into any borrowing arrangements.

6 **Dividend policy**

Castle Trust intends to start trading on 1 October 2012 and does not anticipate paying a dividend in respect of the first year of trading. Thereafter, prior to approving a dividend, the Castle Trust Board will satisfy itself that after any such dividend had been paid, Castle Trust would retain surplus capital resources in excess of its regulatory capital requirements.

7 **Additional Tranches**

Each month, the Directors will create three new Tranches in respect of the Notes to be offered that month. Each Tranche will have different maturity dates as set out in the Relevant Final Terms of that month’s issue. Other than the Investment Return payable on the maturity of such Notes and the interest rate of such Notes, all Notes will have the same rights as set out in paragraph 4 of Part VI of this document.

Any additional Tranches will be conditional on the Issuer receiving the approval of the CISX for the admission of the relevant Notes to the Official List of the CISX by the date specified in the Relevant Final Terms and, subject to that, will be offered by the Issuer at a price set out in the Relevant Final Terms and the Offer of Notes issued in respect of each new Tranche.

In the event that the above condition is not satisfied in respect of any Offer, the Offer will be terminated, no Notes will be allotted and all subscription monies will be returned by Castle Trust to applicants (without interest) within 30 days of the Offer being terminated by cheque at the risk of the applicant and the Issuer will cancel the relevant Tranche.

The Issuer reserves the right to limit the Offer in respect of Notes issued in respect of a new Tranche as set out in this document. In this event, the basis of Note allocation shall be at the Issuer's sole discretion and the Issuer reserves the right to reject any application in whole or in part. Castle Trust will then return any monies (without interest) or the balance thereof within 30 days of the rejection by cheque at the risk of the applicant.

8 **Administration of the Offer**

8.1 Introduction

The Directors are responsible for the determination of the Issuer's investment policy and have overall responsibility for the Issuer’s activities. The Directors have overall responsibility for the Issuer’s activities.

There is no applicable regime of corporate governance to which the Directors must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Jersey law.

8.2 Marketing Manager

CTCM has been appointed by the Issuer as Marketing Manager pursuant to the Marketing Agreement and is responsible to the Issuer for the approval of non-real time communications to be issued by the Issuer and engaging in real time communications with potential investors and intermediaries in connection with the marketing of the Notes on behalf of the Issuer in respect of its Notes in the UK.

CTCM is authorised and regulated by the FSA in the United Kingdom. The Issuer may appoint other persons to act as marketing manager in relation to Notes issued in respect of particular Tranches.

8.3 Registrar, Administrator and Secretary

JTC has been appointed as Registrar, Transfer Agent, Paying Agent, Receiving Agent and Administrator pursuant to the Registrar and Administration Agreement, a summary of which is set out in paragraph 12 of Part XI of this document.

JTC, registered in Jersey under registered number 37293, was incorporated on 23 March 1987 and has an indefinite life. JTC is established as a Jersey company limited by shares and is registered under the Financial Services Law to carry out the appropriate classes of financial services business services.

JTC will also perform secretarial services to the Issuer including maintaining the statutory books of the Issuer (other than the register of Notes of the Issuer).

8.4 No Custodian

The assets of the Issuer do not require to be held by a custodian. Accordingly, no custodian has been appointed. JTC will be responsible for the safe keeping of the Issuer's books and records pursuant to the Registrar and Administration Agreement.

8.5 Investment Administration

IFDS has been appointed to carry out as agent on behalf of the Issuer investment administration services including the maintenance of the register of beneficial interests of Notes.

8.6 Listing Sponsor

The Listing Sponsor is a member of the same group of Companies as JTC. Following Admission, the Listing Sponsor is obliged to assist the Issuer in complying with its continuing obligations under the Listing Rules.

9 **Conflicts of Interest affecting the Issuer**

The Directors and each of the persons or entities occupying the incumbency of Investment Provider, Marketing Manager, Administrator, Registrar and any paying and receiving agents from time to time may, in the course of their business, have potential conflicts of interests with the Issuer. Each of such entities and the Directors will have regard to their respective duties to the Issuer and other persons when undertaking any transactions where conflicts or potential conflicts of interest may arise. In the event that such conflicts arise in respect of the Issuer or any Tranche, each of such persons and entities shall be requested by the Issuer (for itself and each of the relevant Tranches) to undertake to use its reasonable endeavours to resolve any such conflicts of interest fairly (having regard to its respective obligations and duties) and to ensure that the interests of the Issuer and of the Investors are not unfairly prejudiced. Where any such conflict cannot be resolved, the conflicted Director(s) will not participate in deliberations or vote on the relevant issue.

Where conflicts of interest or potential conflicts of interest arise, the Issuer will seek to mitigate such conflicts or potential conflicts in an appropriate manner.

The Investment Provider to any Investment Product may be requested from time to time to provide valuations of each such Investment Product. The Directors acknowledge that the Investment Provider may have a potential conflict of interest by virtue of acting as Investment Provider and providing such valuations. However, the Directors expect that the Investment Provider will be a person suitable and competent to provide such valuations and who will do so at no further cost to the Issuer which would be the case if the services of a third party were engaged to fulfil this role.

The Directors have acknowledged and accepted that, in having regard to its obligations as Investment Provider to any Investment Products and as issuer of any other investments, an Investment Provider may resolve any conflicts of interest in respect of its obligations in its, or its Affiliates', own favour taking into account their, or their respective Affiliates', own interests as an Investment Provider or issuer of other investments, as the case may be.

Each of the Directors is also a director of Castle Trust. Castle Trust acts as the Investment Provider under the Investment Product. Whilst the Issuer's directors are aware of their duties and obligations as Directors and when acting in respect of the Issuer's business will do so mindful of such duties and obligations, conflicts of interests may arise where such actions conflict their obligations as directors of Castle Trust.

Other than as stated above, in relation to acting as directors of Castle Trust, none of the Directors has any potential conflicts of interest between his duties to the Issuer and his private interests or other duties.

10 **Investor Restrictions**

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

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

PART XI

INFORMATION ON THE ISSUER

This Base Prospectus together with the Deed of Covenant and the Relevant Final Terms shall form the Listing Document for the purpose of the Admission of each of the 36 Tranches of Notes the subject of the Programme and 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. The Directors, whose names appear in paragraph 4 of this Part XI of this Base Prospectus, accept full responsibility for the information contained in this Base Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The Issuer and its Directors (whose names appear in paragraph 4 of this Part XI of this Base Prospectus) accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer and its Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

1 **Incorporation and general**

1.1 The Issuer was incorporated in Jersey as a private company limited by shares under the Law on 24 May 2011 under the name of Castle Trust Income HouSA Limited with registered number 108225. The Issuer was converted to a public limited company on 14 December 2011. The liability of its members is limited. For the purposes of the Prospectus Directive, the Issuer was not incorporated as a special purpose vehicle for the purpose of issuing asset backed securities but the Issuer was incorporated for the purpose of issuing unsecured Notes.

1.2 The Issuer's registered office is at Elizabeth House, 9 Castle Street, St Helier, Jersey JE4 2QP, Channel Islands and principal place of business is at 41 Lothbury, London EC2R 7HG (telephone number: +44 (0) 207 166 6260). The Issuer is resident in the United Kingdom. The statutory records of the Issuer are kept at its registered office address in Jersey.

1.3 For the purposes of Jersey law, the Issuer is an unregulated exchange-listed fund and is not regulated in Jersey. The JFSC has neither evaluated nor approved the scheme or arrangement of the fund, the parties involved in the promotion, management or administration of the fund or this document. The JFSC has no ongoing responsibility to monitor the performance of the fund, to supervise the management of the fund or to protect the interests of its creditors.

2 **Statutory Auditors**

The auditors of Castle Trust are Ernst & Young. Ernst & Young are members of the Institute of Chartered Accountants in England and Wales.

3 **Share capital of the Issuer**

3.1 The authorised share capital of the Issuer on incorporation was £10,000 divided into 10,000 ordinary shares of £1.00 each. As at the date of this document, two ordinary shares are in issue which are held by Castle Trust and the Nominee (as bare trustee for Castle Trust) respectively.

3.2 At all times, including following Admission, Castle Trust will in aggregate control the exercise of 100 per cent of the rights to vote at a general meeting of the Issuer.

3.3 As at the date of this document, no options have been granted (or have been agreed to be granted) over any shares in the capital of the Issuer.

4 Directors

The Board currently comprises 9 Directors. The Directors are as follows:

Name	Position	Date appointed to the Board
Sir Callum McCarthy	Non-executive director	14 October 2011
The Rt Hon The Lord Deben	Non-executive director	14 October 2011
Dame Deidre Hutton	Non-executive director	14 October 2011
Dr. David Morgan AO	Non-executive director	14 October 2011
Patrick Gale	Non-executive director	14 October 2011
Tim Hanford	Non-executive director	24 May 2011
Richard Ramsay	Non-executive director	14 October 2011
Sean Oldfield	director	12 July 2011
Keith Abercromby	director	24 May 2011

The business address of the Directors is currently 41 Lothbury, London EC2R 7HG

Each of the Directors is also a director of Castle Trust. Castle Trust is the Investment Provider in respect of the Investment Product and, therefore, a conflict of interest may arise should either the Issuer or Castle Trust fail to fulfil its obligations under the Investment Product.

Compensation

Only Sean Oldfield and Keith Abercromby of the Directors are remunerated by the Issuer.

Neither Sean Oldfield nor Keith Abercromby has waived or agreed to waive future emoluments nor have they waived any such emolument during the past financial year. The Directors are entitled to be paid their reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Directors or committees of the Board or general meetings and all expenses properly and reasonably incurred by them in the conduct of the Issuer's business or in the discharge of their duties as Directors. Such expenses will be paid for by Castle Trust. In respect of the Directors, no amounts are set aside or acquired by the Issuer to provide pension, retirement or similar benefits. Only Sean Oldfield and Keith Abercromby have service contracts with the Issuer, which require six months’ notice to be given in the event that the Director wishes to terminate their contract. The Directors were appointed as directors as set out above and their appointment is subject to the Issuer’s Articles of Association. Save for Sean Oldfield and Keith Abercromby, the Directors' appointments can be terminated without notice and without compensation. Castle Trust meets the premium cost of directors and officer’s liability insurance for the Issuer’s Directors. As at the date of this document and save as disclosed in this document, none of the Directors nor any connected person has any interest, beneficial or non-beneficial, in the share capital of the Issuer or any options in respect of such capital.

It is estimated that the aggregate remuneration payable to, and the benefits in kind receivable by, the Directors from the Issuer under the arrangements in force at the date of this document, in respect of the Issuer's current financial year, will be in the region of £50,000.

As at the date of this document, no loans or guarantees have been provided by the Issuer to any Director.

5 Corporate governance

General

The Issuer will, following Admission, comply with its continuing obligations under the Listing Rules, including the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix VI of the Listing Rules, and complies with its general duties under the Law. There is no applicable regime of corporate governance to which the Directors must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Jersey law.

The Board

No individual or group of individuals dominates the Board's decision making process. None of the Directors has any potential conflict of interest between their duties to the Issuer and their private interests and/or duties owed to third parties.

The Board has a procedure through which the Directors are able to take independent advice in the performance of their duties and responsibilities.

The Board intends to meet regularly throughout the year (normally monthly) and to ensure that all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. In addition, special meetings can take place or other arrangements can be made when Board decisions are required in advance of regular meetings. The Board is responsible for leading and controlling the Issuer and, in particular, for formulating, reviewing and approving the Issuer's corporate strategies.

6 Memorandum and Articles of Association

The Issuer's objects are unrestricted.

The share capital of the Issuer is £10,000 divided into 10,000 ordinary shares of £1.00 each.

The liability of a shareholder arising from the holding of a share in the Issuer is limited to the amount (if any) unpaid on it.

Articles of Association of the Issuer

Rights attaching to shares

Voting rights

Subject to any restrictions imposed on any shares, all members shall have the right to receive notice of and to attend and to vote at all general meetings of the Issuer. On a show of hands each holder of shares present in person (or in the case of a corporation by a representative) and entitled to vote shall have one vote and upon a poll every member present in person or by proxy/attorney and entitled to vote shall have one vote for each share held by him. A proxy cannot vote on a show of hands.

No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid.

No pre-emption

There are no rights of pre-emption under the Articles.

Redemption

The ordinary shares in the capital of the Issuer are not redeemable.

Dividends and other distributions

Subject to the Law, the Issuer may by ordinary resolution declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to any particular rights or limitations, all dividends shall be declared, apportioned and paid according to the respective amounts paid up or credited as paid up in respect of the nominal amount of the shares in respect of which the dividend is paid (other than amounts paid up in advance of calls).

The Directors may pay such interim dividends (including any dividend payable at a fixed rate) as they think fit if they are of the opinion that the profits of the Issuer justify payment.

If the share capital of the Issuer is divided into different classes, the Directors may pay an interim dividend on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights.

No dividend shall bear interest as against the Issuer.

The Directors may, with the sanction of an ordinary resolution of the Issuer in a general meeting, direct that payment of a dividend be satisfied wholly or in part by the distribution of specific assets and, in particular, of paid up shares or debentures of any other Issuer instead of cash.

Any dividend unclaimed for a period of 10 years after it was declared shall be forfeited and cease to remain owing by the Issuer and thereafter shall belong to the Issuer absolutely.

Winding up

On a winding up of the Issuer any surplus assets will be divided between the members according to the respective amounts paid up or credited as paid up in respect of the nominal amount of the shares held by them, subject to any rights attaching to any shares.

The liquidator (or where there is no liquidator, the Directors) may, with the sanction of a special resolution of the Issuer and any other sanction required by the Law, divide the whole or any part of the assets of the Issuer ***in specie*** among the members, and the liquidator (or where there is no liquidator, the Directors) may for that purpose value any assets and determine how the division shall be carried out. No member shall be compelled to accept any assets upon which there is a liability.

Variation of share rights

If at any time the share capital of the Issuer is divided into different classes of shares, the special rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether the Issuer is a going concern or during or in contemplation of its being wound up, either (i) with the consent in writing of the holders of two thirds of the issued shares of that class or (ii) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. Such resolution requires a majority of not less than two-thirds of members voting in person or by proxy. To every such separate general meeting all the provisions of the Articles relating to general meetings of the Issuer or to the proceedings thereat shall apply ***mutatis mutandis*** except that (a) the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons holding or representing at least one-third in nominal amount of the issued shares of the class in question (b) at an adjourned meeting the holders present shall constitute a quorum.

Forfeiture of shares and liens

Where a call has been made on any share, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited and such forfeiture shall include all dividends which shall have been declared on the forfeited shares and not actually paid before the forfeiture.

A forfeited or surrendered share shall become the property of the Issuer and may be sold, re-allotted or otherwise disposed of either to the person who was before forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors think fit and at any time before a sale, re-allotment or other disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit.

A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the forfeited or surrendered shares and shall surrender to the Issuer for cancellation the certificate for the shares forfeited or surrendered. Notwithstanding the forfeiture or the surrender such member shall remain liable to pay to the Issuer all monies which at the date of forfeiture or surrender were presently payable by him in respect of those shares with interest thereon.

Changes in share capital

The Issuer may by special resolution alter its memorandum in any manner permitted by the Law. Any new shares created on an increase or other alteration of share capital shall be issued upon such terms and conditions as the Issuer may by ordinary resolution determine.

Subject to the Law, the Issuer may by special resolution reduce its share capital and any share premium account in any way.

Capitalisation of profits

The Directors may with the authority of an ordinary resolution of the Issuer:

- resolve that it is desirable to capitalise any undistributed profits of the Issuer (including profits carried and standing to any reserve or reserves) not required for paying any fixed dividends on any shares entitled to fixed preferential dividends with or without further participation in profits or to capitalise any sum carried to reserve as a result of the sale or revaluation of the assets of the Issuer (other than goodwill) or any part thereof or to capitalise any sum standing to the credit of the Issuer's share premium account or capital redemption reserve fund;

- appropriate the profits or sum resolved to be capitalised to the members in the proportion in which such profits or sum would have been divisible amongst them had the same been applicable and had been applied in paying dividends and to apply such profits or sum on their behalf either in or towards paying up any amount for the time being unpaid on any shares held by such members respectively or in paying up in full either at par or at such premium as the said resolution may provide any unissued shares or debentures of the Issuer such shares or debentures to be allotted and distributed credited as fully paid up to and amongst such members in the proportions aforesaid or partly in one way and partly in the other provided that the share premium account and the capital redemption reserve fund and any unrealised profits may for the purposes of the foregoing only be applied in the paying up of unissued shares to be allotted to members credited as fully paid up;

- make all appropriations and applications of the profits or sum resolved to be capitalised thereby and all allotments and issues of fully paid shares or debentures if any and generally shall do all acts and things required to give effect thereto with full power to the Directors to make such provision by the issue of certificates representing part of a shareholding or fractions of shares or by payments in cash or otherwise as they think fit in the case of shares or debentures becoming distributable in fractions; and

- authorise any person to enter on behalf of all the members entitled to the benefit of such appropriations and applications into an agreement with the Issuer providing for the allotment to them respectively credited as fully paid up of any further shares or debentures to which they may be entitled upon such capitalisation and any agreement made under such authority shall be effective and binding on all such members.

Restrictions on shareholders

There are no restrictions in the Articles as to who may not hold shares in the Issuer.

Provisions relating to shares

Allotment and issue of shares

The unissued shares for the time being in the capital of the Issuer shall be at the disposal of the Directors who may (subject to the provisions of the Articles) allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms and conditions as they think fit.

Commissions

The Issuer may pay commissions as permitted by the Law. Subject to the provisions of the Law any such commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

Minimum holdings and transfers

There are no minimum holding or transfer requirements under the Articles.

Redemption and repurchase of shares

Subject to the provisions of the Law, the Issuer may from time to time issue or convert any existing non-redeemable shares (whether issued or not) into shares which are to be redeemed or are liable to be redeemed at the option of the Issuer or at the option of the holder thereof and on such terms and in such manner as may be determined by special resolution.

Subject to the provisions of the Law, the Issuer may purchase its own shares (including redeemable shares).

Transfers of shares

All transfers of shares shall be effected by transfer in writing in any usual or common form or in any other form approved by the Directors. An instrument of transfer in respect of any share shall be signed by or on behalf of the transferor and in the case of an unpaid or partly paid share by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register of members of the Issuer in respect thereof.

The Directors may in their absolute discretion decline to register any transfer of any share and without giving any reason for their decision. In addition, the Directors may refuse to register the transfer of any share unless (a) the instrument of transfer is deposited at the registered office of the Issuer or such other place as the Directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is in respect of only one class of share; and (c) the instrument of transfer is in favour of not more than four transferees.

The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods as the Directors may determine.

Unless otherwise decided by the Directors in their sole discretion no fee shall be charged in respect of the registration of any instrument of transfer or other document relating to or affecting the title to any share.

Transmission of shares

In the case of the death of a member the survivor and the executors or administrators of the deceased shall be the only persons recognised by the Issuer as having any title to his interest in the shares.

Subject to any restrictions on the transfer and transmission of shares provided in the Articles, a person becoming entitled to a share by reason of the death, bankruptcy or incapacity of a member shall be entitled to the same dividends and other advantages to which he would be entitled if he were the holder of the share.

General meetings

Unless all of the shareholders of the Issuer agree in writing to dispense with the holding of annual general meetings, and any such agreement remains valid in accordance with the Law, the Issuer must in each year hold a general meeting as its annual general meeting ("**AGM**"). Not more than 18 months can elapse between AGMs. An AGM must be convened on giving 14 clear days' notice in writing to all members of the Issuer.

Other meetings can be convened by the Issuer from time to time, referred to as extraordinary general meetings. Again, 14 clear days' written notice to all members of the Issuer to convene an extraordinary general meeting is required.

A meeting of the Issuer can be convened on shorter notice, in the case of an AGM with the agreement of all members who have the right to attend and vote at the meeting, and in the case of any other meeting by a majority together holding not less than 95 per cent of the total voting rights of the members who have a right to attend and vote at such meeting.

Subject to any restrictions imposed on any shares, all members shall have the right to receive notice of and to attend and to vote at all general meetings of the Issuer. Members need not attend a meeting of the Issuer in person but can do so by way of validly appointed proxy.

No business shall be transacted at any general meeting except the adjournment of the meeting unless a quorum is present at the time when the meeting proceeds to business. Such quorum shall consist of not less than two members present in person, by proxy or by corporate representative but so that not less than two individuals will constitute the quorum, provided that if at any time all of the issued shares in the Issuer are held by one member such quorum shall consist of that member present in person, by proxy or by corporate representative.

At any general meeting a resolution put to the vote of the meeting shall be decided in the first instance on a show of hands unless before or on the declaration of the result of the show of hands a poll is demanded.

Subject to the provisions of the Law, a poll may be demanded:

- by the chairman;
- by at least two members having the right to vote on the resolution; or
- by a member or members representing not less than one tenth of the total voting rights of all the members having the right to vote on the resolution.

On a show of hands each holder of shares present in person (or in the case of a corporation by a representative) and entitled to vote shall have one vote and upon a poll every member present in person or by proxy/attorney and entitled to vote shall have one vote for each share held by him. A proxy cannot vote on a show of hands.

No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid.

If a member is a body corporate, it can pass a resolution of its Directors or other governing body to authorise such person as it thinks fit to act as its representative at any meeting of the Issuer or class meeting of members.

A resolution in writing (including a Special Resolution but excluding a resolution removing an Auditor) signed by all members who would be entitled to receive notice of and to attend and vote at a general meeting at which such a resolution would be proposed or by their duly appointed attorneys shall be as valid and effectual as if it had been passed at a general meeting of the Issuer duly convened and held. Any such resolution may consist of several documents in the like form each signed by one or more of the members or their attorneys.

Class meetings

Save as otherwise provided in the Articles, all the provisions of the Articles and of the Law relating to general meetings of the Issuer and to the proceedings thereat shall apply ***mutatis mutandis*** to every class meeting. A Director who is entitled to receive notice of general meetings of the Issuer in accordance with the Articles shall also be entitled, unless he has notified the secretary in writing of his contrary desire, to receive notice of all class meetings. At any class meeting the holders of shares of the relevant class shall on a poll have one vote in respect of each share of that class held by them.

Directors

Appointment and removal of Directors

Unless determined by the Issuer in general meeting, there is no maximum number of Directors. The Issuer may by ordinary resolution appoint and remove any person as a Director. The board of Directors (the "**Board**") also has powers to appoint a person as a Director either to fill a casual vacancy or as an addition to the Board. There is no shareholding qualification for officers or Directors.

There is no requirement to retire by rotation or to resign on attaining the age of 70 or any other age.

The office of a Director shall be vacated if the Director resigns, becomes bankrupt or is the subject of other insolvency-related proceedings, becomes of unsound mind, or if the Director is removed or becomes prohibited from being a Director under any provision of applicable law.

A Director may at his sole discretion and at any time and from time to time appoint any other Director or any other natural person (other than one disqualified or ineligible by law to act as a Director of a Issuer) as an alternate Director to attend and vote in his place at any meetings of Directors at which he is not personally present

Meetings of Directors

At meetings of the Board questions are determined by a majority of votes and in the case of an equality of votes the Chairman of the Board shall not have a second or casting vote. The quorum at Directors' meetings may be fixed by the Directors but otherwise shall be two. The Directors may delegate any of their powers to committees consisting of such Director(s) or other persons as they think fit.

Directors' interests

A Director who has, directly or indirectly, an interest in a transaction entered into or proposed to be entered into by the Issuer or by a subsidiary of the Issuer which to a material extent conflicts or may conflict with the interests of the Issuer and of which he is aware, must disclose to the Issuer the nature and extent of his interest.

Subject to the provisions of the Law, a Director may hold any other office or place of profit under the Issuer (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to tenure of office, remuneration and otherwise as the Directors may determine.

Subject to the provisions of the Law, and provided that he has disclosed to the Issuer the nature and extent of any of his material interests in accordance with the Articles, a Director, notwithstanding his office, (a) may be a party to or otherwise interested in any transaction or arrangement with the Issuer or in which the Issuer is otherwise interested, (b) may be a director or other officer of or employed by or a party to any transaction or arrangement with or otherwise interested in any body corporate promoted by the Issuer or in which the Issuer is otherwise interested, (c) shall not by reason of his office be accountable to the Issuer for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit, and (d) may act by himself or his firm in a professional capacity for the Issuer and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

Powers of Directors

The Directors shall manage the business of the Issuer and may exercise all powers of the Issuer save those which are required to be exercised by the Issuer in general meeting. Such powers shall always be subject to the provisions of the Articles and the Law and any regulations (being not inconsistent with the aforesaid) as may be prescribed by the Issuer in general meeting. No regulation made by the Issuer in any general meeting shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

The Directors may by power of attorney, mandate or otherwise appoint any person to be the agent of the Issuer for such purposes and on such conditions as they determine including authority for the agent to delegate all or any of his powers.

A director notwithstanding his interest may be counted in the quorum present at any meeting at which any contract or arrangement in which he is interested is considered and, provided that he has disclosed to the Issuer the nature and extent of any of his interests in accordance with the Articles, he may vote in respect of any such contract or arrangement except those concerning his own terms of appointment.

Delegation to committees

The Directors may delegate any of their powers to committees consisting of such Director(s) or such other persons as they think fit. Any such committee shall in the exercise of the powers delegated conform to any regulations that may be imposed on it by the Directors.

The meetings and proceedings of any such committee shall be governed by the provisions of the Articles regulating the meetings and proceedings of the Directors.

Directors' fees and expenses

The Directors shall be entitled to such remuneration as the Issuer may by ordinary resolution determine.

The Directors are entitled to be paid all travelling, hotel and other expenses properly and necessarily incurred in attending meetings of the Directors or members or otherwise in connection with the business of the Issuer.

Communication of documents and information

In the case of joint holders of a share all notices shall be given to one of the joint holders, and notice so given shall be sufficient notice to all the joint holders.

A notice may be given to any person either personally or by sending it by post to him at his registered address.

A notice may be given by the Issuer to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a member by sending or delivering it for the giving of notice to a member addressed to them by name at the address, if any, supplied for that purpose by the persons claiming to be so entitled. Until such an address has been supplied a notice may be given in any manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

Any notice to be given by the Issuer to a Director or to a member may be given in any manner agreed in advance by any such Director or member.

Indemnities

In so far as the Law allows, every present or former officer of the Issuer (including a secretary) shall be indemnified out of the assets of the Issuer against any loss or liability incurred by him by reason of being or having been such an officer.

The Directors may without sanction of the Issuer in general meeting authorise the purchase or maintenance by the Issuer for any officer or former officer of the Issuer of any such insurance as is permitted by the Law in respect of any liability which would otherwise attach to such officer or former officer.

Amendments of the Articles

The Articles may be amended by a special resolution of the Issuer.

7 Directors' interests

The functions of the Directors are set out in the section entitled "Directors" contained in this Part XI of this document. When referred to in this document, the members of the administrative, management or supervisory bodies of the Issuer are the Directors.

The Directors have no voting rights, directly or indirectly, in respect of the share capital of the Issuer as at 2 October 2012 (being the last practicable date prior to publication of this document) and immediately following Admission.

Other than as disclosed, no Directors have any potential conflicts of interest between their duties to the Issuer and their private interests and/or their duties to third parties save that each of the Directors is also a director of Castle Trust and CTCM, which are counterparties with respect to certain of the Material Contracts (other than the Registrar and Administration, Agreement and the Listing Sponsorship Agreement and the Deed of Covenant) described in paragraph 12 of this Part XI of this document.

8 Major Shareholder

As the sole beneficial holder of the Ordinary Shares, Castle Trust exercises control over the Issuer. Only holders of Ordinary Shares are entitled to attend and vote at general meetings of the Issuer and save as disclosed in this paragraph 8, as at the date of this document, the Issuer is not aware of any person who directly or indirectly has an interest in the Issuer's capital or voting rights which is notifiable under Jersey law.

The Directors are aware of their fiduciary duties and their duties under law to act in the best interests of the Issuer. The Directors are aware that the sole shareholder of the Issuer is the Investment Provider and will not allow the interests of the Investment Provider to encroach on the interests of the Company or Investors.

9 Directors' service agreements

9.1 None of the Directors have entered into letters of appointment with the Issuer. Sean Oldfield and Keith Abercromby have entered into service agreements with the Issuer.

9.2 There are no service agreements with Directors which provide for benefits upon termination of employment. Sean Oldfield and Keith Abercromby must give six months notice in the event they wish to terminate their service agreements.

10 Subsidiary undertakings

The Issuer has no subsidiary undertakings.

11 Pensions

The Issuer has no pension provision or retirement benefit scheme.

12 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) (together the "**Material Contracts**") have been entered into by the Issuer or are expected to be entered into prior to Admission and/or are, or may be, material as at the date of this document:

12.1 a marketing agreement (the "**Marketing Agreement**") between the Issuer and CTCM dated 24 September 2012, under which CTCM will approve non-real time communications to be issued by the Issuer and engage in real time communications with potential investors and intermediaries in connection with the marketing of the Notes, in return for a fee of 0.2 % of subscription proceeds received in respect of each Tranche. Such fees will be paid to CTCM by Castle Trust under the Umbrella Agreement described below and so no cost will be borne by either the Issuer or the Investors.

12.2 a registrar and administrator agreement (the "**Registrar and Administration Agreement**") between the Issuer and JTC dated 27 September 2012, under which JTC will manage the Register and will act as the Issuer's registrar. JTC will also carry out the administrative functions of the Issuer and perform all ancillary functions including making the relevant filings to the Jersey authorities and provide company secretarial services.

In addition, JTC will perform secretarial services to the Issuer including the provision of a registered office and maintaining the statutory books of the Issuer.

In consideration for the services provided, the Issuer will pay the Administrator £2,000 per annum. These fees will be paid for by CTCM under the Umbrella Agreement described below and so no cost will be borne by either Issuer or the Investors.

12.3 a listing sponsorship agreement (the "**Listing Sponsorship Agreement**") between the Issuer and JTC Listing Services Limited dated 27 September 2012, under which JTC Listing Services Limited has been appointed to provide CISX listing sponsorship services to the Issuer.

In consideration for the services provided, the Issuer will pay the Listing Sponsor an annual responsibility fee (excluding disbursements) of £2,000, as well as an annual fee (excluding disbursements) for up to 36 Share classes per annum of:

- for the first year: £7,500;
- for the second year: £12,000;
- for the third year: £15,750; and
- for the fourth and each subsequent year: £18,750.

Each fee paid under the Listing Sponsorship Agreement will be adjusted annually in accordance with the Jersey RPI published by the States of Jersey.

12.4 a master swap confirmation (the "**Investment Product**") between the Issuer and Castle Trust dated 24 September 2012 under which those parties will enter into Investment Products. Under each Investment Product, the monies received by the Issuer from Castle Trust for the purchase of Notes, less certain costs and expenses payable by the Issuer, are paid to Castle Trust which will apply these monies for use in its Partnership Mortgage business. In consideration, Castle Trust agrees to pay the Issuer an amount not less than the Interest due on each Note issued as it falls due, and, as such Notes mature, the relevant Investment Product matures and an amount equal to the Investment Return is payable by the Investment Provider to the Issuer. The obligations of Castle Trust to meet such payments to the Issuer are unsecured. The Investment Product is structured such that there is a master contract governing the Investment Product with a new confirm issued with each fresh issue of Notes and therefore each confirm matures at the same time as each Tranche matures.

12.5 an umbrella agreement (the "**Umbrella Agreement**") between the Issuer, Castle Trust and CTCM dated 24 September 2012 whereby sums owed by Castle Trust to the Issuer and left outstanding on inter-company account in subscribing for the Notes issued by the Issuer are set off against the sums Castle Trust would be due to receive from the Issuer under the relevant Investment Product with net payments only then being made. The Notes will initially be issued to Castle Trust which will borrow the subscription amount from the Issuer with the amount left outstanding on inter-company account. Castle Trust then transfers Notes to investors on a fully paid basis following receipt of a completed Application Form and the relevant Investment Amount. Castle Trust will repay sums owed to the Issuer on inter-company account. The subscription monies received by the Issuer, less certain costs and expenses payable by the Issuer will then be advanced to Castle Trust under the Investment Product. The Umbrella Agreement offsets these two payments. On the maturity of an Investment Product, Castle Trust is obliged to pay the Issuer under that Investment Product an amount equal to the Investment Return in respect of the relevant maturing Note and then the Issuer would pay back the Investment Return to Investors on the redemption of the maturing Notes. The Issuer will redeem such Notes for an amount not less than the Investment Return. The loan note redemption by the Issuer will be funded by the payment due from Castle Trust under the Investment Product. As the Investment Product's payment obligation occurs at the same time as the redemption of the Notes to the extent that they are the same amount, the payments are offset under the Umbrella Agreement. The Umbrella Agreement will also cover the fees payable to CTCM under the Marketing Agreement and any excess monies paid to the Issuer under the Investment Product.

12.6 A deed of covenant (the "**Deed of Covenant**") executed by the Issuer dated 25 September 2012 which contains certain terms and regulations in relation to the Notes relating to their transfer and to calling meetings of registered holders of Notes. The Deed of Covenant further provides arrangements for the protection of Investors in the event that the Global Certificate becomes void in accordance with its terms.

13 Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) nor have there been any such proceedings during the 12 months prior to the date of this document, which may have, or have had, in the recent past a significant effect on the Issuer's financial position or profitability.

14 Significant change and material adverse change

There has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation.

15 Working capital

The Issuer is of the opinion that its working capital is sufficient for its present requirements, that is, for the next 12 months from the date of this document.

16 Nature of financial information

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

17 General

The total costs and expenses payable by the Issuer in connection with Admission have been and are to be paid by CTCM.

18 Business of the Issuer

The only business that the Issuer carries out is the provision of the investment opportunity for Investors in the Notes by investing the Proceeds in the Investment Product. Such Notes will receive Interest on a quarterly basis and the Investment Return on maturity of such Notes.

19 Financial reporting and publication of indicative net asset values

The financial statements of the Issuer will be maintained in Sterling and prepared in accordance with International Financial Reporting Standards on a yearly and half-yearly basis in accordance with the applicable provisions of the Listing Rules and the Law. The financial statements of the Issuer will be prepared by the Administrator with advice and information from the Auditors and/or the Investment Provider. Each set of annual financial statements will be prepared up to 30 September in each year and copies will be available for the Noteholders in accordance with the Listing Rules within a period of six months following the relevant accounting date. Each set of half-yearly reports will be prepared up to 31 March in each year and copies will be available for the Noteholders within a period of four months following the relevant accounting date.

Each set of annual financial statements will include a valuation of the indicative net asset value per Note of each Tranche in issue on the date on which the accounts are made up to. In accordance with the Listing Rules of the CISX each such valuation will be notified to the CISX as soon as practicable after calculation. The valuations are "indicative" as it is impossible to calculate a definitive net asset value of each Tranche prior to its Maturity Date, since the amount receivable in respect of its Investment Product will not be known until that date. In order to determine the indicative net asset value of each Tranche, the Directors may consult the Investment Provider and may make such allowances as they consider appropriate to reflect the fair value of the relevant Investment Product. These allowances may include factors such as the time to maturity of the relevant Investment Product, forecasts derived from models as to the possible future performance of the Index to the relevant Maturity Date and/or such other considerations as the Directors may deem relevant. The Directors may have to make estimates and assumptions from time to time in assessing the fair value of each Investment Product, and changes in such estimates and assumptions could affect the reported indicative net asset value per Note of the relevant Tranche.

Copies of the Issuer's annual report and accounts and half-yearly reports will be available for inspection at the registered office of the Issuer at Elizabeth House, 9 Castle Street, St. Helier, Jersey JE4 2QP, Channel Islands. They will also be available for download from the CISX's website (www.cisx.com).

Ernst & Young LLP have been appointed as auditors of the Issuer. The auditors are members of the Institute of Chartered Accountants. The address of Ernst & Young LLP is Liberation House, Castle Street, St Helier, Jersey JE1 1EY.

PART XII

TAXATION

This summary is intended only as a general guide to certain aspects of UK and Jersey tax law and HM Revenue & Customs published practice applicable at the date of this document. Jersey tax law, UK tax law and HM Revenue & Customs practice are subject to change at any time, potentially with retroactive effect. This section only addresses the position of prospective Investors who are individuals resident or ordinarily resident solely in the United Kingdom who are absolute beneficial owners of their Notes and hold their Notes as an investment. It does not deal with certain types of prospective Investors such as companies or other persons subject to corporation tax, insurance companies, dealers in securities, clearing houses, trusts, collective investment schemes, persons who have (or are deemed to have) acquired their Notes by reason of employment or persons connected with the Issuer. The summary does not purport to be a complete analysis of all the potential tax consequences of acquiring, holding and disposing of the Notes. Investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult an appropriate independent advisor.

United Kingdom taxation

Taxation of the Issuer

United Kingdom Corporation Tax and Income Tax

It is intended that the Issuer will be managed so that it is resident in the United Kingdom for tax purposes. The Issuer will therefore be liable to UK corporation tax on its worldwide profits and capital gains.

Taxation of Interest

Investors

It is expected that the Notes will be "quoted Eurobonds" within the meaning of Section 987 of the Income Tax Act 2007. Accordingly, payments of Interest on the Notes may be made without withholding or deduction for or an account of United Kingdom income tax.

If the Notes are not quoted eurobonds, the Issuer will be obliged to deduct a sum from any Interest payments representing United Kingdom income tax at the basic rate. Where such deduction is made, the sum deducted will be treated as income tax paid by the recipient.

Investors who acquire their investment in Notes through an Individual Savings Account ("ISA")

Some Tranches of Notes are expected to be eligible investments for the stocks and shares element of an ISA although 3 year Notes will not be eligible.

UK tax resident Investors who acquire their investment in Notes through an ISA and who satisfy the tax exemption conditions set out in the ISA Regulations will not be subject to either UK income tax or UK capital gains tax on income and gains realised from Notes. Any losses on Notes held in an ISA will, however, not be allowable for the purposes of UK capital gains tax.

Chargeable gains

It is expected that the Notes will be "excluded indexed securities" as defined in Section 433 of the Income Tax (Trading and Other Income) Act 2005. Depending on an Investor's circumstances, and subject to any available exemptions or reliefs, a disposal of Notes may therefore give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax.

Special rules apply to individuals who are temporarily not resident, or not ordinarily resident, in the UK. If these rules may apply to you, you should consult your own tax advisor.

Accrued Income Scheme

The provisions of the accrued income scheme in Part 12 of the Income Tax Act 2007 may apply on the transfer of a Note and may also apply to the person to whom that Note is transferred.

On a transfer of a Note to which the accrued income scheme applies, an amount equal to any Interest which has accrued on the Note from the preceding Interest Payment Date to the date of transfer may be liable to income tax.

Offshore funds

Under the offshore funds rules in the Offshore Funds (Tax) Regulations 2009 and Part 8 of the Taxation (International and Other Provisions) Act 2010, capital gains made on the disposal of interests in entities which qualify as "offshore funds" are liable to income tax rather than capital gains tax, save where the offshore fund has been certified as a reporting fund by HMRC at all material times.

It is not expected that any Tranche of Notes will be treated as an offshore fund as it is intended that the Issuer will be resident in the United Kingdom for tax purposes. A disposal of Notes should not, therefore, give rise to an income tax liability under the offshore funds regime.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The following statements are intended as a general guide to the position under current UK tax law and HM Revenue and Customs practice. They do not apply to entities such as market makers, dealers, brokers, intermediaries and persons (or nominees for persons) who issue depositary receipts or operate clearance services, to which special rules apply.

Issue of Notes

The allotment and issue of Notes by the Issuer pursuant to the Offer will not give rise to a charge to stamp duty or SDRT.

Transfer of Notes

No stamp duty reserve tax will be payable on an agreement to transfer Notes provided that the register on which the Notes are registered is situated outside the UK and it is the intention of the Issuer that the register of Notes will be so situated.

No stamp duty will be payable on the transfer of Notes provided that no instrument of transfer is executed in the UK.

Jersey taxation

The following summary of the anticipated treatment of the Issuer and Investors (other than residents of Jersey) is based on Jersey taxation law and practice as they are understood to apply at the date of this document and is subject to changes in such taxation law and practice. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice (including such tax law and practice as they apply to any land or building situate in Jersey). Prospective investors in the Notes should consult their professional advisers on the implications of acquiring, buying, selling or otherwise disposing of Notes under the laws of any jurisdiction in which they may be liable to taxation.

Taxation of the Issuer

It is intended that the Issuer will be managed so that it is not resident in Jersey for tax purposes, in which case the Issuer will not be liable to Jersey income tax other than on Jersey source income (except where such income is exempted from income tax pursuant to the Income Tax (Jersey) Law 1961, as amended).

Interest on the Notes may be paid without withholding or deduction for or on account of Jersey income tax by the Issuer, and holders of Notes (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Notes.

Jersey charges a tax on goods and services supplied in the Island ("GST"). On the basis that the Issuer will not be resident for tax purposes in Jersey, GST is not chargeable on supplies of goods and/or services made by the Issuer. The Board intend to conduct the business of the Issuer such that no GST will be incurred by the Issuer.

Stamp duty

In Jersey, no stamp duty is levied on the issue or transfer of the Notes except that stamp duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer Notes on the death of a holder of such Notes. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situate in respect of a holder of Notes domiciled in Jersey, or situate in Jersey in respect of a holder of Notes domiciled outside Jersey) and is payable on a sliding scale at a rate of up to 0.75% of such estate.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

If you are in any doubt as to your tax position you should consult your professional tax adviser.

PART XIII

ADDITIONAL INFORMATION ON CASTLE TRUST

Castle Trust and the Castle Trust Directors accept responsibility for the statements of belief attributed to them relating to Castle Trust, the information contained in this Base Prospectus relating to Castle Trust, the risks relating to Castle Trust and its business in Part II of this Base Prospectus and Parts III, IX (in relation to Castle Trust) and XIII of this Base Prospectus and 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 statements of belief attributed to them relating to Castle Trust, the information contained in this Base Prospectus relating to Castle Trust, the risks relating to Castle Trust and its business in Part II of this Base Prospectus and Parts III, IX (in relation to Castle Trust) and XIII of this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

1 Incorporation and General Information about Castle Trust

Castle Trust was incorporated in England on 29 November 2010 with registered number 07454474 as a private company limited by shares under the 2006 Act. The liability of the members is limited. Castle Trust's name was changed to Castle Trust Capital Limited on 24 January 2011 and Castle Trust was converted to a public limited company on 24 November 2011.

Castle Trust's registered office is at 10 Norwich Street, London EC4A 1BD, and its principal place of business is at 41 Lothbury, London EC2R 7HG (telephone number: +44 (0)20 7166 6260). Castle Trust is coordinating the offer for sale of Notes to the public.

2 Statutory Auditors

The auditors of Castle Trust are Ernst & Young. Ernst & Young are members of the Institute of Chartered Accountants in England and Wales.

3 Organisation Structure

Castle Trust is a wholly owned subsidiary of Castle Trust Holdings (Jersey) Limited, a Jersey-based entity. Castle Trust is ultimately (but not wholly) beneficially owned and controlled by J.C. Flowers & Co., a subsidiary within the J.C. Flowers group, and for this reason it is regarded as being the arranger of the Issuer's investment scheme. The significant presence of non-executive directors on the board of Castle Trust ensures that control of Castle Trust by Castle Trust Holdings (Jersey) Limited is checked.

Castle Trust has three subsidiaries: Castle Trust Capital Management Limited, the Issuer and Castle Trust Capital Nominees Limited. Castle Trust Capital Management Limited and Castle Trust Capital Nominees Limited are private companies limited by shares. The Issuer is a public company limited by shares.

4 Directors

The board of directors of Castle Trust currently comprises two executive directors and seven non-executive directors. The Castle Trust Directors are as follows:

Name	Position	Date appointed to the Board
Sir Callum McCarthy	Non-executive chairman	10 January 2011
The Rt Hon The Lord Deben	Non-executive director	18 February 2011

Dame Deirdre Hutton	Non-executive director	18 February 2011
Dr. David Morgan	Non-executive director	10 January 2011
Patrick Gale	Non-executive director	1 February 2011
Tim Hanford	Non-executive director	14 December 2010
Richard Ramsay	Non-executive director	27 May 2011
Sean Oldfield	director	14 December 2010
Keith Abercromby	director	14 December 2010

The business address of the Castle Trust Directors is currently 41 Lothbury, London EC2R 7HG.

Unless otherwise stated below, the Castle Trust Directors and the senior management team of Castle Trust do not have any actual or potential conflicts of interests between their duties as directors or as the senior management team of Castle Trust and their private interests or any other duties they might have (save for those already disclosed in their capacity as directors of the Issuer). The functions (and any potential conflicts of interest) of each of the Castle Trust Directors are set out below.

Each of the Castle Trust Directors is also a director of CTCM and the Issuer. Therefore the counterparty to the Issuer for the Investment Product has the same board of directors, as does the Marketing Manager.

Sir Callum McCarthy, Non-executive Chairman, Date of birth: 29 February 1944

Directorships:

- Industrial and Commercial Bank of China Limited
- IntercontinentalExchange, Inc.
- ICE Futures Europe
- ICE Futures Holdco No 1 Limited
- OneSavings Bank Plc
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited
- Castle Trust Income HouSA plc

The Rt Hon The Lord Deben, Non-executive Director, Date of birth: 26 November 1939

Directorships:

Veolia Water UK PLC
Veolia Voda SA
Valpak Limited
Valpak Holdings Limited
Sancroft International Limited
Association of Independent Financial Advisers
Catholic Herald
Globe International
Prince Albert II of Monaco Foundation
Blue Marine Foundation
Castle Trust Capital plc
Castle Trust Capital Management Limited
Castle Trust Capital Nominees Limited
Castle Trust Income HouSA plc

Dame Deirdre Hutton, Non-executive Director, Date of birth: 15 March 1949

Directorships:

Civil Aviation Authority (Chair)
HM Treasury
Thames Water Utilities Limited
Castle Trust Capital plc
Castle Trust Capital Management Limited
Castle Trust Capital Nominees Limited
Castle Trust Income HouSA plc

Patrick Gale, Non-executive Director, Date of birth: 8 March 1960

Directorships:

- Aztec Group Limited
- Positive Solutions (Financial Services) Limited
- Origen Financial Services Limited
- Origen Investment Services Limited
- Heritage Properties (Oxford) Limited
- Oxfordshire Community Churches
- Origen Limited
- World Outreach
- Momentum Group Limited
- Think Synergy
- Aegon UK Distribution Holdings Limited
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited
- Castle Trust Income HouSA plc

Dr. David Morgan AO, Non-executive Director, Date of birth: 14 March 1947

Directorships:

- HSH Nordbank AG
- NIBC Holding NV
- NIBC Bank NV
- Pension Insurance Corporation Holdings LLP – Member of Management Board
- NPG Wealth Management Sarl
- J C Flowers & Co UK LLP
- JCF & Co UK Holdings Limited
- OneSavings Bank Plc
- Mittagong Limited
- Vaucluse Limited
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited
- Castle Trust Income HouSA plc

Potential conflict: J C Flowers & Co UK LLP and JCF & Co UK Holdings Limited are affiliated with the ultimate shareholder of Castle Trust.

Tim Hanford, Non-executive Director, Date of birth: 26 April 1964

Directorships:

- Pension Insurance Corporation Holdings LLP
- Shelbourne Syndicate Services Limited
- Shelbourne Group Limited
- SGL No 1 Limited
- Orsu Metals Corporation
- JSCB Investtradebank "OJSC"
- OneSavings Bank Plc
- Vitae Trading Company Limited
- Financiere Holding CEP
- LuxCo Holdings CEP II s.ar.l.
- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited
- Castle Trust Income HouSA plc

Richard Ramsay, Non-executive Director, Date of birth: 27 December 1949

Directorships:

Northcourt Limited
GPS Malta Limited
Redstone plc
Wolsey Group Limited
Richard Ramsay Limited
Urica Limited
Castle Trust Capital plc
Castle Trust Capital Management Limited
Castle Trust Capital Nominees Limited
Castle Trust Income HouSA plc

Sean Oldfield, Chief Executive Officer, Date of birth: 21 January 1977

Directorships:

- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited
- Castle Trust Income HouSA plc

Keith Abercromby, Chief Financial Officer, Date of birth: 5 March 1964

Directorships

- Castle Trust Capital plc
- Castle Trust Capital Management Limited
- Castle Trust Capital Nominees Limited
- Castle Trust Income HouSA plc

5 Senior Management Team

The business address of the senior management team is 41 Lothbury, London EC2R 7HG.

Martyn Guerin, Chief Operating Officer

Tony Pauley, Chief Technology Officer

Mikkel Bates, Head of Marketing

James Neave, Head of Lending

Mike Hughes, Commercial Director

Mark Banham, General Counsel

6 Corporate Governance

Compliance with the UK Corporate Governance Code ("Code")

Castle Trust is not obliged to meet the requirements of the Code. Nevertheless, the Castle Trust Board has established Audit, Risk, Remuneration and Nomination Committees with formally delegated duties and responsibilities.

Audit Committee

The Audit Committee's purpose is to evaluate and make recommendations to the Castle Trust Board in relation to accounting policies, internal control and financial reporting functions.

The Audit Committee's primary responsibilities include oversight of overall financial affairs of the business, accounting and financial reporting, ensuring principles and policies adopted comply with statutory requirements, effectiveness and adequacy of standards of internal control, internal audit, (including the internal audit programme), external audit (including the appointment, reappointment, remuneration and removal of external auditors), and the effectiveness and adequacy of regulatory compliance (including the compliance programme). The Audit Committee has the authority to obtain any information it requires from any employee or external adviser, and at least once a year may meet with Castle Trust's external auditors and internal audit function without any executive directors of Castle Trust being present.

The Audit Committee as at the date of this Base Prospectus is comprised of Richard Ramsay, Patrick Gale, and Tim Hanford. The first chair of the Audit Committee is Richard Ramsay. The quorum for meetings of the Audit Committee is two members.

Risk Committee

The Risk Committee's purpose is to oversee, evaluate, challenge, and make recommendations in relation all risk matters within Castle Trust.

The Risk Committee's primary responsibilities include oversight of the risk management framework, definition of and compliance with risk appetite metrics, monitoring the risk register (including risk trends and concentration), reputational risk, Treating Customers Fairly, outsourced partner and distribution risks, systems and start up risks, risk KPIs, provisions experience against budget, and financial risks (ICAAP and ILAA).

The Risk Committee as at the date of this Base Prospectus is comprised of Tim Hanford, Richard Ramsay, Patrick Gale, Dame Deirdre Hutton, and Sir Callum McCarthy. The first chair of the Risk Committee is Tim Hanford. The quorum for meetings of the Risk Committee is two members.

Remuneration Committee

The Remuneration Committee's purpose is to evaluate and make recommendations to the Castle Trust Board in relation to remuneration policy and remuneration recommendations in respect of Castle Trust's senior executives

The primary responsibilities of the Remuneration Committee are to: approve, review, and make recommendations of changes to and the termination of incentive schemes for approval by the Castle Trust Board; oversee any major changes in employee benefits structures throughout the company or group; manage the selection, appointment and setting of terms of reference for any external advisers to the Committee; receive guidance on risk weightings for performance objectives from the Risk Committee; report to the board on the annual remuneration policy statement to be submitted to the FSA.

The Remuneration Committee as at the date of this Base Prospectus is comprised of Dr David Morgan AO and The Rt Hon The Lord Deben. The first chair of the Remuneration Committee is Dr David Morgan AO. The quorum for meetings of the Remuneration Committee is two members.

Nomination Committee

The Nomination Committee's primary responsibilities are to: consider and make recommendations to the Board regarding future appointments to the Board; evaluate the composition of the Board, including the following factors total number of directors, balance between executive and non-executive directors and proportion of independent non-executive directors, length of service, mix of skills versus requirements, expected time commitment of non-executive directors, succession planning.

The Nomination Committee as at the date of this Base Prospectus is comprised of Sir Callum McCarthy and Dame Deirdre Hutton. The first chair of the Nomination Committee is Sir Callum McCarthy. The quorum for meetings of the Nomination Committee is two members.

7 Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Castle Trust is aware) nor have there been any such proceedings during the 12 months prior to the date of this Base Prospectus, which may have, or have had, in the recent past a significant effect on Castle Trust's financial position or profitability.

8 Material Adverse Change

There has been no material adverse change in the prospects of Castle Trust since 30 September 2011 (being the date of its last published audited financial statements).

9 Significant Change

There has been no significant change in the financial or trading position of Castle Trust since 31 March 2012 (for which interim financial statements were prepared) save for the injection a further £50m permanent equity capital which was injected by Castle Trust's parent company, Castle Trust Holdings (Jersey) Limited on 3 September 2012.

10 Material Contracts

10.1 a master swap confirmation (the "**Investment Product**") between the Issuer and Castle Trust dated 24 September 2012 under which those parties will enter into Investment Products. Under each Investment Product, the monies received by the Issuer from Castle Trust for the purchase of Notes, less certain costs and expenses payable by the Issuer, are paid to Castle Trust which will apply these monies for use in its Partnership Mortgage business. In consideration, Castle Trust agrees to pay the Issuer an amount not less than the Interest due on each Note issued as it falls due, and, as such Notes mature, the relevant Investment Product matures and an amount equal to the Investment Return is payable by the Investment Provider to the Issuer. The obligations of Castle Trust to meet such payments to the Issuer are unsecured. The Investment Product is structured such that there is a master contract governing the Investment Product with a new confirm issued with each fresh issue of Notes and therefore each confirm matures at the same time as each Tranche matures.

10.2 an umbrella agreement (the "**Umbrella Agreement**") between the Issuer, Castle Trust and CTCM dated 24 September 2012 whereby sums owed by Castle Trust to the Issuer and left outstanding on inter-company account in subscribing for the Notes issued by the Issuer are set off against the sums Castle Trust would be due to receive from the Issuer under the relevant Investment Product with net payments only then being made. The Notes will initially be issued to Castle Trust which will borrow the subscription amount from the Issuer with the amount left outstanding on inter-company account. Castle Trust then transfers Notes to investors on a fully paid basis following receipt of a completed Application Form and the relevant Investment Amount. Castle Trust will repay sums owed to the Issuer on inter-company account. The subscription monies received by the Issuer, less certain costs and expenses payable by the Issuer will then be advanced to Castle Trust under the Investment Product. The Umbrella Agreement offsets these two payments. On the maturity of an Investment Product, Castle Trust is obliged to pay the Issuer under that Investment Product an amount equal to the Investment Return in respect of the relevant maturing Note and then the Issuer would pay back the Investment Return to Investors on the redemption of the maturing Notes. The Issuer will redeem such Notes for an amount not less than the Investment Return. The loan note redemption by the Issuer will be funded by the payment due from Castle Trust under the Investment Product. As the Investment Product's payment obligation occurs at the same time as the redemption of the Notes to the extent that they are the same amount, the payments are offset under the Umbrella Agreement. The Umbrella Agreement will also cover the fees payable to CTCM under the Marketing Agreement and any excess monies paid to the Issuer under the Investment Product.

11 Audited Information

The financial statements in relation to Castle Trust and its subsidiaries for the period ended 30 September 2011 set out in Part IX of this document have been audited by Ernst & Young. The half yearly financial report for Castle Trust and its subsidiaries for the six months ended 31 March 2012 has not been audited.

12 Capital resources

During the accounting period ended 30 September 2011, and thereafter until the commencement of the Offer Period, initial permanent equity capital of approximately £14m from Castle Trust's parent company Castle Trust Holdings (Jersey) Limited was utilised to fund start-up costs of Castle Trust's business.

On 3 September 2012, a further £50m permanent equity capital was injected by Castle Trust's parent company, Castle Trust Holdings (Jersey) Limited. As at date of this document, Castle Trust has in excess of £50 million in perpetual core tier one equity capital. There are no current borrowings.

Going forward, proceeds raised via HouSA products will be loaned out in accordance with Castle Trust's liquidity policy which targets retaining a minimum of 20 per cent. of funds raised from HouSA in liquid assets such as money market, cash, and cash equivalents, with the remaining funds loaned to borrowers as Partnership Mortgages.

Castle Trust's ability to lend to Partnership Mortgage borrowers is constrained by the Core Tier 1 regulatory capital requirements imposed on Castle Trust and the amount of funding raised via HouSA products. Prudential regulation management requires Castle Trust, as a firm regulated by the FSA under BIPRU, to hold appropriate levels of capital at all times.

The source of cash flow to date has been capital injections provided by Castle Trust's parent company, Castle Trust Holdings (Jersey) Limited, which has been used to fund the costs incurred in establishing the business platform and infrastructure of Castle Trust. Future sources of cash flow will comprise the Proceeds of HouSA products issued and Partnership Mortgages redeemed together with investment income (from liquid assets such as money market, cash and cash equivalents) less expenses.

From the launch of the first HouSA products, the funding structure of Castle Trust will be determined by the duration of HouSA products purchased by investors (currently 3 year, 5 year and 10 year term products).

13 **Regulatory Status**

FSA regulation

In the UK, activities carried out by Castle Trust are regulated under FSMA, together with secondary legislation and other rules made under it, including the FSA Rules. It is an offence for a person to carry on "regulated activities" in the UK unless it is an authorised person or exempt from the need to be authorised. Castle Trust is authorised under FSMA to carry on the FSA regulated activities that it currently conducts.

Threshold conditions

A FSA authorised firm must satisfy at all times certain "threshold conditions" which are set out in FSMA. These threshold conditions include the requirement that an authorised firm must have adequate financial resources, not have "close links" of a nature that would impede the FSA's supervision of the firm and generally satisfy the FSA that it is "fit and proper" and otherwise suitable to be authorised.

Approved persons

The approval of the FSA is required for the performance of certain "controlled functions". Persons performing a "controlled function" in relation to a FSA authorised firm include, inter alia, the chief executive officer, the directors, persons with oversight of money laundering reporting and compliance and certain persons carrying out important management or customer facing functions.

The FSA Rules

A FSA authorised firm must comply with the principles and rules set out in the FSA Rules, which also provide guidance on the application and interpretation of these rules.

The FSA's Principles for Business ("Principles") are high level principles which are a general statement of the fundamental obligations of FSA authorised firms under the regulatory system. The FSA is a "judgements based regulator" and expects firms to meet the standards of behaviour set out in the Principles. These Principles include obligations to treating customers fairly. The FSA may take disciplinary action against any firm which breaches one or more of the Principles, irrespective of whether it has also breached a specific FSA rule.

If a breach of the FSA Rules occurs, the FSA has the power to take a wide range of disciplinary actions against regulated firms and any FSA approved persons, including public censure, the imposition of fines, the variation, suspension or termination of the firm's authorisations or the removal of approved status from individuals.

Regulatory capital

Regulatory capital requirements form an integral part of the FSA's prudential supervision of UK authorised firms. The regulatory capital rules oblige firms to hold a certain amount of capital at all times (taking into account the particular risks to which the firm may be exposed given its business activities), thereby seeking to ensure that firms can meet their liabilities as they fall due and safeguarding their (and their counterparties') financial stability. The FSA also expects firms to take a pro-active approach to monitoring and managing risks, consistent with its high level requirement for firms to have adequate financial resources.

Consumer credit

Castle Trust's consumer credit activities (in the form of its Partnership Mortgage products) are also regulated. Castle Trust is required to hold a licence from the OFT to enable it to carry out such activities. Castle Trust is also required to comply with the Consumer Credit Act 1974 and its regulations ("CCA regulations"), which contain rules on (among other things) advertising, pre-contract disclosure, credit agreements and post-credit information.

Castle Trust has received its directions from the OFT for Partnership Mortgages for the purchase of a home and for Partnership Mortgages for a current home.

Other legislation

Castle Trust is also required to comply with a wide range of other legislation as a result of its activities, including (amongst other things) the Data Protection Act 1998, the Money Laundering Regulations 2001, and the Proceeds of Crime Act 2002.

Regulatory changes

The UK Government has announced proposed amendments to FSMA that will alter the approach to the regulation of financial services in the UK. This includes the creation of the Prudential Regulatory Authority (the "PRA") and Financial Conduct Authority (the "FCA"), which will in general terms have responsibility for prudential and business conduct regulation respectively, and the transfer of consumer credit regulation from the OFT to the FCA in due course. The PRA and the FCA will have new regulatory powers and will replace the FSA in 2013.

14 Asset and Liability Management

Regulation

Castle Trust is a limited license investment firm authorised and regulated by the FSA under BIPRU and as such is subject to the applicable rules of the FSA. Castle Trust has a formal governance structure in place to manage and mitigate risk in accordance with FSA requirements. Castle Trust has a formal governance structure in place to manage and mitigate market risks (including house price risk and interest rate risk) and liquidity risk.

Capital and funding

Castle Trust is funded by shareholder equity capital and through customer investments which comprise Income HouSAs and Growth HouSAs. Castle Trust does not have any other funding facilities in place and has no exposure to the bank wholesale markets.

House price risk management

The Castle Trust Board sets and approves Castle Trust's house price risk management strategy. The Executive Risk Management Committee, comprising senior executives of Castle Trust, monitors house price risk. Key house price risk management information is reported by the finance team and monitored by the Chief Executive Officer and Chief Financial Officer and other members of the Executive Risk Management Committee on a monthly basis to review house price risk exposure.

At this meeting, consideration is given to the internal matching between the Partnership Mortgage assets and HouSA liabilities to ensure compliance with risk appetite metrics as approved by the Castle Trust Directors. Matching is considered in terms of the exposure of the balance sheet to movements in house prices up or down, the expected duration profile of the assets and liabilities and the degree to which the profile of the individual properties backing the Partnership Mortgages matches the profile underlying the Halifax House Price Index. Castle Trust seeks to mitigate house price risk. Castle Trust's intention is to manage its exposure to house price risk within operational and risk tolerances.

New business volume and mix will be used to manage the exposure to house price risk.

Interest rate risk management

Key interest rate risk management information is reported by the finance team and monitored by the Chief Executive Officer and Chief Financial Officer on a daily, weekly, monthly or quarterly basis as appropriate.

Liquidity risk management

The Castle Trust Board sets and approves Castle Trust's liquidity risk management policy. Castle Trust has an agreed liquidity policy under which it will maintain at all times adequate liquidity resources, both in terms of amount and quality. The Castle Trust Board routinely reviews its liquidity policy and, amongst other things, the controls in place for liquidity management.

The Executive Risk Management Committee monitors liquidity risk. Key liquidity risk management information is reported by the finance team and monitored by the Chief Executive Officer and Chief Financial Officer on a daily, weekly or monthly basis as appropriate.

To ensure sufficient liquidity is retained by Castle Trust, a significant cash buffer is established as Castle Trust targets retaining a minimum of 20 per cent. of funds raised from HouSAs in liquid assets such as money market, cash and cash equivalents. To reduce liquidity risk, Castle Trust intends to actively manage the blend of HouSA investments (ranging from three to then years) with the expected duration portfolio (which is based on UK experience) using its systems and controls. Liquidity retained under the liquidity risk management policy will be used to satisfy contractual liabilities in the event of an unexpected mismatch between assets and liabilities.

The Executive Risk Management Committee meets monthly to review liquidity risk exposure at which at which consideration is given to correcting between assets and liabilities.

15 **Financial Information**

There have been no changes in equity since incorporation other than those where capital has been injected from Castle Trust's parent entity to fund the business launch of Castle Trust. The accounts include a cashflow statement.

No quarterly or half yearly information (other than unaudited interim accounts for the six months ended 31 March 2012) has been published since the date of Castle Trust's last audited financial statements, and none is currently planned.

The unaudited interim accounts for the six months ended 31 March 2012 are superseded by the final capital injection which occurs as a post balance sheet event and prior to launch of the HouSAs and the Partnership Mortgage business.

Castle Trust has paid no dividend since incorporation. Castle Trust intends to start trading on 1 October 2012 and does not anticipate paying a dividend in respect of the first year of trading. Thereafter, prior to approving a dividend, the board of Castle Trust will satisfy itself that after any such dividend had been paid, Castle Trust would retain surplus capital resources in excess of its regulatory capital requirements.

PART XIV

INFORMATION ON CASTLE TRUST CAPITAL MANAGEMENT LIMITED

1 Incorporation and general

1.1 CTCM was incorporated in England on 25 January 2011 under the name of Castle Trust Capital Management Limited with registered number 07504954 as a private company limited by shares under the 2006 Act. The liability of the members is limited.

1.2 CTCM's registered office is at 10 Norwich Street, London EC4A 1BD, and its principal place of business is at 41 Lothbury, London EC2R 7HG (telephone number: +44 (0)20 7166 6260).

2 Regulatory Status

2.1 CTCM is authorised and regulated by the FSA to provide investment management services.

3 Directors

The board of directors of CTCM currently comprises two executive directors and seven non-executive directors. The directors are as follows:

Name	Position	Date appointed to the Board
Sir Callum McCarthy	Non-executive chairman	28 January 2011
The Rt Hon The Lord Deben	Non-executive director	17 March 2011
Dame Deirdre Hutton	Non-executive director	17 March 2011
Dr. David Morgan	Non-executive director	28 January 2011
Patrick Gale	Non-executive director	17 March 2011
Tim Hanford	Non-executive director	28 January 2011
Richard Ramsay	Non-executive director	27 May 2011
Sean Oldfield	director	28 January 2011
Keith Abercromby	director	28 January 2011

The business address of the directors is currently 41 Lothbury, London EC2R 7HG. The details in relation to the directorships and biographies for the directors of CTCM are the same as for Castle Trust set out in paragraph 4 of Part XIII of this document.

The directors of CTCM do not have any actual or potential conflicts of interests between their duties as directors of CTCM and their private interests or any other duties they might have (save for those already disclosed in their capacity as directors of the Issuer).

PART XV

DESCRIPTION OF THE INDEX

The information stated here has been obtained from the website of the Halifax House Price Index and has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by the Index Sponsor, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Background

The Index is the UK's longest running monthly house price series covering the whole country from January 1983. The Index is derived from the mortgage data of the country's largest mortgage lender, which provides a robust and representative sample of the entire UK market.

Methodology

The indices calculated are 'standardised' and represent the price of a typically transacted house. The need for 'standardisation' arises because no two houses are identical and may differ according to a variety of characteristics relating to the physical attributes of the houses themselves or to their locations.

In summary, prices are disaggregated into their constituent parts using a commonly used statistical technique called multivariate regression analysis. This allows values to be attributed to the various qualitative characteristics (type of property, region, etc.) and quantitative characteristics (age of property, number of habitable rooms, garages, bathrooms, etc.) of a property.

As a result, the technique allows Halifax to track the value of a 'typical' house over time on a like-for-like basis (i.e. with the same characteristics). This prevents the possibility of short-term changes in the set of properties sold from month to month (for example, shifts in the regional complexion of the market or a change towards more large properties being sold) giving a misleading impression of the change in the price of a 'typical' house.

Analyses of house prices based on simple arithmetic average prices (as, for example, is the case with the Land Registry) do not compare like-for-like.

Data

The Halifax House Price Indices are derived from information on the following house characteristics:

1 purchase price.
2 location (region)
3 type of property: house, sub-classified according to whether detached, semi-detached or terraced, bungalow, flat
4 age of the property
5 tenure: freehold, leasehold, feudal
6 number of rooms: habitable rooms, bedrooms, living-rooms, bathrooms
7 number of separate toilets
8 central heating: none, full, partial
9 number of garages and garage spaces
10 garden
11 land area if greater than one acre
12 road charge liability

Although one hundred per cent coverage of all house purchase transactions financed by the Halifax is obtained, those transactions that do not constitute a fully consistent body of data for the purpose of house price analysis are excluded from the indices. These exclusions primarily cover property sales that are not for private occupation and those that are likely to have been sold at prices which may not represent 'free' or 'normal' market prices, for example, most council house sales, sales to sitting tenants, etc. Only mortgages to finance house purchase are included; remortgages and further advances are excluded.

The data refer to mortgage transactions at the time they are approved rather than when they are completed. Whilst this may cover some cases which may never proceed to completion, it has the important advantage that the price information is more up-to-date as an indicator of price movements and is on a more consistent time-base than completions data (such as the ODPM Index) given the variable time lags between approval and completion.

The monthly indices cover transactions during the full calendar month and the regional quarterly indices cover transactions over the entire quarter.

Properties over £1 million have been included since December 2002 to reflect the increasing number of this hitherto small market segment.

The Halifax House Price Index is prepared from information that Halifax believes is collated with care, but Halifax do not make any statement as to its accuracy or completeness. Halifax reserves the right to vary its methodology and to edit or discontinue the indices at any time for regulatory or other reasons. Persons seeking to place reliance on the indices for their own or third party commercial purposes do so at their own risk.

Performance of the Index

The graph below shows the movement of the index since it was launched in 1983 until January 2012.

Please note the paragraph headed “Index Disruption” in the section headed “Index Adjustment” in the section headed “Information on the Operation of the Offer Tranches” of Part VIII of this Base Prospectus.

Further information in relation to the Index can be found at the website of the Index Sponsor:

http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp

Investors should note that information on this website is provided for information purposes only and does not form part of this prospectus.

PART XVI

GENERAL INFORMATION

1 Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Directors of the Issuer dated 25 September 2012. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

2 Listing and Admission to Trading

This document has been approved by the FSA as a Prospectus in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the Notes to be issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof. Application has been made for each of the 36 Tranches of the Notes to be admitted during the twelve months after the date hereof to listing on the Official List of the CISX and to trading on the CISX by way of an offer for sale.

3 Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Macfarlanes LLP, 20 Cursitor Street, London EC4A 1LT and Carey Olsen 47 Esplanade, St Helier, Jersey JE1 0BD during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of this document:

3.1 the memorandum and articles of association of the Issuer and Castle Trust;

3.2 the audited financial statements of Castle Trust for the financial period ended 30 September 2011 and the unaudited interim accounts for the six months ended 31 March 2012;

3.3 this document;

3.4 the Relevant Final Terms;

3.5 each of the Material Contracts (including, amongst others, each Investment Product made between the Issuer and CTC and the Deed of Covenant); and

3.6 the audited financial statements of the Issuer and its unaudited interim reports, when published.

Potential investors may wish to obtain and consider carefully copies of the important documents referred to above, and seek such independent advice on their terms as they consider appropriate, prior to making any investment in Notes.

4 Auditors

The auditors of the Issuer are Ernst & Young LLP, members of the Institute of Chartered Accountants and Registered Auditors of Liberation House, Castle Street, St Helier, Jersey JE1 1EY.

PART XVII

INCOME HOUSA TERMS AND CONDITIONS

This Part XVII contains the Terms and Conditions which govern the sale of Notes to Investors by Castle Trust. These Terms and Conditions are terms and conditions solely in relation to such a purchase of Notes from Castle Trust and the subsequent buyback of such Notes by Castle Trust on the maturity of such Notes, and not the issue and redemption of the Notes by the Issuer.

These Terms and Conditions are not applicable to any Investor who purchases their Notes on any secondary market.

Please note that defined terms within the Terms and Conditions have the meaning as defined therein. The schedule to the Terms and Conditions contains relevant terms and conditions to those Investors who hold their Notes in an ISA.

Terms and Conditions of the Income HouSA

All capitalised terms are explained below.

An Income HouSA is an investment for a fixed term of 3, 5 or 10 years, giving you the opportunity to share in the performance of UK house prices through the Halifax House Price Index ("HHPI") with a fixed income payable every three months.

An Income HouSA is a 'loan note' (also known as a corporate bond) issued by Castle Trust Income HouSA plc, a Jersey company. In effect, you are lending the Company money for a fixed term and the income you receive is the interest it pays on the loan note.

The level of interest you receive depends on the investment term you choose at the start and is paid out every three months for the full term. The Company then repays the loan note at the end of the term. If you invest through a tax-efficient product, such as an ISA or a pension, you will have no liability to income tax on the interest.

The value of the loan note at the end of the investment term is directly linked to the change in the HHPI, so your original investment will be adjusted for the rise or fall in the HHPI over the term.

These Terms and Conditions govern your investment in your Income HouSA. You should read these Terms and Conditions carefully. If there is anything you do not understand, you should consult your financial adviser. These Terms and Conditions are valid as at 1 October 2012.

Investment Return
The Investment Return for an Income HouSA is:

Investment +(Investment ×Index Percentage Change)

The annual income, which is payable quarterly, is:

Maturity period of Income HouSA	Annual interest income
3 years	2%
5 years	2.5%
10 years	3%

Examples of potential returns:
The following table shows the potential returns on an Investment of £1,000 in an Income HouSA for a fixed term of 5 years. The values show the simulated performance based on the Index returns given in the table below and should not be relied on as an indicator of future performance.

Index Percentage Change (%)	Interest (%)	Investment Return	Interest over 5 years	Total Return
+30	2.5	£1,300	£125	£1,425
+20	2.5	£1,200	£125	£1,325
+10	2.5	£1,100	£125	£1,225
+5	2.5	£1,050	£125	£1,175
0	2.5	£1,000	£125	£1,125
-5	2.5	£950	£125	£1,075
-10	2.5	£900	£125	£1,025
-20	2.5	£800	£125	£925
-30	2.5	£700	£125	£825

"**Index Percentage Change**" equals $\frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}}$

Financial Services Compensation Scheme
Castle Trust is authorised and regulated by the Financial Services Authority to carry out regulated activity and is a participant in the Financial Services Compensation Scheme ("FSCS") established under the Financial Services and Markets Act 2000. The FSCS can pay compensation to eligible investors if an investment firm (such as Castle Trust) is unable to meet its financial obligations.

For further details, please see clause 25.

1. Definitions
"**Application Form**" means the form you fill in to apply for your HouSA;

"**Business Day**" means any day (other than a Saturday, Sunday and bank holidays) on which we are open for business;

"**Castle Trust**" means Castle Trust Capital plc, a company registered in England & Wales (no. 07454474), authorised and regulated by the Financial Services Authority in the conduct of investment business;

"**Castle Trust Group**" means Castle Trust, any subsidiary or holding company from time to time of that company, and any subsidiary from time to time of a holding company of that company;

"**Client Investment Account**" means the client account we open for you in order to administer these Terms and Conditions and your investment in your Loan Notes (i.e. the HouSA);

"**Client Reference**" means the unique reference number given to every Client Investment Account;

"**Company**" means Castle Trust Income HouSA plc, a company incorporated in Jersey with its office at Elizabeth House, 9 Castle Street, St Helier, Jersey JE4 2QP;

"**Final Index Level**" means the Index level used to calculate the Investment Return in the month of the relevant anniversary (3, 5 or 10 years) of the Start Date;

"**FSA**" means the UK Financial Services Authority or any successor regulatory body;

"**FSA Rules**" means the rules made by the FSA which apply to the services provided to you in respect of the HouSA, as amended from time to time;

"**HouSA**" means an Income HouSA, being the investment made on your behalf in the Loan Notes in accordance with these Terms and Conditions;

"**Index**" means the Halifax House Price Index (being the non-seasonally adjusted "Standard Index of House Prices, All Houses (All Buyers)" as published from time to time by Halifax ("HHPI")) or a Successor Index;

"**Index Percentage Change**" equals $\frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}}$

"**Initial Charge**" means an amount of up to 3% deducted from the money submitted with your Application Form. This may be nil depending on your arrangements with your financial adviser;

"**Initial Index Level**" means the level of the Index published immediately after the start of the Offer Period;

"**Investment**" means your initial investment monies after the deduction of any Initial Charge, and, following the Investment Date, Loan Notes held on your behalf by the Nominee subject to these Terms and Conditions;

"**Investment Date**" means the date on which the Loan Notes will be transferred to you i.e. within 4 days of our acceptance of your Application Form, subject to your funds having cleared;

"**Investment Return**" means the amount you will receive on the Maturity Date, calculated in accordance with section 8 below;

"**Investment Return Date**" means the date on which the Final Index Level is published;

"**Loan Note Instrument**" means the instrument of the Company creating the Loan Notes;

"**Loan Notes**" means the loan notes representing the HouSA issued by the Company and held by the Nominee from time to time on your behalf;

"**Maturity Date**" means the date when your Loan Notes are redeemed by the Company or repurchased by us, being 5 Business Days after the end of the month in which the final anniversary of the date we accept your Application Form falls;

"**Nominee**" means Castle Trust Capital Nominees Limited or any other nominee Castle Trust Capital plc decides to use to hold Loan Notes on your behalf;

"**Offer Period**" means the calendar month during which you may apply for the HouSA (from 9am on the first Business Day until 2pm on the last Business Day of the month);

"**Product Terms and Conditions**" means these terms and conditions of the HouSA, the Application Form and the Base Prospectus;

"**Prospectus**" means the prospectus in respect of the offer of the Loan Notes including the current Base Prospectus and the relevant Final Terms, **which is available from us or by going to www.castletrust.co.uk/literature-library;**

"**Repurchase Facility**" has the meaning set out in section 8 below;

"**Start Date**" means the first publication date of the Index immediately after the start of the Offer Period;

"**Successor Index**" means an index or combination of indices that we determine, in our sole discretion, to be comparable to the HHPI with such adjustments as we may determine, in our sole discretion, as are required to retain comparability between the HHPI and such Successor Index;

"**Terms and Conditions**" means these Terms and Conditions and the ISA Terms set out in the

Schedule to this document if you are investing via a Castle Trust ISA;

"**We**", "**us**", "**our**" means Castle Trust Capital plc, Castle Trust Capital Management Limited and/or the Nominee, as applicable;

"**You**" and "**your**" means the person on whose behalf the Nominee is holding the Loan Notes and who is named as the applicant in the Application Form or, if appropriate, your representative.

.

2. Introduction

a) You should read the Product Terms and Conditions. They make up a legally binding contract between you and us in respect of your investment in the HouSA. **These documents are available from us or may be found at www.castletrust.co.uk/literature-library;**

b) For individuals, an investment in a HouSA is only available to those over 18 years of age.

c) Your investment in the HouSA will take the form of Loan Notes in the Company which will be held on your behalf in accordance with the Terms and Conditions.

d) By making your investment you agree to be bound by the Terms and Conditions.

e) Castle Trust Capital plc is authorised and regulated by the FSA in the conduct of regulated activity.

3. Your application

a) Your HouSA will begin only when we have accepted a correctly completed Application Form by the close of the Offer Period together with the relevant amount of investment monies by cheque or by electronic transfer, where applicable. Payments in cash will not be accepted. You cannot make further investments in the same HouSA after the end of an Offer Period. To invest in a further HouSA, where available, you will need to complete a new Application Form.

b) The minimum investment in a HouSA is £1,000.

c) You confirm that the information supplied, and any declarations made, on your Application Form are true, accurate and complete. You acknowledge that we may cancel your Investment if any of the information supplied or declarations made are untrue, inaccurate or incomplete.

d) Our acceptance of your application creates a contract between you and us subject to the Terms and Conditions. We will send you written confirmation of each investment, showing the number of Shares to be purchased on your behalf.

e) We will invest your monies (after deduction of the Initial Charge) by applying them, on your behalf, in purchasing Loan Notes from us on the Investment Date and we will send you written confirmation of your Client Reference, the Investment Date, the Initial Index Level, the anticipated Investment Return Date and the method of calculation of the Investment Return.

f) We reserve the right to stop accepting applications for investments in any HouSA without notice during an Offer Period.

g) We reserve the right to reject an application at our discretion. We will notify you of our decision, but we will not be required to provide reasons. You agree that we will have no liability to you for any loss you may incur if we decide to reject an application and as a result you do not acquire a HouSA.

h) We will deal with you solely on an execution only basis which means we will not provide any advice to you in relation to your Investment. By accepting your application, we are not confirming that an investment in the HouSA is suitable for you. If you are in any doubt as to whether the HouSA is suitable for you, you should speak to your financial adviser.

4. Cancellation

You have the right to change your mind and cancel your application within 14 days after receiving notice from us of your cancellation rights. A cancellation notice will be sent to you within 5 Business Days after we have received your completed Application Form. If you exercise your right to cancel, any investment monies paid to us, including any Initial Charge, will be repaid. We will repay your investment monies as soon as reasonably practicable and in any event within 30 days of the date upon which your cancellation became effective. If we have purchased Loan Notes on your behalf we will repurchase them for the amount of your Investment to enable us to do this.

5. Cash held before the Investment Date

Money that we hold on your behalf prior to the Investment Date will be held by us in our client account as trustee (or in Scotland as agent) and in accordance with the FSA's client money rules. Interest will not be paid on any money held by us on your behalf.

6. How we hold your Investment

a) All Loan Notes purchased by you will be registered in the name of the Nominee. The Nominee will hold the Loan Notes on your behalf. This arrangement is called a bare trust and is subject to the relevant documents of the Company, the Base Prospectus and any other document governing the terms on which the Loan Notes are issued. You will remain the beneficial owner of the Loan Notes which means that, although they are legally registered in the name of the Nominee, their economic benefits belong to you and you may call for them to be transferred to you at any time (as described, and subject to payment of any charges we apply as described in section 9, below). The Nominee will maintain a register of beneficial owners of Loan Notes.

b) Your Client Reference is shown on the written confirmation we send to you following our accepting your application. Please keep your Client Reference safe as we may ask for it when you contact us.

c) We will maintain the Client Investment Account. You agree to provide promptly any information we request in respect of the Loan Notes registered in the Nominee's name on your behalf.

d) We will only take instructions for the HouSA from persons on the Nominee's register. We do not recognise the beneficial interest of any person under any trust and we will not take notice of any such beneficial interest under any trust express, implied or constructive.

e) We will not lend your Loan Notes to, or deposit your Loan Notes with, any third party. No money will be borrowed using them as security.

7. Interest on your Investment

Interest will be paid on your Loan Notes at the annual rate shown below. Interest will be calculated on the Loan Notes you hold on the last Business Day of each quarter starting three months after the end of the Offer Period until the last day of the month in which the final anniversary of the date we accept you Application Form falls and will be paid direct to your bank account as soon as reasonably practicable and in any event within 20 days of the date upon which the relevant interest payment was calculated.

Maturity period of Income HouSA	Annual interest income
3 years	2%
5 years	2.5%

10 years	3%

8. Maturity of the Income HouSA

a) Approximately two months prior to the Maturity Date, we will write to you at the address we hold on file for you to confirm your wishes for the payment of the Investment Return on the Maturity Date. The options available are (i) payment by us direct to your bank or building society account of the amount due to you, (ii) payment by cheque made out to the name of the person held on the Nominee's register or (iii) reinvestment in a further HouSA, where available.

b) On the Maturity Date your Loan Notes will be redeemed by the Company by 2pm or, failing that, they will be repurchased by us (the "Repurchase Facility"). The Repurchase Facility is only available to the applicant(s) named on the Application Form or to the legal representatives or beneficiaries of the estate of the applicant(s) in the event of death; it will not be available to any subsequent transferee of the Loan Notes.

c) Loan Notes will be redeemed by the Company or repurchased by us for an amount equal to the Investment Return. Your Investment Return will be retained subject to receiving instruction from you as set out in condition 8a) above. The calculation for the Investment Return is shown in condition 8f) below.

d) Following receipt of your instruction, the Investment Return will be paid to you or invested in a further HouSA, where available, if you have requested this. Payment will (subject to condition 8e)) be made to your bank or building society account or a cheque posted (depending on what you have requested) within 10 Business Days of the Maturity Date.

e) If no instruction is received from you in relation to application of the Investment Return, it will be held by us until we receive instructions from you. Any funds which we hold after the Maturity Date on your behalf will be held by us in our client account as trustee (or in Scotland as agent) and will be held in accordance with the FSA's client money rules. You will not earn any interest on the Investment Return.

f) The Investment Return for an Income HouSA is:

Investment + (Investment × Index Percentage Change)

Please see above for examples of potential returns at illustrative rates of Index Percentage Change.

9. Transferring your Investment

a) The Loan Notes are listed on the Channel Islands Stock Exchange and are therefore freely transferable. **However, you should be aware that there may not be a ready market for your Loan Notes.**

b) If you wish to transfer all or some of your Loan Notes to another beneficial owner, you must notify us in writing at least 30 days before the date of the proposed transfer. The Nominee will transfer your Loan Notes in accordance with your instructions. We may make a charge for transfers of Loan Notes to cover the Nominee's administration costs.

c) **If you transfer all or part of your Loan Notes before the Maturity Date you may get back significantly less than you invested and less than you would receive if you were to hold your Investment until the Maturity Date.** If you transfer all of your Loan Notes to another beneficial owner, this will have the effect of terminating these Terms and Conditions as between you and us (such that the HouSA will cease to exist).

d) If you are not transferring all of your Loan Notes, the remaining value of your Investment after the transfer must meet the minimum investment level for the HouSA.

e) Transferring all or some of your Loan Notes will not affect any of your rights or obligations arising before, during or after the date of such transfer or which arise as a result of such transfer or which relate to our provision of the HouSA to you and all such rights and obligations shall continue to be subject to the Terms and Conditions applying at the time of your original application.

10. Early encashment

a) You may request at any time that we repurchase your Loan Notes from you. **However, whether we in fact do so, and at what price, will be entirely at our discretion.** We cannot provide any assurance in respect of a minimum price that we would be willing to pay for your Loan Notes.

b) Where we have repurchased your Loan Notes in accordance with condition 10a), payment of the sale proceeds will be made by cheque or direct to your chosen UK bank or building society account, within 10 Business Days of the repurchase becoming effective.

c) We will only consider repurchasing Loan Notes early on receipt of an early encashment request form, signed by all the registered investors. You may write to us or call us to ask for a form.

d) You may request that we repurchase only some of your Loan Notes. The minimum early encashment amount is £1,000 and the minimum balance after a partial early encashment is £1,000.

11. Death

a) If you die before the Maturity Date, your Investment will continue pending instructions from the legal representative of your estate. If the Loan Notes are held by the Nominee for your benefit only, then they can be released to your legal representative on request. Alternatively, your legal representative may instruct us to hold the Loan Notes for the benefit of another beneficiary.

b) If your Loan Notes are held by the Nominee for the benefit of you and another person then after your death they will be held for the benefit of the surviving joint holder.

c) We will need to see the death certificate and grant of representation (or Scottish equivalent) before we can act on administrators' or executors' instructions.

12. Charges and expenses

a) We will deduct the Initial Charge before investing your monies. We reserve the right to charge you for the administration by the Nominee of any transfer of your Loan Notes or the issue of duplicate documentation. We will tell you about the charges for these services before we provide the service and at any time on request.

b) Any charges payable by you under these Terms and Conditions (other than the Initial Charge) are exclusive of VAT, which will be payable by you where applicable. The Initial Charge is VAT inclusive.

c) We may retain or make deductions from amounts we owe to you or are holding for you in order to settle any outstanding obligations arising from these Terms and Conditions.

d) You agree to pay for any losses or expenses we incur as a result of your failure to put the Nominee in funds in relation to any matter instructed by you or otherwise as a result of a breach by you of these Terms and Conditions and against any taxes suffered by us attributable to your use of the HouSA. We reserve the right to charge interest at 2% above the base rate of the Bank of England from time to time on any outstanding amount due from you.

e) If you owe us money in respect of the HouSA, we reserve the right not to act on instructions from you until you have paid us in full.

13. Statements

a) We will provide you with six-monthly statements in February and August each year. This will show the amount you invested, the relevant Initial Index Level, the Index level published the month before the date of the statement and the interest amounts paid out to you. We may supply you with duplicate or additional statements on request. We reserve the right to charge a fee for this.

b) You should check any statement which you receive from us and if you have any query or concern in relation to the matters disclosed you should contact us as soon as possible.

14. Company information

If you choose you can request that the following be sent to you:

a) The annual report and accounts and non-audited interim reports of the Company; and/or

b) Any other information issued to shareholders in the Company.

15. Joint holders

a) The Nominee will hold Loan Notes for up to two joint holders, unless the Loan Notes are held by trustees when up to four joint holders will be permissible.

b) All references in these Terms and Conditions apply to each holder jointly and severally. Each holder agrees that:

i) all obligations, undertakings and agreements on our part and the part of the Nominee are given to the joint holders taken together and not separately to each of them; and

ii) all obligations, undertakings, agreements and liabilities arising out of or pursuant to these Terms and Conditions constitute joint and several obligations of each joint holder. This means that you will each be responsible for any money owing on your HouSA, both individually and jointly.

This also means that if one of you is unable to repay any money owing, the other account holder(s) can be required to pay the amount due in full. If exercising your right to cancel your Investment under condition 4, the cancellation instruction must be signed by all joint account holders and, where the Investment is held on behalf of a trust, by all trustees. We reserve the right to accept other instructions signed by the first named holder. The bank or building society account into which you ask us to pay any sale proceeds under condition 10b) must be held in the name of all holders unless the other holders instruct us otherwise in writing.

c) Please see condition 11 for information on what happens if a joint holder dies.

16. Corporate and trustee holders

a) If you are a company (including a corporate trustee), by making an application for an investment in the HouSA, you confirm that:

i) you are a company duly incorporated and validly existing in the United Kingdom;

ii) you have the necessary corporate rights and authority to make your investment in the HouSA;

iii) you have duly authorised, executed and delivered the Application Form;

iv) these Terms and Conditions constitute your valid and legally binding obligations enforceable under English law; and

You agree to provide to us any documents or information that we may reasonably require in support of the above confirmations e.g. certified copies of board and/or shareholder resolutions.

b) If you are a trustee, by making an application for an investment in the HouSA, you confirm that:

i) you have been duly appointed as trustee of the relevant trust;

ii) you have all necessary rights, authority and consents to make your investment in the HouSA;

iii) you will comply with all internal management procedures of the trust and any other procedural requirement; and

You agree to provide to us any documents or information that we may reasonably require in support of the above confirmations.

17. Power of attorney

If you wish an attorney to deal with matters relating to your HouSA on your behalf we will need a copy of the relevant Power of Attorney certified by a solicitor as being a true copy of the original.

18. Validity of instructions

a) We may refuse to act on instructions from you which are not given in the correct format or are incomplete. Instructions that are not accepted will be returned to you or your financial adviser, where appropriate.

b) We may delay acting on your instructions if we need to obtain further information from you to comply with any legal or regulatory requirement (including compliance with anti-money laundering legislation or rules) or to investigate any concerns we may have as to the validity of your instructions. Where further enquiries are required, you authorise us to make identity (including searching the electoral roll), fraud and other enquiries that may be necessary for these purposes.

19. Liabilities

a) We will take reasonable care in the provision of our services under the Terms and Conditions. We will not be responsible for any losses or expenses (including loss of Loan Notes) suffered by you unless these are as a direct result of negligence, deliberate breach of our obligations or fraud by us.

b) We do not guarantee the return of your investment monies nor the profit (if any) you may make from your investment (provided that you shall be entitled to the Investment Return in accordance with the Terms and Conditions). We will not be responsible for any loss of opportunity through which the value of your investment could have been increased, or for any reduction in the value of your Investment unless this is a direct result of either (i) negligence, deliberate breach of our obligations or fraud by us or (ii) our failure to complete any repurchase of your Loan Notes under condition 8b) (except where this is a result of circumstances as set out in condition 19c)).

c) If we cannot provide our services due to circumstances beyond our reasonable control, we will, where possible, take such reasonable steps as we can to bring those circumstances to an end. We shall not be liable for any losses or expenses suffered by you as a result of such circumstances or as a result of a delay or failure in the provision of our services caused by such circumstances.

d) Notwithstanding any other provision of the Terms and Conditions, we shall not be liable for any loss attributable to any failure by you to disclose changes of address, name, bank details, bankruptcy or other personal details. We accept no liability for any financial loss resulting from a delay in taking any action in order that we may obtain further information from you, comply with any legal or regulatory requirement or investigate any concern about the validity or any other matter relating to your instruction.

e) We shall not be liable for acting upon any instructions which are forged or fraudulent and shall be entitled to assume that all signatures are genuine. If in any case we agree to accept instructions by telephone or electronic means, we may assume the identity of the caller or sender is genuine, having taken reasonable steps to identify them, unless it should be obvious that he or she was not a genuine caller or sender.

f) Our liability in respect of any claim you make against us will not exceed the value of your Loan Notes when the claim arises/is discovered.

g) Nothing in the Terms and Conditions shall exclude any liability which cannot lawfully be excluded.

20. Termination

a) The Product Terms and Conditions may be terminated:

i) by you by:

a) transferring your Investment in accordance with clause 9; or
b) encashing your Loan Notes in accordance with clause 10;

(ii) by us giving you notice in writing to take effect not less than 30 days from the date notice is posted to you if we decide that we are no longer able or willing to offer this type of HouSA;

iii) by us without notice if you are in material breach of the Terms and Conditions.

b) If these Product Terms and Conditions are terminated in accordance with conditions 20a), the provisions of the Product Terms and Conditions (other than the Repurchase Facility) shall cease to apply to your Loan Notes, but they shall remain held for your account by the Nominee except to the extent that you request and we agree to early encashment in accordance with the Product Terms and Conditions or you request that the Loan Notes be transferred to you (in which case we may make a charge to cover any administrative costs we incur in transferring the Loan Notes to you).

c) Termination of these Product Terms and Conditions (for whatever reason) will not affect:

i) the completion of transactions undertaken in respect of your Investment;

ii) any liabilities or obligations of either you or us to the other incurred before the date of termination;

iii) all sums rightfully due from either you or us to the other becoming payable on the date of termination.

d) **Sale or other disposal of your Loan Notes (or termination of these Product Terms and Conditions) prior to the Maturity Date may mean that you get back significantly less that you invested and less than you would receive if you were to hold your Loan Notes until the Maturity Date.**

21. Changing the Terms and Conditions

a) We may change or add to the Terms and Conditions at any time. To avoid unnecessary costs, we may make a change or addition without telling you in advance:

i) if you will benefit from the change or addition;

ii) if a regulator makes us make a change or addition at short notice, when we may not be able to give you advance notice of that change or addition;

in which case we will notify you after the change or addition.

For all other changes or additions we will give you at least 30 days' written notice of the change or addition.

b) We may make a change or addition only to:

i) keep to any changes in the law or in codes or practice;

ii) provide for the introduction of new or system changes, methods of operation, services or facilities;

iii) take account of a ruling or recommendation by a court, ombudsman, regulator or similar organisation;

iv) make them clearer or more favourable to you;

v) put right any mistake that we might discover in the future.

22. Conflicts of interest

We or our agents may carry out transactions for you whether or not we or they have directly or indirectly a material interest or relationship of any description with another party, which may involve a conflict with our or their duty to you. We will, however, endeavour to ensure that any transaction carried out in such circumstances is made on a normal commercial basis at arm's length. The Castle Trust Group will either avoid any conflicts of interest arising or, where conflicts arise, will ensure fair treatment of all its customers by disclosure, internal rules of confidentiality, declining to act, or otherwise. Full details of the conflicts policy of Castle Trust are available from www.castletrust.co.uk/literature-library.

23. Delegation

We and the Nominee may employ agents and delegates on such terms as we think fit to carry out any part of its obligations or discretions in connection with the HouSA and, save as otherwise provided in the Terms and Conditions, we and the Nominee shall be liable for the acts and omissions of such agents and delegates as if they were the acts or omissions of us or the Nominee as appropriate.

24. Complaints

Details of how to make a complaint are set out in our complaints policy which can be found on our website www.castletrust.co.uk, or by writing to us at the address in section 26, below.

25. Compensation

Castle Trust is authorised and regulated by the Financial Services Authority to carry out regulated activity and is a participant in the Financial Services Compensation Scheme ("FSCS") established under the Financial Services and Markets Act 2000. The FSCS can pay compensation to eligible investors if an investment firm (such as Castle Trust) is unable to meet its financial obligations. If you suffered a loss as a result of Castle Trust failing to meet its financial obligations (for example, if it failed to buy back your Loan Notes because it had become insolvent) then you would be able to make a claim to the FSCS. Most investors, including most individuals and some small businesses, are covered by the FSCS. In respect of investments, an eligible investor is entitled to claim up to £50,000 per firm with which he holds investments. **If you transfer your Loan Notes in accordance with clause 9, that person acquiring an interest in such Loan Notes will not be covered by the FSCS under these Terms and Conditions.** For further information about the FSCS, including the amounts covered and eligibility to claim, please refer to the FSCS website, www.fscs.org.uk.

26. Notices, communications; change of details

a) You should send any notices (including cancellation notices) requests for information or instructions for us to:

Castle Trust,
PO Box 11040,
Chelmsford, CM99 2DD

Tel: 0844 620 0160

b) For your protection and to help us improve our service we may record and monitor phone calls.

c) You should include your full name and your Client Reference (which can be found on your six-monthly statement or contract note) in all correspondence with us.

d) We will send any notices or other correspondence to the address you have given in your Application Form, or to a new permanent residential address provided you have notified us in writing of the change. You should notify us of any change of name or address as soon as possible, providing us with appropriate supporting documentation, e.g. in the case of a change of name, the deed poll or marriage certificate.

e) All communications and payments will be sent by us to the address of the first named holder as stated on the Client Investment Account. It is the responsibility of the first named holder to inform and account to any joint holders.

f) All communications sent to you by us will be treated as received by you two Business Days after posting.

g) Any documents or cheques sent to you by us or on our behalf and any documents or cheques sent by you to us will be sent at your risk and we accept no liability prior to receipt of any document or cheque or where relevant after despatch of any document or cheque to you.

h) We will not send you any documents if their distribution may be prohibited by any applicable law.

27. Your electronic information

If you contact us electronically, we may collect your electronic identifier (e.g. Internet Protocol (IP) address or telephone number), supplied by your service provider.

28. How we use your information and with whom we share it

a) Your information comprises all the details we hold about you and your transactions, and includes information obtained from third parties.

b) We may use and share your information with other members of the Castle Trust Group and our agents to help us and them:

– support your HouSA

– assess financial and insurance risks;

– recover debt;

– prevent and detect crime;

– understand our customers' requirements;

– develop and test products and services.

c) We do not disclose your information to anyone outside the Castle Trust Group except:

– to our auditors and other professional advisers; or

– where we have your permission; or

– where we are required or permitted to do so by law; or

– to credit reference and fraud prevention agencies and other companies that provide a service to us or you; or

– where we may transfer rights and obligations under this agreement.

d) We may transfer your information to other countries on the basis that anyone to whom we pass it provides an adequate level of protection. However, such information may be accessed by law enforcement agencies and other authorities to prevent and detect crime and comply with legal obligations.

e) From time to time we may change the way we use your information. Where we believe you may not reasonably expect such a change we shall write to you. If you do not object to the change within 60 days we will deem that you consent to that change.

f) If you would like a copy of the information we hold about you, please write to:

Castle Trust,
PO Box 11040,
Chelmsford, CM99 2DD.

We may charge for the supply of this information.

g) You authorise us to disclose or permit disclosure of any information we may have either about your Investment or any other purposes in connection with the Terms and Conditions to any relevant authority as they may require (whether compelled by law or not) and we shall not be liable for any disclosure made in good faith.

29. Fraud prevention agencies

a) If false or inaccurate information is provided and fraud is identified or suspected, details may be passed to fraud prevention agencies.

Law enforcement agencies may access and use this information.

We and other organisations may also access and use this information to prevent fraud and money laundering, for example when:

– checking applications for, and managing, credit or other facilities and recovering debt;

– checking insurance proposals and claims;

– checking details of job applicants and employees.

We, and other organisations that may access and use information recorded by fraud prevention agencies, may do so from other countries.

b) We can provide the names and addresses of the fraud prevention agencies we use if you would like a copy of your information held by them. The agencies may charge you a fee to check your record.

30. Who we are

We are members of the Castle Trust Group. For information about our group of companies please visit www.castletrust.co.uk and click on ‘About Us’.

31. Client categorisation

Unless you specifically request otherwise, we will treat you as a retail client, as defined by the FSA Rules.

32. Waiver

No conduct or delay on our part shall be taken as a waiver or variation of any rights which we have under the Terms and Conditions unless we waive or vary a particular right in writing. No waiver or variation on a particular occasion will operate as a waiver or variation of any rights we may have in respect of any other matter.

33. Severability
If any provision of the Terms and Conditions is prohibited by law or judged by a court to be unlawful, void or unenforceable, the provision shall, to the extent required, be severed from the agreement and rendered ineffective as far as possible without modifying the remaining provisions of the Terms and Conditions.

34. Assignment
We may at any time transfer all or any of our rights and obligations under this agreement to any person (the "Transferee") who (in the case of our obligations) in our reasonable opinion is able to perform our obligations under the Terms and Conditions. We will only do this if:

i) the Transferee agrees to exercise the transferred rights and perform the transferred obligations in accordance with a statement of policy which we approve before the transfer; and

ii) we reasonably think that the policy described in the statement will ensure that you are no less favourably treated after the transfer than you were beforehand.

35. Third party rights
Save as expressly set out in the Terms and Conditions, nothing in the Terms and Conditions shall confer or is intended to confer on any third party any benefit or the right to enforce any terms contained in the Terms and Conditions for the purposes of the Contracts (Rights of Third Parties) Act 1999.

36. Law and jurisdiction
a) If these terms conflict with the FSA Rules then the FSA Rules will take priority.

b) This document, the Base Prospectus and the Application Form are based on our current understanding of the law of England and Wales and HM Revenue & Customs practice, both of which may change in the future.

c) The Terms and Conditions shall be governed by the law of England and Wales. All communications will be in English.

Schedule – Castle Trust ISA Terms

In addition to the above Terms and Conditions, the following terms and conditions (the "ISA Terms") also apply to you if you are investing via a Castle Trust ISA. If the ISA Terms conflict with the Product Terms and Conditions the ISA Terms shall prevail.

Definitions

The following terms have the following meanings in the ISA Terms

"**We**", "**Us**" mean the ISA manager approved by HMRC, Castle Trust Capital Management Limited.

"**You**" means the person named as the applicant in the ISA application form.

"**ISA agreement**" means these ISA Terms together with the Product Terms and Conditions and the Base Prospectus.

"**ISA Terms**" means the terms of the ISA as set out in this schedule.

The headings in these ISA Terms are for guidance only and are not part of these ISA Terms.

1. The Castle Trust ISA
The ISA will be a stocks and shares ISA as defined in the Individual Savings Account Regulations 1998 (as amended) (the ISA regulations). We will manage your ISA account in line with:
- your instructions;
- rules set by the FSA;
- the ISA regulations; and

- the ISA agreement.

If any term or condition of the ISA agreement conflicts with the ISA regulations, the ISA regulations will prevail and, in particular, if any term or condition of the ISA agreement is or becomes contrary to the ISA regulations or HMRC's interpretation of the ISA regulations, the provision shall be applied to your Investment and your ISA account in such a manner as obtains the closest commercial result to the original provision without being contrary to the ISA regulations or that interpretation.

2. Payments into your ISA

Your payments will be invested in accordance with the ISA agreement and in line with the instructions you gave in the ISA application form. You can only hold one stocks and shares ISA in any one tax year. You can pay in one or more lump sums. The minimum lump sum you can pay in at any time is £1,000. From 6 April 2012, the maximum you can pay into your ISA in any one tax year is £11,280, regardless of any withdrawals you make.

You can put up to £5,640 of the yearly limit into a cash ISA with one provider. You can invest the rest of the £11,280 in a stocks and shares ISA with either the same provider or a different provider. Alternatively you can invest the full £11,280 in a stocks and shares ISA with one provider.

3. Investment

To open an ISA account you must fill in an Application Form.

a. If your application is accepted, your payments into the ISA will be used to buy investments in accordance with the ISA agreement.

b. Any proceeds from your ISA account are completely free from personal income tax and capital gains tax.

4. Ownership

All investments held in your ISA will belong beneficially to you, but cannot be used as security for a loan. You or we cannot transfer or lend ISA investments, ownership documents or any other property relating to an account to anyone else.

5. How we hold your investment

The investments will be registered in the name of the Nominee which will hold them on your behalf. Certificates or other documents evidencing ownership of the investments will be held by us or as we direct.

Any amount you have paid into your account must be used to buy investments. If a payment needs to be held before investments are bought, this will be in a separate account that does not pay interest. That account will be with the bank or building society we specify from time to time.

We may manage the investments in your ISA account with the investments of other ISA accounts that we manage.

6. Transfer to another ISA provider

If you wish to transfer your ISA to another provider, you need to contact the other ISA provider and complete the ISA transfer forms that they give you. The new ISA provider will then send us your completed transfer forms and tell us that they will accept the transfer. If you wish to transfer an ISA in cash, you will need to request that your investments be repurchased in accordance with and subject to the Terms and Conditions. **Note that the Terms and Conditions do not guarantee that the investments will be repurchased and, if they are not, then you will need to transfer your ISA in stock**. If you are able to transfer in cash then the proceeds will be paid to the other provider. If you are transferring an ISA in stock, we will transfer your interest in your investments to the new provider and you may have to pay a charge for this. If there is a charge, we will tell you what it is before we carry out the transfer. Notwithstanding any transfer to another

ISA provider, your investments will remain registered in the name of the Nominee and the Product Terms and Conditions will continue to apply.

Any transfer must be in relation to the whole of your ISA and must be to another stocks and shares ISA (partial transfers are not allowed). On your instructions and within a time stipulated by you (which shall not be less than 30 days from the date of instruction) the ISA with all rights and obligations shall be transferred to the other provider in accordance with the ISA regulations.

If we cease (or the person we have appointed to carry out our functions and responsibilities ceases) to qualify as an ISA manager under the ISA regulations, we will notify you of your right to transfer the account to another ISA manager.

7. Records

We will keep all records relating to your ISA account as specified in the ISA regulations and rules set by the FSA. We will make tax returns to HM Revenue & Customs and will give you all the tax information the ISA regulations say that we must provide. We will tell you if your ISA account has lost or will lose its tax advantages because it does not meet the requirements of the ISA regulations.

8. Charges and commission

We make charges on HouSAs but we make no further charges for maintaining your ISA as such. Out of our charges we may pay commissions to eligible financial advisers.

9. Closing the account

You can request that your account be closed at any time by giving notice in writing (in accordance with the ISA agreement) that you wish to transfer your investments or request to have them repurchased under the early encashment process (see condition 9 of the HouSA Terms and Conditions) or have them transferred to you to hold personally and outside of the ISA. The proceeds from such transfer or repurchase (after taking off any charges, expenses and tax that is due) will be paid to you or (as applicable) the investments will be transferred to you (subject to our right to keep any investments we need to settle any such charges, expenses and tax) (or, if you have died, to your estate), together with a closing statement, in accordance with the ISA agreement.

The account will be treated as being closed on the date we pay the proceeds to you or your estate.

If you die, your investments will stop being considered as part of an ISA, so the tax advantages will be lost in respect of interest, dividends or gains arising after your death. However, there is no loss of tax advantages in respect of interest, dividends or gains arising before your death. We will not repurchase or transfer the investments until we have received sufficient information to prove that the person claiming the investments is legally entitled to them.

We may close your ISA immediately at our discretion if you do not comply with any material terms of the ISA agreement.

We are obliged to terminate your ISA immediately if we are of the opinion that it is impossible to administer it in accordance with the ISA regulations or if it is made void as a result of any failure to satisfy the ISA regulations. We will notify you in writing if this occurs or will occur as soon as possible once we become aware of it.

Closure will not affect the completion of any transactions already begun and any outstanding fees will remain payable. We will account to you for all the investments held, but we can keep any investments we need to settle transactions already initiated and outstanding fees. You will pay to us fees and transaction charges owing at the date of closure.

We will notify you if your ISA account is no longer exempt from tax by reason of any failure to satisfy the ISA Regulations.

10. Withdrawals from the account

You can request a withdrawal of Investments, interest, dividends, rights or other proceeds from the ISA account at any time prior to the Maturity Date by writing to us but any withdrawal request which you wish to be satisfied in cash (as opposed to being satisfied by a transfer to you of investments) is subject to the early encashment provisions in the Product Terms and Conditions and entirely at our discretion. The minimum withdrawal request amount is £1,000. We may close the ISA account if an early withdrawal reduces the balance of your ISA to below £1,000. If you make an early withdrawal, you cannot make further payments into the account if you have already paid in the maximum amount allowed in that tax year.

When we agree to a request for early encashment, sufficient Investments to cover the amount you want to withdraw will be repurchased or redeemed in accordance with the Product Terms and Conditions.

On your instructions and within the time stipulated by you (which period shall not be less than 30 days), all or part of the Investments held in the ISA and the proceeds arising from the investments shall be transferred or paid to you.

11. Information

You may elect:

- to receive the relevant annual report and accounts and any other information issued to investors by the Company; and/or

- for us to arrange for you to be able (i) to attend any meetings of investors in the Company and (ii) to exercise voting rights attaching to your class (if any).

Any such election should be made to us in writing making reference to this term

12. Delegation

We may appoint any person (whether or not connected with us) to carry out any of our functions or responsibilities, and may provide information about you and your account to that person. We will satisfy ourselves that any person to whom we delegate any of our functions or responsibilities under these ISA Terms is competent to carry out these functions and responsibilities.

13. Communication

You must give your instructions in writing. We will send confirmation of those instructions to your address (as most recently notified to us). We will only accept instructions given by phone, fax or email if you confirm your instructions in writing. We will only contact you in connection with managing your ISA account. We may monitor and record phone calls.

14. Risk warnings

The value of investments can fall as well as rise and is not guaranteed. You may not get back the amount you originally invested.

Tax laws and practices can change. The tax advantages of ISAs are those available under current tax laws. The value of the tax advantages depends on your individual circumstances.

15. Changing these ISA Terms

The ISA must comply with the ISA regulations, which may change from time to time. We can change these ISA Terms by giving you reasonable notice in writing, as long as the change does not result in the account not meeting the ISA regulations.

16. Cancellation

After you receive confirmation from us of your application, you will have 14 days to cancel your ISA and get your money back. We will repay you as soon as reasonably practicable and in any event within 30 days of the date upon which your cancellation became effective. If you cancel within this period, you will still be able to open another stocks and shares ISA in the same tax year.

17. Governing law

The ISA will be governed by English law. It is based on our understanding of current tax laws and HM Revenue & Customs practice.

18. Appointing a new ISA manager

We may appoint another person to be the ISA manager and we may transfer to that person all our rights and obligations under these ISA Terms. If we do this we will give you one month's notice first. Before we appoint another person we will satisfy ourselves that they are competent to act as ISA manager.

19. Administration

The day-to-day administration of the ISA account is carried out by International Financial Data Services (UK) Limited.

PART XVIII

GLOSSARY OF TERMS AND DEFINITIONS

The following terms apply throughout this document unless the context otherwise requires

"2006 Act"	the Companies Act 2006, as amended
"Administrator"	JTC or such other person or persons as may from time to time be appointed by the Issuer as its administrator or secretary
"Admission"	the admission of the Notes to the Official List of the CISX
"Affiliate"	has the meaning given to the term "affiliated company" or any other equivalent term in the glossary of the FSA's Handbook
"Articles of Association" or "Articles"	the articles of association of the Issuer from time to time
"Auditors"	Ernst & Young LLP, or such other person or persons as may from time to time be appointed by the Issuer as its auditors
"Base Prospectus"	this document giving information relating to the Issuer and general information about the offer and issue of Notes issued in respect of each Tranche as the same is amended and/or supplemented from time to time, which, when taken together with the Relevant Final Terms issued by the Issuer constitutes the prospectus for the purposes of the Prospectus Directive
"BIPRU"	the FSA prudential standards sourcebook for banks, building societies and investment firms
"Board"	the board of directors of the Issuer
"Business Day"	a day (excluding Saturdays, Sundays and public holidays) on which commercial banks in Jersey and London are normally open for business
"Castle Trust" or "CTC"	Castle Trust Capital plc (a company incorporated in England and Wales with registered number 07454474) whose registered office is at 10 Norwich Street, London EC4A 1BD
"Castle Trust Board"	the board of directors of Castle Trust
"Castle Trust Directors"	the directors of Castle Trust whose names are set out in Part III of this document (each a "Castle Trust Director")
"certificated" or "in certificated form"	recorded in the register of members of the Issuer (as applicable) and evidenced by the issue of a loan

	note certificate
"CISX"	the Channel Islands Stock Exchange, LBG (Limited by Guarantee).
"CTCM"	Castle Trust Capital Management Limited (a company incorporated in England and Wales with registered number 07504954) whose registered office is at 10 Norwich Street, London EC4A 1BD
"CTCN"	Castle Trust Capital Nominees Limited (a company incorporated in England and Wales with registered number 7801931) whose registered office is at 10 Norwich Street, London EC4A 1BD
"Day Count Fraction"	in respect of the calculation of an amount for any period of time, such day count fraction as may be specified in the Terms and Conditions of the Notes or the Relevant Final Terms
"Deed of Covenant"	a deed of covenant which constitutes the Notes by deed poll and provides arrangements for the protection of Investors' interests in the event that a Global Certificate becomes void
"Directors"	the directors of the Issuer whose names are set out in Part XI of this document (each a "Director")
"Early Payment Date"	in relation to the Notes issued in respect of a Tranche, any date prior to the Maturity Date on which the Notes will be repurchased or redeemed
"Executive Risk Management Committee"	the committee of management of Castle Trust established to monitor risk associated with matching the assets and liabilities of Castle Trust
"Final Index Level"	the level of the Index on the relevant Reference Date for that Tranche
"Final Index Level Determination"	the determination of the Final Index Level by CTCM
"Final Terms"	in respect of a Tranche, the notice of the Interest, the term of the Notes, the Issue Price and the terms and conditions of the Notes (a pro forma of which is contained in this document)
"Financial Services Law"	the Financial Services (Jersey) Law 1998, as amended
"FSA"	the Financial Services Authority, in its capacity as the competent authority for the purposes of Part VI FSMA
"FSCS"	the Financial Services Compensation Scheme as created under FSMA and is the UK's statutory fund of last resort for customers of authorised financial services firms
"FSMA"	the Financial Services and Markets Act 2000, as

	amended
“Global Certificate”	Registered note certificates delivered to and registered in the name of CTCN as nominee for Investors
“Growth HouSA”	a HouSA that takes the form of a share issued by the PCC and delivers a multiple of any increase of the Index and a reduced factor of any decrease of the Index
“HMRC”	HM Revenue and Customs
“HouSA”	fixed term investment marketed by CTCM offering returns linked to the value of the UK housing market by reference to the performance of the Index
“ICAAP”	internal capital adequacy process
“IFDS”	International Financial Data Services (UK) Limited and International Financial Data Services Limited, third parties contracted to provide investment administration services
“Income HouSA”	a HouSA that takes the form of a Note issued by the Issuer and whose capital returns match the Index and which pays a fixed quarterly coupon
“Index”	the relevant index by reference to which the Investment Return for each Note issued in respect of a Tranche will be determined, which shall be (unless otherwise stated in the Final Terms) the Halifax House Price Index of the UK national housing market which includes all houses, all buyers, non-seasonally adjusted, monthly data
“Index Disruption Event”	an event described as such under the section entitled "Index Adjustments" in Part VIII of this document
“Index Percentage Change”	(Final Index Level – Initial Index Level) / Initial Index Level
“Index Sponsor”	Halifax, a trading name of Bank of Scotland plc, a wholly owned subsidiary of Lloyds Banking Group plc.
“Initial Index Level”	the level of the Index issued in the month of the Offer Period as published by the Index Sponsor
“Investment Amount”	the amount invested by an Investor being the number of Notes purchased multiplied by the Issue Price
“Investment Date”	in relation to each Tranche, the date specified as such in the Relevant Final Terms relating to such Tranche

"Investment Product"	a financial contract entered into by the Issuer with the Investment Provider as detailed on page 119 in respect of a Tranche which is intended to generate the funds required to pay the relevant Investment Return and Interest
"Investment Provider"	the counterparty for the Investment Product in which the assets of the Issuer are invested, being Castle Trust and/or any other person approved by the Issuer, the Administrator and, if required by applicable law and regulation, the JFSC
"Investment Return" and "Investment Return per Note"	in relation to the Notes in each Tranche, the amount payable on the redemption or repurchase of each Note in that Tranche at the Maturity Date for such Tranche in accordance with, and subject to, the Deed of Covenant, as set out in more detail under the heading "Investment Return" in Part VI of this document
"Investment Return Date"	the Reference Date
"Investment Term"	in respect of Notes issued in respect of each Tranche, the period from the Investment Date to the Maturity Date for the relevant Notes
"Investors"	the holders of Notes issued for the Issue Price
"Interest"	the interest payable in respect of Notes at a rate as set out in the Relevant Final Terms on the Issue Price accruing on a daily basis and payable at quarterly intervals on the Interest Payment Date
"Interest Payment Date"	the date on which the Interest is paid to the Investor being the dates falling at quarterly intervals after the end of the Offer Period as specified in the Relevant Final Terms (or if that day is not a Business Day, the next following Business Day)
"ISA"	an account within the meaning of (and which satisfies the requirements set out in) the ISA Regulations
"ISA Regulations"	the Individual Savings Account Regulations 1998 (SI 1998/1870), as amended from time to time
"Issue Date"	the date of issue of the Notes as set out in the Relevant Final Terms
"Issue Price"	in relation to each Tranche, the issue price per Note being £1.00
"Issuer"	Castle Trust Income HouSA plc, a public company incorporated under the Law in Jersey with registered number 108225 and having its registered office at Elizabeth House, 9 Castle Street, St. Helier, Jersey, JE4 2QP.
"Issuer Winding-up Date"	the date on which the Issuer is wound up

“JFSC”	the Jersey Financial Services Commission
“JTC”	JTC (Jersey) Limited whose registered office is at Elizabeth House, 9 Castle Street, St Helier, Jersey JE4 2QP
“Law”	the Companies (Jersey) Law 1991, as amended
“Listing Rules”	the listing rules of the CISX
“Listing Sponsor”	JTC Listing Services Limited whose registered office is at Elizabeth House, 9 Castle Street, St Helier, Jersey JE4 2QP
“Listing Sponsorship Agreement”	the agreement between the Issuer and the Listing Sponsor, under which the Listing Sponsor has agreed to provide CISX listing sponsor services to the Issuer, a summary of which is set out in paragraph 12 of Part XI of this document
“Marketing Agreement”	the agreement between the Issuer and CTCM (and any amendment thereto) or, in the event that some other person is or persons are appointed by the Issuer as the Marketing Manager in relation to the marketing of Notes, as applicable, the agreement or agreements between such person or persons and the Issuer, a summary of which is set out in paragraph 12 of Part XI of this document
“Marketing Manager”	CTCM, or such other person as may be appointed from time to time by the Issuer with, if required, the approval of the JFSC and the FSA, to act as marketing manager to the Notes issued in respect of a Tranche, as set out in this document or in the Relevant Final Terms
“Material Contracts”	means the contracts and agreements set out in paragraph 12 of Part XI of this document
“Maturity Date”	in relation to the Notes issued in respect of a Tranche, the date on which such Notes will be compulsorily redeemed or repurchased as specified in the Relevant Final Terms
“Minimum Application Size”	means the minimum value of Notes an investor may purchase
“Nominee”	the nominee, being CTCN, who holds Notes on behalf of Investors (unless the Investor requests otherwise)
“Noteholder”	the legal title holder of a Note, i.e. a holder of Notes who has been issued a certificate in respect of such Notes
“Notes”	redeemable Income HouSA index linked notes, with a fixed Interest rate payable quarterly and a Maturity Date as set out in the Relevant Final Terms, issued by the Issuer and an Investment Return that reflects the change in the Index over the course of the

	Investment Term
"Offer"	the offer for the purchase of Notes issued in respect of the relevant Tranche, on the terms set out in the Relevant Final Terms
"Offer Period"	the offer period for the purchase of Notes issued in respect of the relevant Tranche, as set out in the Relevant Final Terms
"Offer Tranche"	each Tranche of Notes offered as set out in the Relevant Final Terms
"Ordinary Shareholder"	holder of Ordinary Shares
"Ordinary Shares"	ordinary shares of £1.00 in the capital of the Issuer held by Castle Trust, or such other person from time to time
"Partnership Mortgage"	a mortgage advanced by Castle Trust for 20% of the value of a property, advanced alongside a 60% (or less) capital and interest repayment mortgage from a traditional lender. and the homebuyer must provide a minimum 20% deposit (or retain 20% equity if using a Partnership Mortgage and not purchasing a property)
"PCC"	Castle Trust PCC, a closed-ended investment company incorporated as a protected cell company with limited liability in Jersey with registered number 108697
"Proceeds"	the proceeds of an Offer, being an amount equal to the number of Notes issued pursuant to the Offer multiplied by the Issue Price
"Rebased Index"	means a revalued Index in accordance with the section entitled "Index Adjustment" in Part VIII of this document
"Record Date"	the date by reference to which the recipients of Interest and the Investment Return as the persons shown on the Register at that date are determined, which, in the case of Interest, shall be the Interest Payment Date, and, in the case of the Investment Return, shall be the Maturity Date
"Reference Date"	the date by reference to which the Investment Return in relation to a Tranche is determined being (i) the most recent date of publication of the Index falling prior to the month in which Maturity Date as more particularly specified in the Relevant Final Terms or, (ii) in the case of an early redemption, the most recent date of publication of the Index falling prior to the month in which the Early Payment Date falls
"Register"	the register of Investors of the Issuer

"Registrar"	JTC or such other person as the Issuer appoints as its registrar to maintain the Register
"Registrar and Administration Agreement"	the agreement between the Registrar and the Issuer (a summary of which can be found in paragraph 12 of Part XI of this document)
"Relevant Final Terms"	in relation to any Tranche, the Final Terms issued by the Issuer describing the rights attaching to the Notes issued in respect of that Tranche, the terms and conditions of the relevant Notes, the basis on which the relevant Notes are offered, risk factors and other information specific to the relevant Notes
"Target Servicing"	Target Servicing Limited, a third party contracted to provide mortgage administration services
"Terms and Conditions"	the terms and conditions on which Investors will purchase their Notes from Castle Trust on their investment in Notes as set out in Part XVII
"Tranche"	a tranche of Notes of a particular term that is linked to the relevant Investment Product and created by the Directors of the Issuer in accordance with the Deed of Covenant
"Settlement Date"	the date on which the Investment Return is paid to Investors as specified in the Relevant Final Terms
"Shareholder Meeting"	a meeting of the Ordinary Shareholders of the Issuer convened and held by the Issuer in accordance with the Articles
"SIPP"	A self-invested personal pension plan
"Special Resolution"	a resolution of the Issuer, as the case may be, which is passed by a majority of not less than two-thirds of Ordinary Shareholders who (being entitled to do so) vote in person, or by proxy, at a Shareholder Meeting
"Umbrella Agreement"	the agreement entered into by the Issuer, Castle Trust and CTCM governing the offset of equal payments to be made by the Issuer to Castle Trust and vice versa under the Investment Product and the paying up and redemption of Notes (a summary of which can be found in paragraph 12 of Part XI of this document)
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland

PART XIX

DIRECTORY

Directors of the Issuer

Sir Callum McCarthy – Non-executive director

The Rt Hon The Lord Deben – Non-executive director

Dame Deirdre Hutton – Non-executive director

Dr. David Morgan AO – Non-executive director

Patrick Gale – Non-executive director

Tim Hanford – Non-executive director

Richard Ramsay – Non-executive director

Sean Oldfield — Chief Executive Officer

Keith Abercromby — Chief Financial Officer

Business address of each Director is 41 Lothbury, London, EC2R 7HG

Company Secretary

JTC (Jersey) Limited

Registered and Head Office

Elizabeth House
9 Castle Street
St. Helier
Jersey JE4 2QP

English legal advisers to the Issuer

Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Jersey legal advisers to the Issuer

Carey Olsen
47 Esplanade
St Helier
Jersey
JE1 0BD

CISX Listing Sponsor

JTC Listing Services Limited
Elizabeth House
9 Castle Street
St. Helier
Jersey JE4 2QP

Auditors and Reporting Accountants

Ernst & Young LLP
Liberation House
Castle Street
St Helier
Jersey JE1 1EY

Marketing Manager

Castle Trust Capital Management Limited
41 Lothbury
London
EC2R 7HG

Registrar and Administrator

JTC (Jersey) Limited
Elizabeth House
9 Castle Street
St. Helier
Jersey JE4 2QP

Principal Bankers

HSBC Bank PLC
8 Canada Square
London E14 5HQ

Dated: 3 October 2012