Company Number 05123368

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2013

FOR

CRAVEN HOUSE CAPITAL PLC

CRAVEN HOUSE CAPITAL PLC

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FOR THE YEAR ENDED 31 MAY 2013**

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COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2013

DIRECTORS:	Miss A N Eavis Mr. M J Pajak Mr. B S Bindra
SECRETARY:	Miss A N Eavis
REGISTERED OFFICE:	60 Cannon Street London EC4N 6NP
REGISTERED NUMBER:	05123368 (England and Wales)
AUDITORS:	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
BANKERS:	Royal Bank of Scotland 280 Bishopsgate London EC2M 4RB
SOLICITORS:	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2PX
NOMINATED ADVISER:	Daniel Stewart & Company plc Beckett House 36 Old Jewry London EC2R 8DD

Highlights

Strong performance in the period with a number of key business objectives achieved:

- NAV of holdings increased by 66% from £2.32m to £3.84m
- Investments secured utilising Craven House shares as acquisition currency
- Cash generative asset successfully acquired

Overview

During the 12 months to 31 May 2013, Craven House Capital Plc ("Craven House") has demonstrated considerable success in building on the solid foundations created by the restructuring of the business during the prior year and our partnership with our investment manager, Desmond Holdings Ltd ("Desmond").

We measure Craven House's success on one simple metric: the Net Asset Value of our holdings. We are therefore delighted to report a significant improvement in our NAV as a result of our investment activities over the course of the year, with net assets increased from £2.32million to £3.84million; a 66% year-on-year increase. This is particularly pleasing progress, given that the Company demonstrated a negative asset value the prior year when the current board and Desmond took control of the Company. This has been achieved entirely through the acquisition of new assets and reduction of debt, with no increases made in the carried value of existing assets on the balance sheet. This trend has continued in post balance sheet events, which have further increased the Company's NAV by approximately £2.4million.

In addition to the significant increase in NAV, I am very pleased to report success in its two stated goals during the period:

- to target acquisitions where we can utilise Craven House shares as acquisition currency, and
- to acquire cash generative assets

During the year, we made two sizeable investments in Brazil, acquiring significant stakes in a company which owns a large parcel of agricultural / development land, and a profitable manufacturing business. In both instances, the consideration was paid using Craven House shares.

In addition, we acquired a distressed loan, secured by the property of a large business hotel in Dublin. This loan was purchased at a significant discount to its face value and was immediately cash generative.

When using our shares as consideration in acquisitions, this year we have once again done all deals at a price of 1.25p per Craven House share, a price significantly above our average share price during this period. This reflects the shared view we hold with those companies in which we have invested, which is that our share price has been, and remains greatly undervalued.

Further details of these acquisitions are provided below along with updates of existing investments.

Investment Activity & Performance

During the period, Craven House made investments in the following companies:

- On 24 September 2012, the Company purchased a 49% stake in Ceniako Limited ("Ceniako") for a total consideration of €1,000,000.

  Ceniako is a Cypriot holding company, whose sole asset is 1,967 hectares of productive agricultural land with significant development potential. Situated directly on the Atlantic coast of Brazil, between Salvador and Rio de Janeiro, the property features over two kilometres of beachfront in addition to productive cattle pastures and cropland. As disclosed in the Company's interim accounts on 28 February 2013, the land has been independently valued at circa EUR€4.5m. We continue to investigate the agricultural potential in order to maximise cash generation from the land, whilst pursuing its development potential and seeking a buyer or development partner for all or part of the site.

- On 28 December 2012, the Company acquired, through its 95% subsidiary, Craven House Industries Ltd, a 50.1% stake in Finishtec Acabamentos Técnicos em Metais Ltda. ("Finishtec") for a total consideration of $1,000,000, from the founding partners of Finishtec.

  Founded in 1998, Finishtec is a Brazilian manufacturing company, based in Curitiba. It specialises in the manufacture of industrial electrical switching, distribution and insulating equipment for the domestic power sector in Brazil. It has a strong track record in the development of new technological practices, and has recently launched a new product line targeting the renewable energy sector. Finishtec benefits from an impressive list of blue-chip clients, which include ABB, Siemens, Alstom, Toshiba and Odebrecht.

  A key benefit of Craven House's shareholding is that it enables Finishtec to access cheaper short term financing than is available for small companies locally in Brazil. This gives Finishtec a distinct competitive advantage and will enable them to secure larger orders and to enhance profit margins.

  Finishtec's order book has increased considerably since the time of our investment and we look forward to reporting further progress in due course.

- On 28 May 2013, Craven House acquired a distressed loan, secured by way of a mortgage over the 270-room Green Isle Hotel in Dublin. The loan was acquired for a cash consideration of €700,000 and resulted in Craven House becoming the sole secured lender to the hotel. We set out to proactively restructure the hotel's balance sheet to ensure it is able to operate as a profitable going concern in the future. Interest payments due under the terms of the loan mean that this acquisition was immediately cash generative, with the cash used to pay down debt. Further detail on subsequent developments in this investment are set out in the post balance sheet events paragraph below.

Craven House provides updates on its positions in the following companies:

- Pressfit Holdings Plc ('Pressfit') is a UK holding company with subsidiaries manufacturing specialist stainless steel pipe fittings in China. Craven House's shareholding at the period end represented 36.9% ownership of Pressfit, through investments totalling £1,474,168 with a further 3% of the shares in Pressfit being available to the Company in the event that an outstanding convertible loan is exercised. During the period, Mark Pajak, Director of Craven House and Director of Desmond accepted a position as Chairman of Pressfit.

  Whilst Pressfit continued to make encouraging progress during the period, with a number of new manufacturing licences and orders being secured, the most notable event occurred after the end of the period. In July 2013, Pressfit entered into a Partnership Agreement with GXM (Amcopress) Group Co., Limited ("AMCO"). AMCO is a large and profitable manufacturing and distribution company, which operates in the same market sector as Pressfit. Under the agreement, AMCO has provided significant new investment into Pressfit as well as offering management expertise and active sales and distribution channels. It has invested £1,575,000 into Pressfit by way of a convertible loan note. Further to the conversion of this loan in September 2013, AMCO now hold 45.1% of Pressfit's enlarged share capital, with Craven House's holding reduced to 20.3% of the enlarged share capital (or 21.6% if Craven House converts its own convertible loan note).

  Pressfit has now begun preparations for an introduction to the AIM market with the belief that this will help facilitate expansion and further Pressfit's aim of becoming a major international company specialising in the manufacture and distribution of stainless steel pressfittings.

- Farm Lands of Africa Inc. ('FLAF') is a green-field agribusiness operating in West Africa, which is listed on the OTC Markets in New York.

Following the merger of FLAF with an Indian-owned Guinean agricultural company in September 2012, a number of investor protection mechanisms were triggered which subsequently enabled Craven House and other minority shareholders of FLAF to negotiate a settlement agreement with FLAF which was finally closed after the period end, in August 2013.

As a result, Craven House now owns 50% of Farm Lands of Africa Ltd (BVI) which in turn owns 90% FLAF's original core subsidiary, Land and Resources (Guinea) SA ("LRG"). LRG has the opportunity to control various agricultural assets and operations in the Republic of Guinea, including leases over up to 110,000 hectares of arable land.

The outcome of this negotiated settlement is extremely beneficial for Craven House, with its effective holding in LRG increasing from less than 7% to 45%. This also provides Craven House with greater control exposure to the potential value of this asset going forward.

- On 21 December 2012, certain non-core investments were exited. Outstanding convertible loans made to Minera Mapsa SA ("Mapsa") and Planteman SA ("Planteman") in 2010 were repaid plus accrued interest (accrued at a rate of 8 per cent. per annum). The Company received $116,667 from Mapsa and $700,000 from Planteman. All cash received was used to pay down debt.

Management and Performance Fee

Under the terms of Craven House's Management Services Agreement with its Investment Manager, Desmond is entitled to receive an annual Performance Fee equal to 20% of the increase in the Net Asset Value of the Company during the period, subject to a hurdle rate of at least 5%. In accordance with this agreement, Desmond has been awarded a performance fee of £170,600 for the financial year ending May 2013.

Desmond Holdings has opted to receive this fee in shares of Craven House valued at 1.25p per share. We believe this aligns all interests as the management company receives compensation at the same level as investors in the last private placement who subscribed for new shares at 1.25p and portfolio companies, which are acquired using Craven House shares also valued at 1.25p per share.

It is noteworthy that Desmond Holdings has purchased additional shares in the market and has never sold a single share of the Company. Additionally, the majority of the board receive any director's fees due in shares issued at a premium to both the current share price and the NAV.

Working Capital

Operating and overhead costs continue to be managed very prudently and have been significantly reduced as a result of our restructuring. On-going monthly operating costs were circa.£15,000 (inclusive of all management fees), during the period.

Immediate working capital needs will be met by cash in the bank, and the continued support of the Company's major shareholder and Investment Manager, Desmond, in the form of both extension of existing loan facilities and new working capital loans where required.

The successful acquisition of a cash generative asset during the period and similar acquisitions targeted in the future are expected to significantly reduce the Company's requirement for these working capital facilities going forward. The Company may also seek to execute an additional capital raise when market conditions are suitable for such fundraising activity.

Post Balance Sheet Events

The settlement agreement with FLAF and approval of Pressfit shareholders to commence an Initial Public Offering, both described above under the heading "Investment Activity and Performance," took place after the period end.

On 6th November 2013, the Company announced the acquisition of a 49% shareholding in a portfolio of agricultural and food processing businesses in South Africa, for a total consideration of $1,960,000. This portfolio comprises a 1,017 hectare vegetable and cattle farm, a vegetable dehydration factory and a distribution centre. This investment represents an outstanding opportunity to establish an interest in food production and processing in South Africa, and we look forward to reporting further progress in relation to these assets in due course.

The restructuring of the distressed loan on the Green Isle Hotel in Dublin was completed on 21st November 2013. The sale of the Hotel to the new owners was completed, and the Company agreed with the new owners to convert the Loan into a mortgage of €1,500,000 (the “Mortgage”). The Mortgage will carry an interest rate of 4% per annum and will be repaid in full within three years. This transaction is expected to result in an increase of €1,500,000 in the net asset value of Craven House in the next financial year.

Outlook

The investments made during the period and subsequent activity further demonstrate our ability to execute our strategy of acquiring attractive assets and businesses in our target markets on excellent terms, in particular through the use of Craven House’s shares as acquisition currency. We continue to be of the view that our focus on real assets in emerging markets and special situations in developed markets will offer the best returns in the current global economic environment.

The Company’s balance sheet continues to expand at a rapid pace and the most recent investments offer the potential for short-term cash generation. As Craven House’s asset base grows, we are able to target larger acquisition targets with the primary goal of enhancing our shareholders’ net asset value per share. We are very confident that in continuing to pursue this strategy, we will be able to secure our shareholders above market returns.

Conclusion

We remain committed to building long term value for shareholders. We are contrarian by nature, seeking undervalued opportunities where the cost of capital remains high, as most institutions are unable or unwilling to participate. This can be a time consuming process and we pass on over ninety percent of the deals offered to us as we treat our share capital as a precious asset only to be utilised when the returns justify the dilution.

We have not invested in promoting our potential, preferring instead to wait until we have a track record which will speak for us, as shown by the recent Green Isle Hotel transaction. However, time is on our side and over the next couple of years, we expect to deliver a number of meaningful exits from the portfolio. This should lead to a re-rating of our shares as the market begins to recognise the intrinsic value of the Company.

The management team remains focused on continuing to deliver an increase in net asset value. As our market capitalisation and asset base increases, we will be able to conduct more financially meaningful transactions. We aspire to build a meaningful business grounded in real assets and capable of generating above average returns for the long term.

Mark Pajak
Acting Chairman

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2013

The directors present their report with the financial statements of the Group for the year ended 31 May 2013.

PRINCIPAL ACTIVITY
Craven House Capital plc is a frontier and emerging market investment company adopting a traditional merchant banking approach, whereby we identify and invest in good quality and high growth operating companies with management that demonstrate the local knowledge and business acumen to thrive in their chosen market. In addition, the Company may also invest in special situations and seek to acquire distressed assets in any geographical jurisdiction, particularly in economies undergoing or recovering from some form of crisis.

Central to the Company’s investment strategy is the ability to use shares as currency in acquisitions. By providing a public market valuation to existing enterprises, international debt and equity financing can be brought to a market that is otherwise expensive and illiquid.

REVIEW OF BUSINESS
In the period under review, the Group made two new investments in Ceniako Ltd (“Ceniako”) and Finishtec Acabamentos Técnicos em Metais Ltda. ("Finishtec") and acquired a distressed loan secured against a hotel in Dublin. The Company exited investments in Minera Mapsa SA (“Mapsa”) and Planteman SA (“Planteman”).

The Group made an additional investment on 3 November 2013, and is currently reviewing a number of other potential investment opportunities.

PRINCIPAL RISKS AND UNCERTAINTIES
The principal risks and uncertainties surround the performance of the Group’s existing and future investments and the availability of working capital to meet the running costs of the business. The success of the business in acquiring cash generative assets is expected to help reduce the second of these, although further investment capital may need to be secured in the near future in order for the Company to execute its strategy in full.

KEY PERFORMANCE INDICATORS CONSIDERED BY THE COMPANY
The Group focuses on the key performance areas as outlined in its Investing Policy and concentrates on the Net Asset Value of investments, calculated on a per share basis. The Company's Investment Manager, Desmond, submits regular management reports to the board of directors which includes a calculation of the Group’s Net Asset Value.

DIVIDENDS
No dividends will be distributed for the year ended 31 May 2013.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 June 2012 to the date of this report.

Miss A N Eavis
Mr M J Pajak
Mr B S Bindra

COMPANY'S POLICY ON PAYMENT OF CREDITORS
It is the policy of the Group to agree terms of payment when goods or services are ordered and to pay in accordance with these terms. The Group's creditor payment period at 31 May 2013 was 82 days (2012: 27 days) after the date of purchase.

POLITICAL AND CHARITABLE CONTRIBUTIONS
No charitable or political donations were made during the year.

EMPLOYEE INVOLVEMENT
The Group had no full time employees during the year.

DIRECTORS' REMUNERATION REPORT
Directors' service agreements and emoluments

The service contracts of the current directors are as follows:

NAME	**BASIC ANNUAL FEE**
Mark Pajak	£20,000*/**
Alexandra Eavis	£30,000
Balbir Bindra	£9,000**

* Subject to the Group generating an operating profit.
** Payable in new ordinary shares of the Company at 1p per share.

Directors' emoluments for the year ended 31st May 2013

Mark Pajak	-
Alexandra Eavis	£33,500
Balbir Bindra	-
Total directors' remuneration	**£33,500**

SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

As of the date of this report, the following were the holders of 3% or more of the issued ordinary share capital of the Company as it was constituted on that date according to the register kept:

Name of Shareholder	**Number of Ordinary shares**	**Percentage**
ABN Amro Bank NV	39,843,592	5.80%
Allied Most Investments Limited	40,541,016	5.90%
Desmond Holdings Limited	154,461,718	22.48%
Emvest Food Products (Mauritius)	94,322,598	13.73%
Fibera Holding Ltd	62,891,520	9.15%
TD Direct Investing Nominees	37,864,008	5.53%
Louise White	29,950,000	4.36%

The Directors have not been made aware of any other beneficial shareholdings of 3% or more of the issued share capital of the Company as of the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group, and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Crowe Clark Whitehill LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
Miss A N Eavis - Secretary

Date: ....

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CRAVEN HOUSE CAPITAL PLC

We have audited the financial statements of Craven House Capital plc for the year ended 31 May 2013 on pages ten to thirty two. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

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

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the affairs of the Company and of the Group as at 31 May 2013 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements are not in agreement with the accounting records 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.

Stephen Bullock (Senior Statutory Auditor)
for and on behalf of Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

Date: ....

CRAVEN HOUSE CAPITAL PLC

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MAY 2013

	Notes	**Group & Company 2013 £'000**	Company 2012 £'000
CONTINUING OPERATIONS			
Revenue		**348**	34
Gross portfolio return		**246**	(305)
Other operating income		**-**	4
Administrative expenses		**(989)**	(261)
OPERATING LOSS		**(395)**	(528)
Finance costs	4	**(79)**	(6)
Finance income	4	**28**	57
LOSS BEFORE INCOME TAX	5	**(446)**	(477)
Income tax	6	**-**	-
LOSS FOR THE YEAR		**(446)**	(477)
Earnings per share expressed in pence per share:	7		
Basic and Diluted		**-0.09**	-0.17

The notes form part of these financial statements

CRAVEN HOUSE CAPITAL PLC

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2013

	Group & Company 2013 £'000	Company 2012 £'000
LOSS FOR THE YEAR	**(446)**	(477)
OTHER COMPREHENSIVE INCOME	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(446)**	(477)

TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the company	**(446)**	(477)
Non-controlling interests	**-**	-
	(446)	(477)

The notes form part of these financial statements

CRAVEN HOUSE CAPITAL PLC

STATEMENTS OF FINANCIAL POSITION
31 MAY 2013

	Notes	Group 2013 £'000	Company 2013 £'000	Company 2012 £'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	8	-	-	1
Investment in Subsidiary		-	656	-
Investments at fair value through profit or loss	9	4,597	3,941	2,886
		4,597	4,597	2,887
CURRENT ASSETS				
Trade and other receivables	10	79	79	77
Cash and cash equivalents	11	1	1	31
		80	80	108
TOTAL ASSETS		4,677	4,677	2,995
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital	12	8,313	8,313	8,016
Share premium		4,948	4,948	3,277
Retained earnings		(9,419)	(9,419)	(8,973)
TOTAL EQUITY		3,842	3,842	2,320
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	13	372	372	82
Financial liabilities-borrowings interest bearing loans and borrowings	14	463	463	593
		835	835	675
TOTAL LIABILITIES		835	835	675
TOTAL EQUITY AND LIABILITIES		4,677	4,677	2,995

The financial statements were approved by the Board of Directors on .... and were signed on its behalf by:

....
M J Pajak - Director

The notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2013

	Called up share capital £'000	Profit and loss account £'000	Share premium £'000	Total equity £'000
Balance at 1 June 2011 – Company	7,915	(8,496)	383	(198)
Changes in equity				
Issue of share capital	241	-	2,754	2,995
Total comprehensive income	-	(477)	-	(477)
Balance at 31 May 2012 - Company	8,156	(8,973)	3,137	2,320
Changes in equity				
Issue of share capital	157	-	1,811	1,968
Total comprehensive income	-	(446)	-	(446)
Balance at 31 May 2013 – Group & Company	**8,313**	**(9,419)**	**4,948**	**3,842**

The notes form part of these financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2013

	Notes	Group & Company 2013 £'000	Company 2012 £'000
Cash flows from operating activities			
Cash generated from operations	1	**(354)**	(420)
Interest paid		**(79)**	(6)
Finance costs paid		**-**	-
Net cash from operating activities		**(433)**	(426)
Cash flows from investing activities			
Purchase of tangible fixed assets		**-**	(2)
Purchase of fixed asset investments		**(2,018)**	(2,736)
Sale of fixed asset investments		**537**	61
Other loans		**(130)**	6
Exchange variance re investments		**18**	(30)
Interest received		**28**	57
Net cash from investing activities		**(1,565)**	(2,644)
Cash flows from financing activities			
Share issue		**1,968**	2,995
Net cash from financing activities		**1,968**	2,995
(**Decrease) in cash and cash equivalents**		**(30)**	(75)
Cash and cash equivalents at beginning of year	2	**31**	106
Cash and cash equivalents at end of year	2	**1**	31

The notes form part of these financial statements

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	Group & Company	Company
	2013	2012
	£'000	£'000
Loss before income tax	**(446)**	(477)
Depreciation charges	**1**	1
Finance costs	**79**	6
Finance income	**(28)**	(57)
Decrease/(increase) in value in investments	**(248)**	305
	(642)	(222)
Increase in trade and other receivables	**(2)**	(35)
(Decrease)/increase in trade and other payables	**290**	(163)
Cash generated from operations	**(354)**	(420)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

Year ended 31 May 2013

	31.5.13	**1.6.12**
	£'000	**£'000**
Cash and cash equivalents	**1**	**31**

Year ended 31 May 2012

	31.5.12	1.6.11
	£'000	£'000
Cash and cash equivalents	31	106

1. ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Craven House Capital plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the company information page. The Company is listed on the AIM Market of the London Stock Exchange (code: CRV).

The financial statements have been prepared under the historical cost convention, except to the extent varied below for fair value adjustments required by accounting standards, and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use by the European Union. The principal accounting policies are set out below.

These financial statements are presented in pounds sterling, rounded to the nearest £'000. Pounds sterling is the currency of the primary economic environment in which the company operates.

The accounting policies adopted by the Company are consistent with those of the previous financial year.

As at the date of approval of these financial statements some standards and interpretation were in issue but not yet effective. The directors expect that the adoption of those standards and interpretations in future accounting periods will not have a material impact on the company's results with the exception of 'Investment Entities (Amendments to IFRS 10 and 12 and IAS 27)': the Exposure Draft issued in October 2012 to be effective in relation to accounting periods beginning on or after 1 January 2014 is expected to be ratified by the EU before the end of 2013 and be available for early adoption thereafter. This will provide an exemption from the requirements of consolidation for investment entities and instead allow investment entities to present their investments in subsidiaries as a net investment measured at fair value. Although the application would not have impacted the Company's results in the year ended 31 May 2013, the Company expects to apply this exemption, where applicable, in future periods.

Basis of consolidation
The group financial information includes the financial information of Craven House Capital plc ('CRV') and its subsidiary undertaking, Craven House Industries Limited ('CHI'). CHI was incorporated during the year ended 31 May 2013 under the laws of the Republic of Ireland and as such, the 2012 figures presented relate to the Company only as no group existed as at 31 May 2012. CHI acts as an intermediate holding company for the Group's investment in Finishtec – Acabamentos Tecnicos em Metais Ltda – ME. CRV owns 95% of the issued share capital of CHI.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

1. **ACCOUNTING POLICIES - continued**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating activities. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 – Investment in Associates, which requires investment held by venture organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of change. The Group has no interests in associates through which it carries on its business.

Financial Assets
Purchases or sales of financial assets are recognised at the date of the transaction. Where appropriate criteria are met, the Company makes use of the option of designating fixed asset investments upon initial recognition as financial assets at fair value through profit or loss. These criteria include that the fixed asset investment should meet the Company's published Investing Policy and form part of the Company's managed portfolio or similar investments. Such financial assets are carried at fair value and movements in fair value are taken through the profit and loss account. For quoted securities, fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through the profit or loss. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value in accordance with International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as the Group's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the period in which they arise.

Valuation of investments

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

Level 2 fair value measurements for those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.

Level 3 fair value measurements are those derived from inputs that are not based on observable market data.

At the balance sheet date all of the Company's financial assets fell into Level 2 and Level 3.

a) Quoted investments
Where investments are quoted on recognised stock markets and an active market in the shares exists, the company values those investments at closing mid-market price on the reporting date. Where an active market does not exist those quoted investments are valued by the application of an appropriate valuation methodology as if the relevant investment was unquoted.

The carrying value of quoted investments at the balance sheet date was £887,682.

1. **ACCOUNTING POLICIES - continued**

b) Unquoted investments
In estimating the fair value for an unquoted investment, the Company applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable data, market inputs, assumptions and estimates. Any changes in the above data, market inputs, assumptions and estimates will affect the fair value of an investment which may lead to a recognition of an impairment loss in the statements of comprehensive income if an indication of impairment exists.

The carrying value of unquoted investments at the balance sheet date was £3,709,776.

Financial liabilities and equity
Financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all its liabilities.

Revenue recognition
Revenue recognition depends on the type of revenue concerned:

- Management fees are recognised as they are earned.
- Interest income and expense is recognised on an accruals basis as finance income.
- Investments are revalued periodically and any change in value recognised on the revaluation date as gross portfolio return.

The above policies on revenue recognition result in both deferred and accrued income.

Property, plant and equipment
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment - 33% on cost

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax at rates substantively enacted at the balance sheet date.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences between the Company's taxable profits and its results as stated in the financial information that arises from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

continued...

1. **ACCOUNTING POLICIES - continued**

Foreign currencies
In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur; which form part of the net investment in a foreign operation and which are recognised in the foreign currency translation reserve.

For the purposes of presenting sterling financial statements, the assets and liabilities of the Company's foreign operations are expressed using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in a foreign currency translation reserve.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the directors. The directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the senior management that make strategic decisions. The Company is principally engaged in investment business; the directors consider there is only one business segment significant enough for disclosure.

Critical accounting estimates and judgements
Preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are in the following areas:

Valuation of investments
The Company has made a number of investments in the form of loans or equity instruments in private companies operating in emerging markets. The investee companies are generally at a key stage in their development and operating in an environment of uncertainty in capital markets. Should planned development prove successful, the value of the Company’s investment is likely to increase, although there can be no guarantee that this will be the case. Should planned development prove unsuccessful, there is a material risk that the Company’s investments may be impaired. The carrying amounts of investments are therefore highly sensitive to the assumption that the strategies of these investee companies will be successfully executed.

continued...

1. **ACCOUNTING POLICIES – continued**

Going concern
At the balance sheet date, the Company had drawn down non-interest bearing loans from Desmond to enable it to make qualifying investments under its Investing Policy and to provide working capital for the Company. Although amounts drawn down are repayable within 12 months of the balance sheet date, Desmond has agreed that it will not seek repayment of outstanding balances in respect of both facilities unless the Company is in a position to make the repayment. Of the initial amount drawn down, £390,000 remained outstanding at the year end. The Directors also aim to generate cash from yield-based investments; and full / partial exits of the Company's more liquid investments (if required). Further to the successful private placing; the ongoing working capital facility provided by Desmond; and income generated by investments, the Board is pleased to report that the Company can prepare accounts on the going concern basis.

2. **SEGMENTAL REPORTING**

The operating segment has been determined and reviewed by the directors to be used to make strategic decisions. The directors consider there to be a single business segment being that of investing activities, therefore there is only one reportable segment.

3. **EMPLOYEES AND DIRECTORS**

	Group & Company	Company
	2013	2012
	£'000	£'000
Wages and salaries – Directors‘ remuneration	**34**	72

The average monthly number of employees during the year was as follows:

	2013	2012
Directors	**3**	4

Directors' remuneration was split as follows:

	2013	**2012**
	£'000	**£'000**
Fees	34	43
Share based payments	-	29
TOTAL	**34**	72

The highest paid director received emoluments and benefits as follows;

	2013	**2012**
	£'000	**£'000**
Fees	**34**	30

Desmond Holdings Ltd is the Company’s Investment Manager. The directors are the key management of the Group. There were no directors (2012: none) to whom retirement benefits were accruing under money purchase schemes.

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4. NET FINANCE INCOME

	Group & Company 2013 £'000	Company 2012 £'000
Finance income:		
Interest receivable	**28**	57
	28	57
Finance costs:		
Loan	**79**	6
Loan arrangement fee	**-**	-
	79	6
Net finance income	**(51)**	51

5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	2013 £'000	2012 £'000
Rental charges	**2**	16
Depreciation - owned assets	**1**	1
Fees payable to the Company's auditor for the audit of the company's annual accounts	**13**	10
Fees payable to the Company's auditor for other services – tax services	**5**	-
– other services	**2**	-
Foreign exchange (gains) / losses	**23**	(15)

6. INCOME TAX

Analysis of charge in the year

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax on profit of the year	**-**	-
Deferred tax	**-**	-
Tax on profit on ordinary activities	**-**	**-**

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	**(446)**	(477)

6. **INCOME TAX - continued**

Analysis of charge in the year

	Group & Company	Company
	2013	2012
	£'000	£'000
Profit on ordinary activities multiplied by small	**(89)**	(95)
Companies rate of corporation tax in the UK of 20% (2012:20%)		
Effects of:		
Loss carried forward	**89**	95
Current tax charge for the year as above	**-**	-

At 31 May 2013 the Company had UK tax losses of approximately £1,100,000 (2012: £597,000) available to be carried forward and utilised against future taxable profits. A deferred tax asset has not been recognised due to uncertainties over when profits will arise.

7. **EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share earnings per share has not been disclosed as the inclusion of unexercised warrants would be anti-dilutive.

Reconciliations are set out below.

		2013	
	Earnings £'000	**Weighted average number of shares**	**Per-share amount pence**
Basic EPS			
Earning attributable to ordinary shareholders	(446)	510,107,834	-0.09

		2012	
	Earnings £'000	**Weighted average number of shares**	**Per-share amount pence**
Basic EPS			
Earning attributable to ordinary shareholders	(477)	276,296,013	-0.17

8. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £'000
COST	
At 1 June 2012 - company	**2**
Additions	**-**
At 31 May 2013 – group and company	**2**
DEPRECIATION	
At 1 June 2012 - company	**1**
Charge for year	**1**
At 31 May 2013 – group and company	**2**
NET BOOK VALUE	
At 31 May 2013 – group and company	**-**
At 31 May 2012 - company	1

9. INVESTMENTS

Investment in subsidiaries

During the year, the Company acquired 95% of the issued share capital of Craven House Industries Limited. The investment has been recognised at cost.

Investments at fair value through profit or loss

The Group adopted the recent investment methodology prescribed in the IPEVCV guidelines to value its investments at fair value through profit and loss.

The company has the following holdings at 31 May 2013:

Pressfit Holdings PLC	36.9%
Ceniako Limited	49.0%
Finishtec - Acabamentoss Tecnios em Metais Ltda.	47.5%

Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 – Investment in Associates, which requires investment held by venture organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of change. The Group has no interests in associates through which it carries on its business.

9. **INVESTMENTS - continued**

Investments at fair value through profit or loss

Group

	Quoted investments £'000	Unquoted investments £'000	Totals £'000
At 1 June 2011	-	486	486
Additions	1,208	1,528	2,736
Disposals	-	(61)	(61)
Revaluations	(375)	70	(305)
Effect of foreign exchange	-	30	30
At 31 May 2012	833	2,053	2,886
Additions	-	2,018	2,018
Disposals	(100)	(437)	(537)
Revaluations	154	94	248
Effect of foreign exchange	-	(18)	(18)
At 31 May 2013	**887**	**3,710**	**4,597**

Company

	Quoted investments £'000	Unquoted investments £'000	Totals £'000
At 1 June 2011	-	486	486
Additions	1,208	1,528	2,736
Disposals	-	(61)	(61)
Revaluations	(375)	70	(305)
Effect of foreign exchange	-	30	30
At 31 May 2012	833	2,053	2,886
Additions	-	1,362	1,362
Disposals	(100)	(437)	(537)
Revaluations	154	94	248
Effect of foreign exchange	-	(18)	(18)
At 31 May 2013	**887**	**3,054**	**3,941**

continued...

9. **INVESTMENTS continued**

Unquoted investments – Group

	Equity £'000	Convertible loans £'000	Distressed loan £'000	Total £'000
At 1 June 2011	-	486	-	486
Additions	1,433	95	-	1,528
Disposals	-	(61)	-	(61)
Revaluations	41	29	-	70
Effect of foreign exchange	-	30	-	30
At 31 May 2012	1,474	579	-	2,053
Additions	1,419	-	599	2,018
Disposals	-	(437)	-	(437)
Revaluations	94	-	-	94
Effect of foreign exchange	-	(18)	-	(18)
At 31 May 2013	**2,987**	**124**	**599**	**3,710**

Unquoted investments – Company

	Equity £'000	Convertible loans £'000	Distressed loan £'000	Total £'000
At 1 June 2011	-	486	-	486
Additions	1,433	95	-	1,528
Disposals	-	(61)	-	(61)
Revaluations	41	29	-	70
Effect of foreign exchange	-	30	-	30
At 31 May 2012	1,474	579	-	2,053
Additions	763	-	599	1,362
Disposals	-	(437)	-	(437)
Revaluations	94	-	-	94
Effect of foreign exchange	-	(18)	-	(18)
At 31 May 2013	**2,331**	**124**	**599**	**3,054**

continued...

9. **INVESTMENTS continued**

Quoted investments at 31 May 2013 relate to shares held in Farm Lands of Africa Inc, a company listed on the OTC markets in New York. These shares have been measured on a Level 2 basis due to these not being traded in an active market.

Unquoted investments at 31 May 2013 have been measured on a Level 3 basis as no observable market data was available. These investments are as follows:

Shares in Pressfit Holdings Plc are valued at £178,156, representing a 36.9% holding. These have been valued at the latest transaction price paid by Craven House Capital as the Directors believe this is the best information available and they are not aware of any circumstances to indicate an impairment of this investment.

Shares in Ceniako Limited valued at £856,262, representing a 49% holding. These have been valued at the price paid by Craven House Capital during the year as the Directors believe that this is the best indication of the value at the year end.

Shares in Finishtec Acabamento Tecnicos em Matais Ltda valued at £656,462. This is held through a 95% subsidiary Craven House Industries Limited giving the group a 47.6% stake. These have been valued at the price paid by Craven House Capital during the year as the Directors believe that this is the best indication of the value at the year end.

A convertible loan to Pressfit Holdings Plc valued at £123,501. This has been valued based on the number of shares that Craven House Capital would receive on conversion at the same market price as the shares held above as these can be converted at any time at Craven’s option.

A distressed loan with Greentel Limited valued at £599,382. The year end valuation is based on the price paid for the loan on 28 May 2013 which the Directors believe is the most appropriate indicator of the year end valuation based on the information available to them.

10. **TRADE AND OTHER RECEIVABLES**

	Group & Company 2013 £'000	Company 2012 £'000
Current:		
Trade debtors	**6**	16
Other debtors	**54**	3
Prepayments and accrued income	**19**	58
	79	77

11. **CASH AND CASH EQUIVALENTS**

	2013 £'000	2012 £'000
Bank accounts	**1**	31

continued...

12. CALLED UP SHARE CAPITAL

Authorised
Equity shares

Number:	Class:	Nominal value:	**2013 £'000**	2012 £'000
2,280,038,212	Ordinary	0.001	**2,280**	2,280
77,979,412	Deferred	0.09	**7,018**	7,018
77,979,412	Deferred	0.009	**702**	702
			10,000	10,000

Allotted, called up and fully paid
Equity shares

Number:	Class:	Nominal value:	**2013 £'000**	2012 £'000
592,695,949 (2012: 435,145,211)	Ordinary	0.001	**593**	296
77,979,412	Deferred	0.09	**7,018**	7,018
77,979,412	Deferred	0.009	**702**	702
			8,313	8,016

The deferred shares carry no entitlement to receive notice of any general meeting, to attend, speak or vote at such general meeting. Holders are not entitled to receive dividends, and on a winding up of the Company holders of deferred shares are entitled to a return of capital only after the holder of each Ordinary share has received a return of capital together with a payment of £1 million per share. The deferred shares may be cancelled at any time for no consideration by way of a reduction in capital.

On 24 September 2012, the Company issued 62,891,520 new ordinary shares to various existing shareholders of Ceniako Limited for a consideration of $1,000,000 (£786,144).

On 2 January 2013, the Company allotted 49,739,760 new ordinary shares to various existing shareholders of Finishtec-Acabamentos Tecnicos em Metais Ltda for a consideration of $1,000,000 (£621,747).

On 28 February 2013, the Company allotted 44,189,458 new ordinary shares to Desmond Holdings Ltd in lieu of the performance fee due for the year ended 31st May 2012, the value of the performance fee being £552,368.

On 28 February 2013, the Company allotted 730,000 new ordinary shares to Mr. Michael Pajak in lieu of services rendered totalling £9,125.

13. TRADE AND OTHER PAYABLES

	Group & Company 2013 £'000	Company 2012 £'000
Current:		
Trade creditors	**184**	15
Accruals and deferred income	**188**	65
VAT	**-**	2
	372	82

continued...

14. FINANCIAL LIABILITIES - BORROWINGS

	2013	2012
	£'000	£'000
Current:		
Other loans	**463**	593

Terms and debt repayment schedule

	1 year or less
	£'000
Other loans	**463**

Other loans of £463,000 comprise advances made by Desmond Holdings Ltd ("Desmond") totalling £390,000 and loans made by Wise Star Capital Investment Limited, both being Hong Kong investment companies. The loans were provided to enable the Company to make qualifying investments under its Investing Policy and to provide working capital for the Company.

The terms of the loans provided by Desmond are as follows:

a) Investment facility
Non-interest bearing loan facility of up to £700,000, originally provided in December 2010. The majority of this has now been repaid and as at 31 May 2013, the Company's borrowings under this facility totalled £56,000.

b) Working capital loans
Interest-bearing loans provide financial support to enable the Company to meet its reasonable working capital requirements. The facility will remain in place for at least 12 months from the date of approval of the financial statements. Desmond has agreed that it will not seek repayment of outstanding balances in respect of both facilities unless the Company is in a position to make the repayment.

The loan provided by Wise Star Capital Investment Limited includes interest payable at a rate of 6% per annum. The loan was provided for 12 months dated 1st September 2011; however this loan has since been extended by a further 12 months. The amount owed to Wise Star Capital Investment Limited at the balance sheet date was £72,206.

15. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:
i. ensuring that appropriate funding strategies are adopted to meet the Company's short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections;

ii. ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

iii. ensuring that credit risks on receivables are properly managed.

continued...

15. FINANCIAL INSTRUMENTS - Continued

Financial instrument by category

The accounting policies for financial instruments have been applied to the line items below:

Financial assets at fair value through profit or loss

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

Level 2 fair value measurements for those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.

Level 3 fair value measurements are those derived from inputs that are not based on observable market data.

At the balance sheet date all of the Company's financial assets fell into Level 2 and Level 3.

Carrying values of all financial assets and liabilities approximate to fair values. They are neither past due nor impaired.

Credit risk

The Company's credit risk is primarily attributable to other receivables. Management has a credit policy in place and the exposure to credit risks is monitored on an ongoing basis. In respect of other receivables, individual credit evaluations are performed whenever necessary. The Company's maximum exposure to credit risk is represented by the total financial assets held by the Company.

Interest rate risk

The Company currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. As the Company has no borrowings from the bank and the amount of deposits in the bank are not significant, the exposure to interest rate risk is not significant to the company. The effect of a 10% increase or fall in interest rates obtainable on cash and on short-term deposits would be to increase or decrease the Company's profit by less than £1,000 (2012: Less than £1,000).

Liquidity risk

The Company manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Company's policy to ensure facilities are available as required is to issue equity share capital in accordance with agreed settlement terms with vendors or professional firms, and all are due within one year.

continued...

15. FINANCIAL INSTRUMENTS - Continued

Price risks

The Company's securities are susceptible to price risk arising from uncertainties about future value of its investments. This price risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or financial instrument or its holder or factors affecting all similar financial instruments or investments traded in the market.

During the year under review, the Company did not hedge against movements in the value of its investments. A 10% increase/decrease in the fair value of investments would result in a £89,000 (2012: £80,000) increase/decrease in the net asset value.

While investments in companies whose business operations are based in emerging markets may offer the opportunity for significant capital gains, such investments also involve a degree of business and financial risk, in particular for quoted investments.

Generally, the Company is prepared to hold unquoted investments for a middle to long time frame, in particular if an admission to trading on a stock exchange has not yet been planned. Sale of securities in unquoted investments may result in a discount to the book value.

Currency risks

As investments may be made in foreign currencies (primarily US$), the Company is exposed to the risk of unrealised losses on retranslation into the reporting currency at reporting dates and to realised losses on realisations of investments denominated in foreign currencies. There is no systematic hedging in foreign currencies against such possible losses on translation/realisation.

Otherwise the Company operates primarily within its local currency.

Capital management

The Company's financial strategy is to utilise its resources to further grow its portfolio. The Company keeps investors and the market informed of its progress with its portfolio through regular announcements and raises additional equity finance at appropriate times.

The Company regularly reviews and manages its capital structure for the portfolio companies to maintain a balance between the higher shareholder returns that might be possible with certain levels of borrowing for the portfolio and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure of the portfolio in the light of changes in economic conditions. Although the Company has utilised loans from shareholders to acquire investments, it is the Company's policy as far as possible to finance its investing activities with equity and not to have gearing in its portfolio.

At the balance sheet date the capital structure of the Company consisted of borrowings disclosed in note 14, cash and cash equivalents and equity comprising issued capital and reserves.

continued...

16. RELATED PARTY DISCLOSURES

During the year, the Company entered into the following transactions with related parties and connected parties:

Loans from Desmond Holdings Limited
At the year end the Company owed £390,000 to Desmond Holdings Limited, the Company's Investment Manager and major shareholder in the Company. Details of the loan are set out in note 14.

Management fees payable to Desmond Holdings Limited
At the year end, included in trade creditors, is an amount of £52,500 payable to Desmond Holdings Limited, in respect of management services provided in the year. The total amount owed to Desmond in respect of unpaid invoices at the balance sheet date was £122,500.

Performance fee payable to Desmond Holdings Limited
At the year end, included in accruals and deferred income is an amount of £170,600 payable to Desmond Holdings Limited in respect of the performance fee due for the year. The performance fee calculation is based on the increase in net asset value per share in the year. Payment of the performance fee will be by way of shares issued in the company. These shares had not yet been issued at 31st May 2013.

Investment in Pressfit Holdings Plc
At the year end the Company held shares in Pressfit Holdings Plc and a convertible loan was owed to the company, both of which were included in unquoted investments as detailed in note 9. During the year Mark Pajak was appointed as Chairman of Pressfit Holdings Plc.

Directors and key management
Amounts payable in the year to directors (who also comprise key management) are set out in the Directors' Remuneration report. At 31 May 2013 the following amounts were payable to directors:

Mark Pajak	-
Alexandra Eavis	-
Balbir Bindra	£9,000

As disclosed in the Directors' Remuneration report the payment to Balbir Bindra will be by way of shares issued in the company. These shares had not yet been issued at 31st May 2013.

All key management personnel are directors and appropriate disclosure with respect to them is made in note 3 of the financial statements. There are no other contracts of significance in which any director has or had during the year a material interest.

17. EVENTS AFTER THE REPORTING PERIOD

On 29 July 2013, Pressfit entered into a Partnership Agreement with GXM (Amcopress) Group Co., Limited ("AMCO"). As part of the Partnership Agreement, AMCO agreed to invest £1,575,000 into Pressfit by way of a convertible loan note. This loan was converted in September 2013, resulting in AMCO now holding 45.1% of Pressfit's enlarged share capital, with Craven House's holding reduced to 20.3% of the enlarged share capital (or 21.6% if Craven House converts its own convertible loan note). Further to shareholder approval received at its AGM / EGM on 30 August 2013, Pressfit also began preparations for an introduction to the AIM market.

17. **EVENTS AFTER THE REPORTING PERIOD - continued**

On 1 August 2013, the Company completed a settlement agreement with Farm Lands of Africa Inc. ("FLAF") ("Settlement Agreement"). As a result of the settlement, Craven House now holds a 50% stake in Farm Lands of Africa Ltd ("FLAL"), a BVI registered company, which owns 90% of Land and Resources (Guinea) SA ("LRG"). The completion of the Settlement Agreement has resulted in Craven House receiving $60,000 cash and 20,000,000 shares in FLAL BVI (equal to 45% of total issued share capital).

On the 4th November 2013, the Company acquired a 49% shareholding in a portfolio of agricultural and food processing businesses in South Africa, for a total consideration of $1,960,000. This portfolio comprises a 1,017 hectare vegetable and cattle farm, a vegetable dehydration factory and a distribution centre.

The restructuring of the distressed loan on the Green Isle Conference and Leisure Hotel in Dublin was completed 21st November 2013. During the period, the Company acquired the Loan for €0.7 million, becoming the sole secured lender for the Hotel. The sale of the Hotel to the new owners has now been completed, and the Company has agreed with the new owners to convert the Loan into a mortgage of €1.5 million. The Mortgage will carry an interest rate of 4% per annum and will be repaid in full within three years.

In order to acquire the Loan originally, the Company also took on a loan of €0.7 million from Desmond Holdings Ltd. At the time the Hotel was purchased, there was a significant amount of outstanding interest on the Loan. The Company has been able to recover this interest and used it to repay the Desmond Loan.

The combination of the uplift in value from the Loan to the Mortgage, and the repayment of the Desmond Loan is expected to result in an increase of €1.5 million in the net asset value of Craven House.