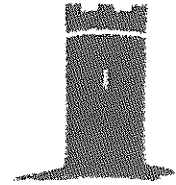


CASTLE TRUST

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Castle Trust Capital plc

Unaudited interim condensed consolidated financial statements

31 March 2013



Registered No: 07454474

Directors

Sir Callum McCarthy
Mr Sean Oldfield
Mr Keith William Abercromby
Mr Timothy John Hanford
Dr David Raymond Morgan
Mr Patrick Nigel Christopher Gale
Dame Deirdre Mary Hutton
The Rt Hon the Lord Deben
Mr Richard Alexander McGregor Ramsay

Secretary

Mr Mark Banham

Auditors

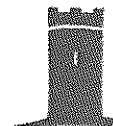
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Directors' report

The directors present the Unaudited Interim Condensed Consolidated Financial Statements for Castle Trust Capital plc ("the Group" or "Castle Trust") for the period ended 31 March 2013.

Business overview

Following the receipt of the necessary regulatory authorisations, the Group commenced trading 1 October 2012 as a provider of mortgages (Partnership Mortgages) and house price linked investments (Housas). The Group offers a fixed term investment ('Housa') giving customers the opportunity to share in the returns of UK house prices (as measured by the Halifax House Price Index ('HHPI')). The Company is licensed by the Office of Fair Trading to issue Partnership Mortgages and was granted Financial Conduct Authority ("FCA") permission to carry out regulated investment activities on 5 September 2012.

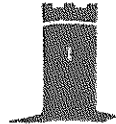
The Group is comprised of four operating entities (Castle Trust Capital plc, Castle Trust Capital Management Limited, Castle Trust PCC and Castle Trust Income HouSA plc) and one nominee company (Castle Trust Capital Nominees Limited). Castle Trust PCC is a special purpose entity which is not owned by the group but consolidated by virtue of control.

Castle Trust Capital plc will issue partnership mortgages and provide administrative support to, and management of, the Partnership Mortgage business. A Partnership Mortgage is a mortgage for 20% of the value of a property, advanced alongside a 60% (or less) capital and interest mortgage from a traditional lender. The customer must provide a minimum 20% deposit (or retain 20% equity if using a Partnership Mortgage and not purchasing a property). Partnership Mortgages will be issued to customers for the purchase or re-mortgage 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 re-mortgage 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 Capital Management Limited provides Sales and Marketing and Investment Management Services to Castle Trust Income HouSA plc and to Castle Trust PCC and its Protected Cell. The latter entities list, respectively, fixed term loan notes and redeemable preference shares on the Channel Islands Stock Exchange on a monthly basis. The cash invested in these entities provides capital to the Group for investment, capital management and Partnership Mortgage lending purposes. Further description of the listed products is contained in Note 6.

The Group has established an experienced Board and management team and has implemented a robust legal, regulatory and operational framework for its business. Costs were carefully managed during the period.



Directors' report (continued)

Operating Structure

Castle Trust Capital plc subscribes for the redeemable preference shares in Castle Trust PCC or loan notes in Castle Trust Income HouSA plc and immediately sells them to the investors for payment. Castle Trust Capital plc, simultaneously, writes a swap agreement for the subscription amounts (less the fees paid to the Housa) between either Castle Trust PCC or Castle Trust Income HouSA plc that lends such monies from the Housa to Castle Trust Capital plc. The subscription amounts due from Castle Trust Capital plc to either Castle Trust PCC or Castle Trust Income HouSA plc are therefore offset against the advance due under the derivative swap agreement. The swap transactions are eliminated in these interim consolidated financial statements.

Redeemable preference shares and loan notes are held for Investors by Castle Trust Capital Nominees Limited.

Castle Trust Capital plc has a buy back arrangement over all redeemable preference share or loan notes held by Investors under which, as part of selling the redeemable preference shares or loan notes to an Investor, it has agreed to purchase redeemable preference share or loan notes held by that Investor on the Maturity Date if they have not been redeemed. At the redemption date, the preference share or loan note redemption by Castle Trust PCC or Castle Trust Income HouSA plc will be funded by the payment due from Castle Trust Capital plc under the derivative swap which will also be extinguished at this point.

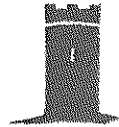
Significant updates in the period

In the current financial period, a number of significant developments have taken place:

- Sales of Housas to 31 March 2013 total £1,419,905, of which £566,825 were Income Housas and £853,080 Growth Housas. Of this total, £1,000,000 (at cost) were purchased by Castle Trust Capital plc in order to comply with the UKLA's requirement for each product to maintain a minimum subscription of £500,000. These £1,000,000 intra-group transactions are eliminated on consolidation in the Interim Condensed Consolidated Statement of Financial Position.
- There were no sales of Partnership Mortgages in the period.
- Housa sales volumes continue to increase, with sales to the 31 May 2013 totalling £1,951,803 (which includes the £1,000,000 intra-group transactions as above). Whilst no Partnership Mortgages completed in the period to 31 March 2013, mortgage activity has since increased with the issue of decisions in principle and full mortgage applications since that date. The Group has embarked on an exercise to better communicate the potential uses and benefits of the Partnership Mortgage to a refocused target market.

Risk Management and exposure to risk

The Group measures and monitors risk on a regular basis and formally reviews its risk position at the Risk Committee every quarter. The main risks to which the Company is exposed are Liquidity and Credit risk. Neither risk is sought, but these risks are inherent in the Company's business model, and as such are regularly measured and monitored, and appropriately managed. Risks are described in full in Note 6.



Directors' Report (continued)

Results and dividends

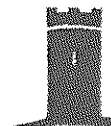
The results of the Group for the period are set out in the Interim Condensed Consolidated Statement of Comprehensive Income on page 5. The Group has made a loss in the current financial period amounting to £3,942,567 (31 March 2012: £2,979,521).

By order of the Board

A handwritten signature in black ink, appearing to read 'Mark Banham'.

Mr Mark Banham
Company Secretary

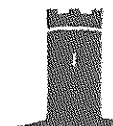
26 September 2013



Unaudited interim condensed consolidated statement of comprehensive income
for the period ended 31 March 2013

	Note	31 March 2013 6 months	31 March 2012 6 months
Interest and similar income		77,019	18,864
Interest and similar expense		(6,409)	(4,521)
Net interest income		70,610	14,343
Fees and commission income		1,690	-
Fees and commission expense		(308)	-
Net fee and commission income		1,382	-
Net income		71,992	14,343
Net loss on financial liabilities at fair value through profit or loss		(2,448)	-
Total operating income		69,544	14,343
Personnel expenses		(2,063,073)	(1,726,665)
Depreciation of property and equipment		(10,146)	(10,146)
Other operating expenses		(1,925,193)	(1,257,053)
Total operating expenses		(3,998,412)	(2,993,864)
Loss before tax from continuing operations		(3,928,868)	(2,979,521)
Income tax expense	3	(15,797)	-
Loss for the period from continuing operations		(3,944,665)	(2,979,521)
Loss for the period			
Attributable to:			
Equity holders of the parent		(3,968,727)	(2,979,521)
Non-controlling interests		24,062	-
Loss for the period and total comprehensive loss		(3,944,665)	(2,979,521)

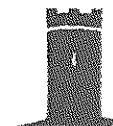
The results for all periods comprise continuing operations.



Unaudited interim condensed consolidated statement of financial position

for the period ended 31 March 2013

		31 March 2013 6 months	30 September 2012 Year
		£	£
Assets			
Property and equipment		17,611	27,757
Trade and other receivables		95,320	95,318
Investments	4	2,500,000	-
Non-current assets		2,612,931	123,075
Investments	4	40,971,585	45,904,466
Trade and other receivables		161,346	107,633
Prepayments		150,008	-
Cash and cash equivalents		4,241,128	6,097,580
Current assets		45,524,067	52,109,679
Total assets		48,136,998	52,232,754
Equity			
Share capital	7	6,478,000	6,478,000
Share premium		45,540,000	45,540,000
Retained earnings		(4,988,961)	(1,044,296)
Total equity		47,029,039	50,973,704
Non-current liabilities			
Financial liabilities at fair value through profit and loss	6	422,354	-
Trade payables		25,349	9,552
Trade payables		388,009	1,212,681
Other payables		308	-
Employee benefits	5	271,939	36,817
Current Liabilities		685,605	1,259,050
Total Liabilities		1,107,959	1,259,050
Total Equity and liabilities		48,136,998	52,232,754
Of which:			
Non-controlling interests		24,062	-



Unaudited interim condensed consolidated statement of changes in equity

For the period ended 31 March 2013

	Issued Capital	Share Premium	Retained earnings	Total
At 1 October 2012	6,478,000	45,540,000	(1,044,296)	50,973,704
Total comprehensive loss for the year	-	-	(3,944,665)	(3,944,665)
At 31 March 2013	6,478,000	45,540,000	(4,988,961)	47,029,039

For the year ended 30 September 2012

	Issued Capital	Share Premium	Retained earnings	Total
At 1 October 2011	912,000	8,208,001	(7,203,513)	1,916,488
Total comprehensive loss for the year	-	-	(6,602,784)	(6,602,784)
Issue of share capital	5,566,000	50,094,000	-	55,660,000
Share premium cancellation	-	(12,762,001)	12,762,001	-
At 30 September 2012	6,478,000	45,540,000	(1,044,296)	50,973,704



Unaudited interim condensed consolidated statement of cash flows

for the period ended 31 March 2013

	31 March 2013 £ 6 months	30 September 2012 £ Year
Cash flows from operating activities		
Loss before tax from continuing operations	(3,928,868)	(6,593,232)
Adjustments to reconcile loss before tax to net cash flow:		
Depreciation of property and equipment	10,146	20,293
Interest income	(76,668)	(40,649)
Net loss on financial liabilities at fair value through profit and loss	2,449	-
Working capital adjustments:		
Increase in trade and other receivables	(227,783)	(133,935)
Decrease in trade and other payables	(139,220)	(389,687)
Decrease/(increase) in Investments	2,432,881	(42,896,045)
Interest paid	(6,408)	(3,591)
Net cash used in operating activities	<u>(1,933,472)</u>	<u>(50,036,846)</u>
Cash flows from investing activities		
Interest received	77,019	36,173
Cash flows from financing activities		
Proceeds from the issue of share capital	-	55,660,000
Net (decrease)/increase in cash and cash equivalents	<u>(1,856,453)</u>	<u>5,659,327</u>
Cash and cash equivalents at the beginning of the period/year	6,097,581	438,253
Cash and cash equivalents at end of period/year	<u>4,241,128</u>	<u>6,097,580</u>



Notes to the unaudited interim condensed consolidated financial statements

1. Corporate information

Castle Trust Capital plc and its subsidiaries ("the Group") offer a fixed term investment ('Housa') giving customers the opportunity to share in the returns of UK house prices (as measured by the Halifax House Price Index). In addition it offers a new form of mortgage ('Partnership Mortgage') that gives the customer flexibility in how to buy or re-mortgage their home.

The ultimate controlling party of the Group is Mr James Christopher Flowers.

The unaudited Interim Condensed Consolidated Financial Statements for the period ended 31 March 2013 were authorised for issue in accordance with a resolution of the directors on 20 June 2013. Subsequently, Castle Trust has prepared non-statutory first time adoption IFRS Consolidated Financial Statements as at 30 September 2012 to support the base prospectuses of Castle Trust Income HouSA plc and Castle Trust Growth plc under the UKLA prospectus rules, Annex 20.1. Consequently, these accounts no longer represent a first time adoption of IFRS and have been amended and re-issued as such in accordance with a resolution of the directors on 19 September 2013.

The current main source of income for the Group arises from the investment of capital funds and funds arising from the issuance of Loan Notes and Redeemable Preference shares each month in long term deposits and a sterling liquidity fund. In addition, gains and losses are recognised on Housas, in line with the movement of the Halifax House Price Index, which is the most significant factor in the modelling of the Housa fair values. This is described in further detail in note 6. The main expenses of the Group arise in the provision of sales and marketing, operations, and investment management services.

2. Accounting Policies

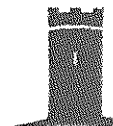
2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting". The consolidated interim financial statements do not include all of the information required for full annual financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 September 2012. The group has included comparative figures for the previous full year in the interim condensed consolidated financial statements. In compliance with the provisions of s435 of the Companies Act 2006 regarding the publication of non-statutory accounts, the interim condensed consolidated financial statements do not constitute statutory accounts.

Statutory consolidated financial statements dealing with the financial year ended 30 September 2012 have been delivered to the registrar. An unqualified auditor's report has been made on the consolidated statutory financial statements for that financial year.

The Interim Condensed Consolidated Financial Statements have been prepared on a historical cost basis, except for financial liabilities at fair value through profit and loss that have been measured at fair value. The Interim Condensed Consolidated Financial Statements are presented in sterling and all values are rounded to the nearest pound (£) except where otherwise indicated.



2. Accounting Policies cont.

Basis of consolidation

The Interim Condensed Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2013.

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

The financial statements of the subsidiaries used in the preparation of these Interim Condensed Consolidated Financial Statements are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

2.2 Significant accounting judgements, estimates and assumptions

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

2.2.1 Judgements

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

Consolidation of special purpose entities

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

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

Castle Trust's involvement with consolidated SPEs is detailed in note 9.



2.2 Significant accounting judgements, estimates and assumptions

2.2.2 Estimates and assumptions

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

Going concern

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from some observable market data (including the Halifax House Price Index ('HHPI')) but some judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as discount rates and early redemption assumptions. The valuation of financial instruments is described in more detail in Note 6.

Deferred tax assets

The status, measurement and treatment of deferred tax assets is disclosed in note 3 however these assets are not recognised in the Interim Condensed Consolidated Financial Statements, as they have been fully impaired. The decision to not recognise the assets is based on the Group's estimation of profits arising in the short to medium term against which the brought forward losses might be relieved. As profits against which to offset losses are not expected in the next twelve months, no asset is recognised. The status, measurement and treatment of these potential assets is monitored on an on-going basis.

2.3 Summary of significant accounting policies

2.3.1 Financial Instruments - Classification

Financial instruments included in the Statement of Financial Position include Investments, Trade and other receivables, Trade and other payables and Financial liabilities at fair value through profit or loss. The particular accounting policies adopted for these financial instruments are disclosed in the individual policy statements associated with each item below.

Financial assets

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



2.3 Summary of significant accounting policies cont.

Financial liabilities at fair value through profit or loss

The Group designates its liabilities to Redeemable Preference ('Growth Housas') shareholders and its Loan Note ('Income Housas') holders upon initial recognition as financial liabilities held at fair value through profit or loss (note 6).

Financial liabilities at amortised cost

Trade creditors, amounts due to staff or payable in relation to staff are classified recorded at amortised cost.

2.3.2 Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, ie, the date that Castle Trust becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Subsequent measurement

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

2.3.3 De-recognition of financial assets and financial liabilities

(i) Financial assets

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

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

and either:

- Castle Trust has transferred substantially all the risks and rewards of the asset, or;
- Castle Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

(i) Financial assets cont.

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



2.3 Summary of significant accounting policies

(ii) Financial liabilities

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

2.3.4 Determination of fair value

The fair value of financial liabilities at fair value through profit and loss is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, Black Scholes and other similar valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 6.

2.3.5 Impairment of financial assets

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

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

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

2.3.6 Fee and commission income

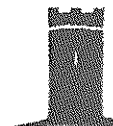
Castle Trust has earned fee and commission income from the sale of Housa investments.

2.3.7 Cash and cash equivalents

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

2.3.8 Property and equipment

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



2.3 Summary of significant accounting policies cont.

2.3.8 Property and equipment cont.

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

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

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

2.3.9 Provisions

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

2.3.10 Taxes

(i) Current tax

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

(ii) Deferred tax

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

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

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



2.3 Summary of significant accounting policies cont.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

See Note 3 for further description of the current status of deferred tax assets.

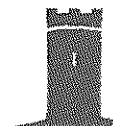
2.3.11 Dividends payable on ordinary shares

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

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

2.3.12 Impairment of non-financial assets

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



2.3 Summary of significant accounting policies cont.

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

2.3.13 Segmental Reporting

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

2.4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of Castle Trust's financial statements are disclosed below. Standards not early adopted but applicable to the Castle Trust Group include:

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. Adoption of the standard does not have a material impact on the financial position or performance of Castle Trust compared to its equivalent treatment under UK GAAP.

IFRS 13 – Fair Value measurement

The standard becomes effective for annual periods beginning on or after 1 January 2014. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. Adoption of the standard does not have a material impact on the financial position or performance of Castle Trust compared to its equivalent treatment under the previous UK GAAP.

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

The standard becomes effective for annual periods beginning on or after 1 January 2014. It replaces the requirements of IAS 27 *Consolidated and Separate Financial Statements* that address the accounting for consolidated financial statements and SIC 12 *Consolidation – Special Purpose Entities*. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014.



2.4 Standards issued but not yet effective cont.

IFRS 12 – Disclosure of Involvement with Other Entities

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

Even if Castle Trust concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the financial statements to make their own assessment of the financial impact were Castle Trust to reach a different conclusion regarding consolidation.

Castle Trust will need to disclose more information about the consolidated and unconsolidated structure entities with which it is involved or has sponsored. However, the standard will not have any impact on the financial position or performance of Castle Trust.

Standards not early adopted but not applicable to the Castle Trust Group include:

- IFRS 1 Government Loans — Amendments to IFRS 1
- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments
- IFRS 11 – Joint Arrangements
- IAS 19 Employee Benefits – Amendments
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

3. Income tax

	31 March 2013 6 months	31 March 2012 6 months
	£	£
The components of income tax expense for the periods ended:		
Current Income tax	15,797	-
Accounting loss before tax	(3,926,770)	(2,961,168)
At prevailing UK statutory income tax rate of 23% (September 2012: 24%, March 2012: 24%)	(903,157)	(710,680)
Non-deductible expenses	903,157	710,680
Tax on interest income	15,797	-
Income tax expense reported in the consolidated income statement	15,797	-

The effective tax rate for 2013 is 21% (March 2012: 23%)



3. Income tax cont.

As at 31 March 2013, the Group had a deferred tax asset of £3,521,997 that has not been recognised due to uncertainty surrounding the timing of the availability of taxable profits against which these could be offset. The asset has been assessed at a tax rate of 20% which is the expected prevailing rate from 2015, the earliest date currently at which we believe profits may now arise. The effect of this reassessment of prior years was to reduce the asset by £482,606 in total as at 31 March 2013.

4. Investments

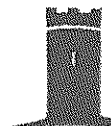
	31 March 2013	30 September 2012
	£	£
Non-current Assets		
Amounts on long term deposit	<u>2,500,000</u>	-
Current Assets		
Amounts invested in sterling liquidity fund	<u>40,971,585</u>	<u>45,904,466</u>

Amounts on long term deposit relate to funds placed with Lloyds Bank on a twelve month deposit.

5. Employee Benefits

	31 March 2013 Year £	30 September 2012 6 months £
Termination payment	229,872	-
Holiday pay accrual	42,067	36,817
	<u>271,939</u>	<u>36,817</u>

The termination payment relates to a former senior employee and consists of two payments that will be made in April and October 2013. Full provision has been made as at 31 March 2013 as the conditions upon which the October 2013 payment was contingent were met as at 31 March 2013. The holiday accrual represents the liability of the Group to its employees in terms of the salary value of their unused holiday at the period close dates. This represents the only income statement difference between the UK GAAP basis of preparation and the newly adopted IFRS standards.



6. Financial Liabilities at fair value through profit and loss

6.1 Fair value of financial liabilities

The table below shows the fair values of financial liabilities together with their notional amounts. Liabilities are measured at fair value as their performance is evaluated on the basis of the movement of the HHPI as described in the prospectuses for the listed investments from which the liabilities are derived. The notional amount, recorded gross, is the amount of the liability's underlying value at issue and is the basis upon which changes in the value of the liabilities are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

As at 31 March 2013	Notional Amount £	Fair Value £
Liability to Income Housa customers	66,825	67,061
Liability to Growth Housa customers	353,080	355,293
	419,905	422,354

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

Fair value measurement

Castle Trust has developed a model to calculate the fair value of its Housa liabilities. The model uses standard valuation techniques, such as discounted cash flows and Black Scholes.

The models incorporate various inputs including the movement in HHPI from issuance to the latest published value of HHPI as at 31 March 2013, the amount of time elapsed from issuance to the 31 March 2013, the expected future movement in HHPI and the amount of variation or volatility in this future movement and the product terms.

Fair value modelling: policy and procedures

The fair values are calculated using a system called the Housa Pricing System. This calculates the fair value 'price', which is the fair value per unit of issuance. The Housa Pricing System has been documented and has undergone a third party review. The system is run on a monthly basis by the Head of Asset and Liability Management (ALM). It includes a number of checks and controls to ensure that it has been run correctly. The Head of ALM reviews the resulting fair value prices and calculates the fair value given the total issuance of Housas. This is then reviewed and authorised by the CFO on a monthly basis.



6. Financial Liabilities at fair value through profit and loss cont.

Income Housas

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

Investment Return

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

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

Interest

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

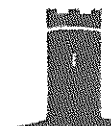
Maturity Period of Loan Note	Annual interest
3 years	2%
5 years	2.5%
10 years	3%

Income Housas: Nominal and fair values for the Growth Housa tranches issued in the period:

Maturity Period of Loan Note	Nominal Value	Fair Value
	£	£
5 year October 2012	2,425	2,436
5 year November 2012	30,000	30,231
5 year November 2012	19,400	19,407
10 year December 2012	15,000	14,987
	66,825	67,061

Growth Housas

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



6. Financial Liabilities at fair value through profit and loss cont.

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

	Nominal value	Fair Value
	£	£
5 Year October 2012	5,000	5,037
10 Year October 2012	13,025	13,115
10 Year November 2012	20,075	20,334
10 Year December 2012	15,000	15,067
10 Year January 2013	20,000	19,972
5 Year February 2013	105,220	106,215
10 Year February 2013	82,250	83,043
5 Year March 2013	85,900	85,900
10 Year March 2013	6,610	6,610
Total	353,080	355,293

Investment return on the Growth Housas

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

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

Where:

The "Return Multiple" is:

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

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

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

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



6. Financial Liabilities at fair value through profit and loss cont.

6.2 Financial Instruments

Fair value hierarchy

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

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

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

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

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

As at 31 March 2013, the Group held the following classes of financial instruments measured at fair value:

Financial liabilities measured at fair value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value through profit and loss	-	422,354		422,354

There are no comparatives for these instruments as the first issuance was on 4 October 2012 .

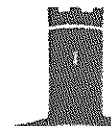
6.3 Risk Management

Financial risk management

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

6.3.1 Credit risk

Retail credit risk is inherent in the Castle Trust Partnership Mortgage product. This risk is managed in the loan origination and servicing processes. The Company has modelled the scenarios which might lead to a change in these risks, and these are measured and monitored on a quarterly basis by the Risk Committee. No Partnership Mortgages have yet been sold.



6. Financial Liabilities at fair value through profit and loss cont.

6.3.2 Liquidity risk

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

6.3.3 Market risk

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

6.3.3a Currency risk

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

6.3.3b Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. The company manages interest rate risk by placing funds on deposit with a variety of credit institutions with varying durations.

6.3.3c Price risk

Price risk is currently the risk that the fair values of the Participating Preference Shares (Growth Housas) and Loan Notes (Income Housas) increases. No partnership Mortgages have yet been sold.

6.3.4 Sensitivity of prices to changes in the main fair value driver:

The main driver of the fair value is the level of the Halifax House Price Index (HHPI), which is published each month in arrears, shortly after each month end.

The analysis below shows the impact on the financial liabilities at fair value through profit and loss if the HHPI were to increase or decrease by 10%. The analysis assumes that all other variables remain constant. There is no comparative sensitivity analysis prepared as this is the first reporting period in which the Housa investments have existed. The first tranche sold, as shown in the tables in note 6.1, were in October 2012.

	Increase HHPI by 10%	Decrease HHPI by 10%
Financial liabilities	£	£
Net assets attributable to Participating Shareholders	41,120	(34,472)



6. Financial Liabilities at fair value through profit and loss cont.

The table below indicates the maturity profile of the company's financial assets and financial liabilities at the reporting date. The analysis is based on the remaining period to contractual maturity date as at the reporting date.

	Within 1 year	More than 1 year less than 3 years	More than 3 years less than 5 years	More than 5 years less than 10 years	Total
	£	£	£	£	£
Financial assets					
Investments	40,971,585	2,500,000	-	-	43,471,585
Trade and other receivables	161,346	-	-	-	161,346
Total financial assets	41,132,931	2,500,000	-	-	43,632,931
Financial liabilities					
Financial liabilities through profit and loss	-	-	249,113	173,240	422,354
Trade and other payables	413,358	-	-	-	413,358
Employee benefits	271,939	-	-	-	271,939
Total financial liabilities	685,297	-	249,113	173,240	1,107,651

7. Issued capital and reserves

	31 March 2013 £	30 September 2012 £
Authorised, allotted, called up and fully paid		
Ordinary shares (No.)	64,780,001	64,780,001
Ordinary shares (£) at £0.10 per share	6,478,000	6,478,000

Castle Trust Capital plc and Castle Trust Capital Management Limited maintain an actively managed capital base to cover risks inherent in the businesses and meet the capital requirements of the FCA. The adequacy of the companies' capital is monitored using, among other measures, the rules and ratios established by the FCA in supervising the companies.



7. Issued capital and reserves cont.

Capital management

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

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

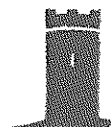
8. Consolidated entities

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

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

The Castle Trust Group enters into derivative SWAP transactions each month with the Protected Cell (the 'PC') of Castle Trust PCC (the 'PCC'). The substance and legal form of this transaction is to transfer the PC's liability to its investors to the balance sheet of Castle Trust Capital plc. In addition, the Castle Trust Group receives and manages the funds received from Housa investors and will offer loans of these funds as Partnership Mortgages, up to a maximum of 80% of the balance of funds received.

In addition, the Group through Castle Trust Capital Management Limited provides Sales and Marketing, and Investment Management services to the PC, thereby providing the majority of its operational functionality. The terms of the Investment management agreement do not include a restricted mandate; therefore the Group is able to substantially control the results of the protected cell.



8. Consolidated entities cont.

The shares in the PCC and the PC are held by an independent company, whose shares are held in trust. Although Castle Trust Capital plc does not own, directly or indirectly, any of the share capital of the PCC or PC or their parent companies, it retains control of the majority of the residual risks and rewards related to the assets, liabilities and returns of the companies, and they have therefore been treated as subsidiaries in the consolidated financial statements.

The non-controlling interest reported in the interim condensed consolidated statement of comprehensive income represents the profit of Castle Trust PCC – Castle Trust Growth HouSA PC, the Protected Cell Company, which for the reasons explained above is consolidated into Castle Trust's interim condensed consolidated financial statements. The Protected Cell company is not expected to generate a profit or loss over its lifetime, however in any given reporting period a small profit or loss may be recognised due to timing differences. Whilst such amounts are allocated to non-controlling interest as the beneficial owner in the period in which they arise, it is not expected that any benefits will ultimately flow to the non-controlling interest

9. Events after the reporting date

No adjusting or non-adjusting events have occurred between the end of the reporting period and 20 June 2013, the date on which the interim condensed consolidated financial statements were authorised for issue.

