Company Number 05123368

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2015

FOR

CRAVEN HOUSE CAPITAL PLC

CRAVEN HOUSE CAPITAL PLC

CONTENTS OF THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MAY 2015

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2015

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)
AUDITOR:	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:	Spark Advisory Partners Ltd 5 St John’s Lane London EC1M 48H

CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 MAY 2015

The year ending May 2015 proved to be a frustrating period for Craven House Capital. As first revealed in our half year announcement, we are disappointed to report a decrease in Net Asset Value (NAV) from £5.5 million last year to £4.7 million at year end. This reduction is primarily due to the write down of Pressfit Holdings, which was listed on the AIM Market and then delisted from the market during the period.

More broadly, the emerging and frontier markets in which we operate have suffered over the past year and a half. These markets are highly sensitive to international capital flows. Morgan Stanley estimates that total net capital outflows from the 19 largest emerging market economies reached $940 billion in the 13 months to the end of July 2015, almost double the net $480 billion that flowed out during three quarters during the 2008/09 financial crisis. The outflows mark a sharp reversal from the robust infusion of funds emerging markets received in the six years following the crisis.

We do not think this trend has run its course. In fact, we believe capital will continue to flee the emerging markets. This trend will be reinforced when the US interest rates begin to climb. Carry trades will be unwound and the landscape where capital was recently abundant will now be barren. A flood of liquidity will soon turn to drought. We believed the influx of capital was excessive and the outflow will be equally if not more so.

The macroeconomic climate in Brazil, South Africa, China, Argentina, Russia as well as smaller markets will continue to present challenges for operating companies resulting in a significantly higher cost of capital. As owners of emerging market assets this will likely result in significantly longer time horizons before we can exit current investments. However, as providers of capital to companies operating in these challenging environs, we expect to see opportunities to invest on improved terms. This holds true for existing portfolio companies as well as future investments. Patient permanent capital is most effective when markets are in turmoil and funding is scarce.

For the first several years at Craven House we struggled to find good investments at compelling valuations. We looked at hundreds of opportunities. Of these only twenty-five or so potential investments merited serious diligence. Of these, only a handful resulted in firm offers to invest. Such has been our frustration. Now we believe the tide has reversed and we expect to see a much larger number of investable deals with far fewer capital providers offering terms. This should provide us the opportunity to invest against the tide. To butcher an old value investor's saw, "We seek to be courageous when others are fearful and fearful when others are courageous." For the past several years institutional capital has led a fearless charge into the most remote and dangerous corners of the emerging markets and now many of those same brave warriors are running like scalded dogs. We will seek to take advantage of this inflection point but it may require a good deal of patience until the inflection point is reached and the markets fully capitulate. Equity valuations have begun to soften significantly and we expect to see irrational valuations in emerging market corporate credit as investors flee for no reason other than every other institutional investor is hitting the eject button.

In the other regions we operate, mainly crisis and post crisis developed countries in Europe; we continue to see chances to effectively deploy capital. In particular Ireland, Greece, Cyprus and Portugal seem to be opening up to investors willing to invest in small and mid sized companies. These smaller companies still struggle to find financing. The banks are still very hesitant to provide growth and acquisition capital and the vast majority of private equity funds and other capital sources will not look at companies with Enterprise Values (EV) less than €100 million. In Europe small to mid sized companies with less than €25 million in EBITDA have historically relied on the banking sector to provide most if not all of their capital. Having focused their efforts on the beleaguered property sector for the last five years, many European banks are actively trying to reduce their loan books to operating companies. We are starting to see acquisition opportunities at compelling valuations. Banks are no longer ignoring impaired loans to operating companies thereby providing an opportunity to recapitalize or acquire on favourable terms. To that end it remains our stated objective to complete a transformational acquisition at a valuation that rewards shareholders for their patience.

Selected Portfolio Company Highlights

Pressfit Plc

The Pressfit investment is emblematic of both the trading environment in the emerging markets and the receptiveness (or lack thereof) of the public markets for smaller listed companies with operations in China. We should have seen this coming and in some ways we did but we lacked the courage to act. When Pressfit management first indicated their desire to list on the AIM market we expressed our belief that the timing was not ideal for admission to the quoted markets in London. However, management and other large shareholders were convinced it was the appropriate and necessary to take the company to the next level. We were outvoted and frankly did not put forth the impassioned opposition we should have.

Shortly after the introduction to the AIM market Pressfit's share price fell precipitously on very thin volume. We did not and do not believe this was representative of the company's true value but it was a shock to some investors and management. This melancholy situation was further exacerbated when the company's NOMAD, Daniel Stewart Plc, had its authorization to act as a NOMAD revoked. The company then struggled to find a NOMAD in the requisite time period and saw its shares delisted through no fault of its own. The message this sent to suppliers and customers was not helpful and demoralized both management and the workforce.

Too late, we intervened as both shareholder and creditor to the company. After prolonged negotiations the CEO resigned and Craven House in conjunction with another large shareholder, AMCO, subsequently stepped in to restructure and reorient the company. AMCO and its management in Europe and Asia are experienced in the pipefittings and fixtures industry and we remain long term positive on the sector. The adoption of press fittings in general and the products Pressfit produces is increasing rapidly in Asia and Europe and we plan on capitalizing on this trend. New health and building codes will only increase the demand for the product. However, we have written down the investment on our books in accordance with a fair value policy at the balance sheet date and expect the investment to remain illiquid for the next year or more. While we had hoped to achieve a profitable exit by now, we are prepared to roll up our sleeves to create long-term value, accepting that we should have intervened more aggressively earlier and made a more adamant protest to the listing.

South African Agricultural Land Portfolio

We remain very bullish on Agriculture globally and in South Africa. South Africa is struggling to cope with the pronounced downturn in commodities. Their economy is highly leveraged to the price of precious and base metals and the rapid decline in these markets has hurt the economy and the currency. The South African Rand has lost significant purchasing power since we first invested in 2013. The currency has fallen from just under 9 ZAR to the US Dollar to over 14 ZAR to the dollar since we entered the market. This has spooked many international investors. As an example, it impacted on our negotiation for the sale of our vegetable dehydration facility and farmland with a European investor. This investor was a company with current vegetable dehydration operations in Austria and Hungary. They provide ingredients to major international food companies globally. They made a firm offer for our operation at a price that would have locked in a significant gain on our investment. However, as the South African economy began to struggle and the currency cratered their financing from Europe fell away and they were unable to complete the transaction. We have had subsequent offers above our cost basis and negotiations continue. We must be prepared to wait until the cycle turns before we seek an exit. We are presently evaluating what to do with these investments. Our belief is that the underlying ZAR value is not relevant. The business sells an agricultural product sold globally in US dollars and will only benefit from the fall in local operating costs. Given this underlying situation we believe our patience will be rewarded.

Brazilian Ocean Front Land

Brazil, like South Africa, has suffered from declining commodity prices and a falling currency. It has also captivated the international press with stories of corruption in the government and state owned industry. There is talk of impeaching the president and the infrastructure for the upcoming Olympic Games is said to be well behind schedule. This environment has reversed investor sentiment towards Brazil.

Despite the headline risk and general economic malaise, our interest in a large block of ocean front agricultural land remains a solid investment priced in Brazilian reals (BRL) but valued in US dollars. In most of South America agricultural land is priced in dollars regardless of the underlying local currency. This, as mentioned above, is due to the fact that the agricultural sector is export based and produces a commodity sold around the world in US dollars. Our view is that the falling local currency and production costs will result in stable or increasing agricultural land prices. At present we are in discussions with several agricultural producers who have expressed interest in the agricultural land. Our preferred outcome is a transaction that will see Craven House sell the inland portion of the land while retaining control of the ocean front parcel. This may or may not happen and will require significant dialogue with the local authorities but we believe this is the best way to maximize the long-term value for shareholders. If it does not materialize we are comfortable holding on to the parcel for an indefinite period. We are comfortable with the operating hypothesis that ocean front land will increase in value over time.

Irish Hotel Mortgage

As previously announced, Craven House has begun to exit its position in a first mortgage against the Green Isle Hotel in Dublin. This represents a successful restructuring of an attractive asset where Craven House invested in a distressed situation in different portions of the capital structure. We invested in both the debt and equity of an insolvent hotel operator and worked to recapitalize the insolvent enterprise. We believe there will be further distressed opportunities in Ireland as well as in Greece, Portugal and Cyprus.

Conclusion

As shareholders and managers we align our interests with all other stakeholders. It is unpleasant to report our first decrease in NAV since we took control of the company. We don't like to be the bearer of bad news but we gladly shoulder the bad news burden rather than overpay for assets. During the period ending May 31st 2015 we abandoned three transactions after spending months evaluating and negotiating a prospective acquisition. This is a painful process and we had to work hard to repress the natural desire to finish what we started. In each of the three cases we could not reach the level of comfort necessary to commit our capital. In two of the three cases it was a matter of valuation. We could not bring ourselves to overpay. In the third we could not get comfortable with the management. All three aborted deals consumed our time and capital. It was difficult to walk away but with the benefit of time and perspective we are confident we made the correct decision. In a fourth transaction we were outbid or as investment industry professionals say "re-traded" after we thought we had a deal agreed. We had a choice to make. We either increased our bid beyond what we thought the business was worth or walk away after all the effort and expense that went into analyzing the business and transaction. We had no choice but to walk away.

As managers we receive no performance fees for the year and will not receive any performance fees until such time as the NAV rises above its previous high. As shareholders our portfolio suffers alongside other shareholders when the market fails to reward our methodology. While we understand the frustration of some shareholders, especially those with a near term investment horizon, we believe that our contrarian DNA and willingness to wait for deep value opportunities will pay off. We will not pull the proverbial trigger unless we are highly confident an investment will increase the NAV on a per share basis.

As always, we want to warn shareholders that our patience has no bounds and we are willing to do nothing if doing nothing is the best course of action. We will wait until the right opportunity comes along at the right price with the right long term prospects. Famed international investor Jim Rogers was quoted in the Book *Market Wizards*, "I just wait until there is money lying in the corner, and all I have to do is go over there and pick it up. I do nothing in the meantime." Given the current state of markets we think this is an apt metaphor.

Mark Pajak

Acting Chairman

The directors present the Strategic Report of Craven House Capital for the year ended 31 May 2015.

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.

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.

Review of the Business in the year

Craven House continued to seek to acquire businesses in emerging and developed markets utilising its AIM quoted shares as acquisition currency. We also continue to target businesses with distressed shareholders in need of rapid liquidity. While this has a negative impact on the share price as new shareholders sell into the market, it creates long-term value for our shareholders.

Highlights from the year include the first stages of exiting our investment in the Green Isle Hotel in Dublin following our successful restructuring.

Unfortunately, during the year we were forced to write down the value of our holding in Pressfit Holdings Plc following its de-listing from the AIM.

All other investments continue to perform within reasonable bounds and we continue to monitor their progress. Further details are provided in the Chairman's Statement.

Position of the Company's business at the end of the year

The Company's NAV decreased from £5.5 million to £4.7 million during the year. We remain a debt free business with the exception of loans made to the Company by its investment manager and largest shareholder. The investment manager, Desmond Holdings, has continued to support the business and has entered into agreements, which ensure this continued support.

Principal risks and uncertainties facing the business

The principal risks to the business continue to be the inherent instability in the markets in which we operate. Our strategy is directly exposed to swings in currencies, political and economic instability. Our continued focus on distressed sellers in emerging markets and distressed developed markets such as Ireland will expose the Company to these type of risks. These are risks that the Company actively seek as they provide the opportunity to acquire assets at a discount to their intrinsic value utilising our share capital at a premium to market prices.

ON BEHALF OF THE BOARD:

....
Miss A N Eavis - Secretary

Date: ....

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2015

The directors present their report with the financial statements of the Group for the year ended 31 May 2015.

DIVIDENDS
No dividends will be distributed for the year ended 31 May 2015.

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 2014 to the date of this report.

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

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

DIRECTORS' REMUNERATION
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 2015

Mark Pajak	-
Alexandra Eavis	£30,000
Balbir Bindra	-
Total directors' remuneration	**£30,000**

Share based payments made to Balbir Bindra in the year ended 31st May 2014 of £18,000 were in respect of the two years ended 31 May 2015.

FINANCIAL RISK MANAGEMENT POLICIES
Information on the use of financial instruments by the Company and its management of financial risk is disclosed in Note 15 to the financial statements.

FUTURE DEVELOPMENTS
In the coming year the Company will continue to execute its ongoing investment strategy by seeking transformative acquisition targets. Details of post year end transactions are disclosed in Note 17.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors Report, Strategic 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 and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

They are further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Craven House Capital website is the responsibility of the directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

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.

AUDITOR

The auditor, 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 AUDITOR 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 2015 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows and related notes numbered 1 – 17. 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 Auditor 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, Report of the Directors and the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Company as at 31 May 2015 and of the 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 Strategic Report and 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records 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: ....

INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2015

	Note	2015 £'000	2014 £'000
CONTINUING OPERATIONS			
Revenue		**-**	249
Gross Portfolio return		**(705)**	(845)
Administrative expenses		**(229)**	(307)
OPERATING LOSS		**(932)**	(903)
Finance costs	4	**(27)**	(16)
Finance income	4	**48**	39
LOSS BEFORE INCOME TAX	5	**(911)**	(880)
Income tax	6	**-**	-
LOSS FOR THE PERIOD		**(911)**	(880)
Loss per share expressed In pence per share:			
Basic and Diluted	7	**(0.11)**	(0.13)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2015

	2015	2014
	£'000	£'000
LOSS FOR THE PERIOD	**(911)**	(880)
OTHER COMPREHENSIVE INCOME	**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(911)**	(880)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2015

	Notes	**2015** **£'000**	2014 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	**-**	-
Investments at fair value through profit or loss	9	**4,673**	6,095
		4,673	6,095
CURRENT ASSETS			
Trade and other receivables	10	**312**	114
Cash and cash equivalents	11	**217**	-
		529	114
TOTAL ASSETS		**5,202**	6,209
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	**8,526**	8,519
Share premium		**7,391**	7,310
Retained earnings		**(11,210)**	(10,299)
TOTAL EQUITY		**4,707**	5,530
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**104**	339
Financial liabilities-borrowings			
Interest bearing loans and borrowings	14	**391**	340
		495	679
TOTAL LIABILITIES		**495**	679
TOTAL EQUITY AND LIABILITIES		**5,202**	6,209

Approved and authorised for issue by the Board on ………………….2015 and signed on its behalf by:

....
M Pajak - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2015

	Called up share capital £'000	Profit and loss account £'000	Share premium £'000	Total equity £'000
Balance at 1 June 2013	8,313	(9,419)	4,948	3,842
Changes in equity				
Issue of share capital	206	-	2,362	2,568
Total comprehensive income	-	(880)	-	(880)
Balance at 31 May 2014	8,519	(10,299)	7,310	5,530
Changes in equity				
Issue of share capital	7	-	81	88
Total comprehensive income	-	(911)	-	(911)
Balance at 31st May 2015	8,526	(11,210)	7,391	4,707

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash used in operations	1	**(564)**	(103)
Interest paid		**(13)**	(16)
Net cash used in operating activities		**(577)**	(119)
Cash flows used in investing activities			
Purchase of fixed asset investments		**-**	(2,382)
Sale of fixed asset investments		**717**	-
Advance of loans		**321**	-
Repayment of loans		**(270)**	(123)
Interest received		**42**	39
Net cash (used in)/from investing activities		**810**	(2,466)
Cash flows from financing activities			
Share issue		**-**	2,568
Net cash from financing activities		**-**	2,568
Increase/(decrease) in cash and cash equivalents		**233**	(17)
Cash and cash equivalents at the beginning of the year	2	**(16)**	1
Cash and cash equivalents at the end of the Year	2	**217**	(16)
Cash and cash equivalents consist of:		**217**	(16)
Cash and cash equivalents included in current assets/(Trade and other payables)			

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2015

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH USED IN OPERATIONS

	2015	2014
	£'000	£'000
Loss before income tax	(911)	(880)
Finance costs	27	16
Finance income	(48)	(39)
Decrease/(increase) in value in investments	705	884
	(227)	(19)
Increase in trade and other receivables	(198)	(35)
(Decrease)/increase in trade and other payables	(139)	(49)
Cash used in operations	**(564)**	(103)

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 2015

	31.5.15	1.6.14
	£'000	£'000
Cash and cash equivalents	217	(16)

Year ended 31 May 2014

	31.5.14	1.6.13
	£'000	£'000
Cash and cash equivalents	(16)	1

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 except for the treatment of the subsidiary. For the year commencing 1 June 2014 the company has adopted provisions in IFRS 10 to treat its subsidiary as an investment at fair value through profit or loss. Accordingly comparatives have been represented to reflect this change in accounting policy.

Going concern
The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Report, the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk. The company has considerable financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Changes in accounting standards
IFRS 10, 11 and 12 are effective for the first time in the year ended 31 May 2015. The principal changes as a result of these standards arise from IFRS 10, as well as "Investment Entities" (Amendments to IFRS 10, IFRS 12 and IAS 27).

Under IFRS 10, companies are able to consider whether they are classed as an investment entity.
An investment entity is an entity that:
(a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
(b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

In assessing whether a company meets the definition of an investment entity, the following characteristics must be considered:
(a) it has more than one investment;
(b) it has more than one investor;
(c) it has investors that are not related parties of the entity; and
(d) it has ownership interests in the form of equity or similar interests.

1. ACCOUNTING POLICIES - continued

Changes in accounting standards (continued)
The directors have considered the definition of an investment entity in IFRS 10 as well as the associated application guidance. The directors considered that Craven House Capital met the definition of an investment entity.

Previously, the financial information presented included that of Craven House Capital plc and its subsidiary undertaking, Craven House Industries Limited (‘CHI’). With effect from this accounting period, the investment in CHI will be accounted for at fair value through profit and loss and CRV is therefore presenting information for them as an individual entity and not as a group. This has had no impact on the net assets reported in prior periods.

£596,000 that was classified as investment in subsidiary in the 2014 financial statements has been represented as investments at fair value through profit and loss in the comparative statement of financial position. The transitional provisions inserted into IAS 27 by the Investment Entities amendments have been applied, and that those transitional provisions required retrospective application.

Standards, amendments and interpretations to be published standards not yet effective
A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 as their detailed review of these standards is still ongoing.

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

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Investment Manager determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Investment Manager uses market-observable data to the extent it is available. The Investment Manager reports its findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

1. ACCOUNTING POLICIES - continued

Valuation of investments (continued)
Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 9 and 15.

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 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.

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 £4,673,984.

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

1. ACCOUNTING POLICIES – continued

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.

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.

1. ACCOUNTING POLICIES – continued

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.

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

	2015	2014
	£'000	£'000
Wages and salaries – Directors' remuneration	**30**	48

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

	2015	2014
Directors	**3**	3

Directors' remuneration was split as follows;

	2015	2014
	£'000	£'000
Fees	**30**	30
Share based payments	**-**	18
Total	**30**	48

Further details of directors' remuneration is included in the Director's Report.

3. EMPLOYEES AND DIRECTORS - continued

The highest paid director received emoluments and benefits as follows:

	2015	2014
	£'000	£'000
Fees	**30**	30

Desmond Holdings Ltd is the Company's Investment Manager. The directors are the key management of the Company. There were no directors (2014: none) to whom retirement benefits were accruing under money purchase schemes.

4. NET FINANCE INCOME

	2015	2014
	£'000	£'000
Finance income:		
Interest receivable	**48**	39
	48	39
Finance costs:		
Loan interest	**27**	16
	27	16
Net finance income	**21**	23

5. LOSS BEFORE INCOME TAX

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

	2015	2014
	£'000	£'000
Rental charges	**2**	2
Depreciation –owned assets	**-**	1
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**13**	13
Fees payable to the Company's auditor for other services - tax services	**3**	3
- other services	**2**	2
Foreign exchange (gains)/losses	**(16)**	(12)

6. INCOME TAX

Analysis of charge in the year

	2015	2014
	£'000	£'000
Current tax:	**-**	-
Deferred tax	**-**	-
Tax on profit on ordinary activities	**-**	-

	2015	2014
	£'000	£'000
Loss on ordinary activities before tax	**(911)**	(880)

Analysis of charge in the year

	2015	2014
	£'000	£'000
Profit on ordinary activities multiplied by small companies rate of corporation tax in the UK of 20% (2014: 20%)	**(182)**	(176)
Effects of:		
Loss carried forward	**182**	176
Current tax charge for the year as above	**-**	-

At 31 May 2015 the Company had UK tax losses of approximately £2,891,000 (2014: £1,980,000) 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.

7. EARNINGS PER SHARE - continued

Reconciliations are set out below.

	Earnings £'000	2015 Weighted average number of shares	Per-share amount Pence
Basic EPS			
Earning attributable to ordinary shareholders	(911)	799,920,183	-0.11

	Earnings £'000	2014 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earning attributable to ordinary shareholders	(880)	673,998,159	-0.13

8. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment £'000
COST	
At 1 June 2014	**2**
Additions	**-**
At 31 May 2015	**2**
DEPRECIATION	
At 1 June 2014	**2**
Charge for the year	**-**
At 31 May 2015	**2**
NET BOOK VALUE	
At 31 May 2015	**-**
At 31 May 2014	**-**

9. INVESTMENTS

Investments at fair value through profit or loss

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

The Company had the following holdings at 31 May 2015:

Pressfit Holdings PLC	22.60%
Ceniako Limited	49.00%
Craven House Industries Ltd	95.00%
EmVest Barvale (Pty) Ltd	49.00%
EmVest Evergreen (Pty) Ltd	49.00%
EmVest Evergreen Properties (Pty) Ltd	49.00%
EmVest Foods (Pty) Ltd	49.00%
Royalty Sports Brands Ltd	49.00%
Farm Lands of Africa Ltd	50.00%

Investments that are held as part of the Company's investment portfolio are carried in the balance sheet at fair value even though the Company 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 profit or loss in the period of change. The Company has no interests in associates through which it carries on its business.

Investments at fair value through profit or loss

	Quoted Investments £'000	Unquoted Investments £'000	Total £'000
At 1 June 2013	887	3,710	4,597
Additions	-	2,382	2,382
Revaluations	(190)	(672)	(862)
Effect of foreign exchange	-	(22)	(22)
Reclassification	(686)	686	-
At 31 May 2014	11	6,084	6,095
Disposals	-	(717)	(717)
Revaluations	(586)	(119)	(705)
Effect of foreign exchange	-	-	-
Reclassification	575	(575)	-
At 31 May 2015	-	4,673	4,673

9. INVESTMENTS - continued

Unquoted investments

	Equity £'000	Convertible loans £'000	Loan £'000	Total £'000
At 1 June 2013	2,987	124	599	3,710
Additions	2,382	-	-	2,382
Revaluations	(1260)	(33)	621	(672)
Effect of foreign exchange	(22)	-	-	(22)
Reclassification	686	-	-	686
At 31 May 2014	4,773	91	1,220	6,084
Disposals	-	-	(717)	(717)
Effect of foreign exchange	25	-	(144)	(119)
Reclassification	(575)	-	-	(575)
At 31 May 2015	4,223	91	359	4,673

Quoted investments at 31 May 2015 relate to shares held in Farm Lands of Africa Inc, a company listed on the OTC market in New York. These shares have been measured on a Level 3 basis due to these not being traded in an active market.

Unquoted investments at 31 May 2015 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 £516,648, representing a 22.6% holding. These have been valued using an earnings multiple as the Directors believe this is the best indication of the fair value of the investment at the reporting date. They are not aware of any circumstances to indicate an impairment of this investment.

Shares in Ceniako Limited valued at £718,301, representing a 49% holding. These have been valued at the price paid by Craven House Capital as the Directors believe that the price of recent investment continues to represent the best indication of the fair value at the year end.

Shares in Craven House Industries Limited are valued at £653,442, representing a 95% holding. These have been valued at the price paid by the Company for its 50.1% stake in Finishtec Acabamento Tecnicos em Matais Ltd, as the Directors believe that the price of recent investment continues to represent the best indication of the fair value at the year end in light of supporting forecasts.

9. INVESTMENTS - continued

Shares in EmVest Barvale (Pty) Ltd valued at £411,338, representing a 49% holding. These have been valued at the price paid by Craven House Capital, as the Directors believe that this is the best indication of the value at the year end.

Shares in EmVest Evergreen (Pty) Ltd valued at £0, representing a 49% holding. These have not been attributed a value as the Directors believe that this is the best indication of the value at the year end.

Shares in EmVest Evergreen Properties (Pty) Ltd valued at £462,697, 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 EmVest Foods (Pty) Ltd valued at £154,232, representing a 49% holding. These have been valued at the price paid by Craven House Capital, as the Directors believe that this is the best indication of the value at the year end based in supporting forecasts.

Shares in Royalty Sports Brands Ltd valued at £1,306,799, representing a 49% holding. These have been valued at the price paid by Craven House Capital, as the Directors believe that this is the best indication of the value at the year end.

Shares in Farm Lands of Africa Ltd valued at zero, representing a 50% holding. The value of the shares have been written down to zero as the Directors believe that this is the best indication of the value at the year end considering the Ebola outbreak in Guinea.

A convertible loan to Pressfit Holdings Plc valued at £91,376. This has been valued based on the number of shares that Craven House Capital would receive on conversion using the same earning multiple as the shares held above as these can be converted at any time at Craven House's option.

A loan with Greentel Limited valued at £359,150 The year end valuation is based on the agreed conversion of the loan into a facility of €500,000 to be repaid on or before 14 November 2016, which the Directors believe is the most appropriate indicator of the year end valuation based on the information available to them regarding net assets.

Further details on the investments are contained in the Chairman's report on pages 2 to 5.

10. TRADE AND OTHER RECEIVABLES

	2015	2014
	£'000	£'000
Current:		
Other receivables	247	56
Prepayments and accrued income	65	58
	312	114

11. CASH AND CASH EQUIVALENTS

	2015	2014
	£'000	£'000
Bank accounts	217	-

12. CALLED UP SHARE CAPITAL

Authorised

Equity shares Number:	Class:	Nominal Value:	2015 £'000	2014 £'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:	2015 £'000	2014 £'000
805,540,872 (2014: 798,466,557)	Ordinary	0.001	806	799
77,979,412	Deferred	0.09	7018	7018
77,979,412	Deferred	0.009	702	702
			8,526	8,519

12. CALLED UP SHARE CAPITAL – continued

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 18 March 2015, the Company allotted 7,074,315 new ordinary shares to Desmond Holdings Ltd in lieu of the performance fee due for the year ended 31st May 2014. The value of the performance being £88,400.This was included as a liability at 31st May 2014.

During the year the Company extended the time scale of 82,226,266 fully transferable exercisable warrants issued in the year ended 31st May 2012. At the date of issue the warrants could be exercised on or before 30th June 2014, this period has now been extended to 30th June 2016.

13. TRADE AND OTHER PAYABLES

	2015	2014
	£'000	£'000
Current:		
Bank overdraft	**-**	16
Trade payables	**76**	212
Accruals and deferred income	**28**	111
	104	339

14. FINANCIAL LIABILITIES - BORROWINGS

	2015	2014
	£'000	£'000
Current:		
Other loans	**391**	340

Term and debt repayment schedule	**1 year or less £'000**
Other loans	**391**

14. FINANCIAL LIABILITIES - BORROWINGS – continued

Other loans of £391,000 comprise a convertible loan made by Mr E Kalimtgis, a shareholder, totalling £311,000 and loans made by Wise Star Capital Investment Limited, a Hong Kong investment company. 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 loan provided by Mr E Kalimtgis is a convertible loan which includes interest payable at a rate of 6% per annum. The loan was provided for 12 months dated 22nd October 2014 with the holder having the option of converting the principal portion of £300,000 into 24,000,000 fully paid Ordinary Shares of 0.1p pence per share at the conversion price of 1.25 pence per share. The loan has been extended to 22nd October 2016 post year end. The directors do not consider the value of the conversion rights attaching to the loans to be a material component of equity.

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 to at least 31st May 2016. The amount owed to Wise Star Capital Investment Limited at the balance sheet date was £80,000.

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.

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 investments fell into Level 3.

15. FINANCIAL INSTRUMENTS - continued

Unquoted equity investments held at fair value through profit or loss are valued in accordance with the IPEVCV guidelines as follows;

	2015 **£'000**	2014 £'000
Investment valuation methodology		
Earnings multiple	517	-
Recent investment price	3,706	4,864
	4,223	6,084

Level 3 valuations include inputs based on non-observable market data. IFRS 13 requires an entity to disclose quantitative information about the significant unobservable inputs used. 88% of Level 3 equity investments are held at recent investment price, where no significant judgement has been applied to the valuation inputs. 12% of Level 3 investments are valued on an earnings multiple basis where significant judgement has been applied to the valuation inputs. An earnings multiple of 9 has been used to calculate the value, which the Directors consider to be appropriate given the operating sector of the investment and after allowing for a suitable marketability discount range. Any increase/decrease in the earnings multiple would result in an increase/decrease in the valuation.

IFRS 13 and IFRS 7 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. After due consideration and noting that the valuation methodology applied to over 88% of the Level 3 investments (by valuation) is based on recent investment price, the Directors believe that changes to reasonable possible alternative input assumptions (a reasonable discount to the earnings multiple) for the valuation of the remainder of the portfolio could lead to a change in the fair value of the portfolio. The impact of these changes could result in an increase in the valuation of the equity investments by £155,088 or a decrease in the valuation of equity investments by £68,608.

The valuation method applied to each equity investment is that which is considered most appropriate with regard to the stage of development of the investee business and the IPEVCV guidelines. In applying the price of recent investment valuation methodology the basis used is either the initial cost of the investment, or, where there has been subsequent follow-on investment, the price at which a significant new investment was made.

Investments in debt instruments are valued at their recoverable amounts.

All other financial instruments, including cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings, are measured at amortised cost.

Due to their short-term nature, the carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings approximates their fair value.

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 loans, both those held as unquoted investments and included in other receivables, and cash balances. The Company monitors the financial position of borrowing entities on an ongoing basis and is satisfied with the quality of the debt. Investment of surplus cash balances are reviewed on an annual basis by the Company and it is satisfied with the choice of institution.

15. FINANCIAL INSTRUMENTS – continued

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 (2014: 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.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual discounted payments.

Year ended 31 May 2015	**On demand £000**	**Less than 3 months £000**	**3 to 12 months £000**	**Total £000**
Trade payables	76	-	-	76
Accruals and deferred income	28	-	-	28
Interest bearing loans and borrowings	-	-	391	391
	104	**0**	**391**	**495**
Year ended 31 May 2014				
Bank overdraft	16	-	-	16
Trade payables	212	-	-	212
Accruals and deferred income	111	-	-	111
Interest bearing loans and borrowings	-	-	340	340
	339	**0**	**340**	**679**

Post year end, £311,000 of loans shown as due in 3-12 months have been extended. Had the extension been agreed pre-year end, £311,000 would be shown as due in 1-5 years.

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 £467,300 (2014: £609,500) 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 unquoted 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

The Company is exposed to foreign currency risk on its investments held at fair value and adverse movements in foreign exchange rates will reduce the values of these investments. There is no systematic hedging in foreign currencies against such possible losses on translation/realisation. Otherwise the Company operates primarily within its local currency.

The sensitivity to a reasonable possible change in US$ exchange rates, with all other variables held constant, would be £94,000 (2014: £73,000) which would directly affect both profits before tax and the effect on pre tax equity. This is assuming a 5% variance. The impact on the profit before tax and pre tax equity is due to the fair value adjustment of assets and liabilities. The Company's exposure to other foreign currency changes is not deemed to be material.

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 periodic 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.

16. RELATED PARTY DISCLOSURES

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

Loans from Wise Star Capital Investment Limited
At the year end the Company owed £80,000 to Wise Star Capital Investment Limited, Mark Pajak was Director of Wise Star Capital Investment Limited during the year. Details of the loan are set out in note 14.

Loans from Mr E Kalimtgis
During the year the Company received a loan of £300,000 from Evangellos Kalimtgis, a shareholder. £11,000 interest was charged in the year. At the year end the balance owed to Evangellos Kalimtgis was £311,000. Details of the loan are set out in note 14.

Management fees payable to Desmond Holdings Limited
During the year the Company incurred management fees of £70,000 from Desmond Holdings Limited. At the year end, included in trade creditors, is an amount of £17,500 payable to Desmond Holdings Limited in respect of unpaid invoices.

During the year, the Company repaid loans to Desmond Holdings Limited of £270,000.

Loan to Royalty Sports Brands Limited
At the year end the Company held shares in Royalty Sports Brands Limited as included in unquoted investments and detailed in note 9. Mark Pajak was a Director of Royalty Sports Brands Limited during the year.

During the year the Company made an interest free loan of £192,340 to Royalty Sports Brands Limited. At the year end, included in other receivables, is an amount of £192,340 payable by Royalty Sports Brands Limited in respect of the loan.

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. Mark Pajak was Chairman of Pressfit Holdings Plc during the year.

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 2015 no amounts were payable to directors.

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

After the financial year-end, the Company announced in November 2015, that it has entered into a stock purchase agreement with GEM Global Yield Fund, a member of the New York based Global Emerging Markets Group ("GEM"). Under the terms of the facility GEM will fund Craven House with up to £30 million through a structured stock subscription agreement. Under the terms of the agreement, funds are provided from GEM, with limited restrictions, at Craven House Capital´s discretion through the issuance of new Ordinary shares in Craven House. The facility is designed to provide equity capital on an as-needed basis in support of future transactions and to provide additional capital to existing portfolio companies.