Company Number 05123368

# REPORT OF THE DIRECTORS AND

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MAY 2017

# FOR

# CRAVEN HOUSE CAPITAL PLC

CRAVEN HOUSE CAPITAL PLC

CONTENTS OF THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MAY 2017

## COMPANY INFORMATION
## FOR THE YEAR ENDED 31 MAY 2017

| | |
|---|---|
| **DIRECTORS:** | Mr R Burrows (appointed 3 October 2016)<br>Mr M J Pajak<br>Mr B S Bindra<br>Mr C P Morrison |
| **SECRETARY:** | Mr B Winters |
| **REGISTERED OFFICE:** | 776-778 Barking Road<br>London<br>E13 9PJ |
| **REGISTERED NUMBER:** | 05123368 (England and Wales) |
| **AUDITOR:** | Grant Thornton<br>Molyneux House<br>Bride Street<br>Dublin 8<br>DO8 C8CN<br>Ireland |
| **BANKERS:** | Royal Bank of Scotland<br>280 Bishopsgate<br>London<br>EC2M 4RB |
| **SOLICITORS:** | OBH Partners<br>17 Pembroke Street Upper<br>Dublin 2<br>Ireland |
| **NOMINATED ADVISER:** | Spark Advisory Partners Ltd<br>5 St John's Lane<br>London<br>EC1M 48H |

## CHAIRMAN'S STATEMENT
## FOR THE YEAR ENDED 31 MAY 2017

Dear Shareholder

I am pleased to provide an introduction the annual report and accounts for Craven House Capital Plc for the year ending May 2017.

As was reported in my statement last year, the first six months of the period saw Craven undertake a very active period of fund raising and investment activity which resulted in significant increases in its asset base. This activity, combined with, revaluation exercises conducted on existing assets resulted in the net asset value of the Company more than doubling, from $10.8m (restated) to $25.3m. This equated to a 38% increase in NAV per share from $7.33 (restated) to $10.11 per share. During the period Craven has also successfully completed a consolidation and re-denomination of its share capital.

The result of the activity of the year to May 2017 is that Craven has established a much larger asset base from which to continue its growth and I look forward to working with the Board and management to build on the progress made this year.

**Richard Burrows**
Chairman

**Statement by the Investment Manager**

For the year ending 31 May 2017, the company reported a 134% increase in NAV from $10.8m (restated) to $25.3m. On a per share basis, this equated to a 38% increase from $7.33 (restated) to $10.11 per share. During the period the company raised $10.2 million in new equity.

As reported in the 2016 Annual Report, the Company undertook a comprehensive restructuring designed to optimise the efficiency of the corporate structure. All investments are held via a wholly-owned Irish holding company, Craven Industrial Holdings Plc, which in turn owns investment assets or further holding company subsidiaries.

As was the case in the prior year, investments held at fair value through profit or loss are valued in accordance with the IPEVCV guidelines. Details of valuation methodologies are provided in the notes to the accounts. A summary of Craven's investments is as follows, with further information provided in note 8 to the accounts;

| Investment | Value at 31 May 2017 |
|---|---|
| **Shares in Craven Industrial Holdings Plc** | **$26,402,875** |
| Comprising: | |
| Shares in Ceniako Ltd | $3,937,840 |
| Shares in Craven House Industries Ltd | $5,365,563 |
| Shares in Qeton Ltd | $576,079 |
| Shares in Craven House Angola Lda | $9,247,975 |
| Shares in Kwikbuild Corporation Ltd | $4,775,418 |
| Loans made by Craven Industrial Holdings Plc | $2,500,000 |

Ceniako Ltd and Craven House Industries Ltd are holding companies for the Company's investments in certain Brazilian land assets comprising c.2,500 hectares. The value of these holdings has increased during the year following independent valuation of the properties. In August 2017, the Company announced its intention to transfer its shareholdings in Craven House Industries Ltd and Ceniako Ltd to DLC Holdings Corp for a combined consideration of $9,033,471. This valuation is equal to the net asset value of the Company's shareholdings in Craven House Industries Ltd and Ceniako Ltd.

Qeton Ltd is a new joint venture company focusing on the export of mobile phones, tablet computers and accessories into emerging markets. As of May 2017, this entity had not commenced trading.

Craven House Angola benefited from c.$6.5m of new cash equity raised by the Company during 2017. These funds have been invested by way of loans to foreign-owned operating businesses in Angola. These loans are performing in accordance with their agreed terms and we remain confident of the recoverability of loan balances.

Kwikbuild Corporation Ltd is a holding company for the Company's investments in South Africa, comprising a portfolio of agricultural, industrial and logistics investments (the value of which has remained unchanged during the year), and a non-performing loan that was acquired during the year and was partially repaid in August 2017.

The Company successfully completed the disposal of its investment in the mortgage over the Green Isle Hotel during the year.

The majority of the $3.4m of changes in fair value reported have resulted from the increase in the value of the Companies' holdings in Ceniako Ltd and Craven House Industries Ltd.

During the period the restructuring of the company continued. As outlined and approved at our Extraordinary General Meeting in July 2016, the Company was reorganized to provide a more beneficial capital structure.

First there was a share consolidation that reduced the number of shares outstanding from 1.35 billion to 1.84 million. Secondly, the shares are now priced in US dollars. We detailed the reasoning behind this change in last year's Annual Report.

We remain confident regarding the prospects for the investments outlined above; In particular, the land assets owned by Ceniako Ltd and Craven House Industries Ltd will benefit from management under DLC Holdings Corp, a focused agribusiness, which can develop the assets to their best potential; Post year-end Qeton Ltd has begun to place its first bulk orders for mobile devices and accessories and the Angolan economy appears to be emerging positively from uncertainty following recent Presidential elections. We remain very cautious regarding the outlook in South Africa and aim to reduce our exposure to this market during the current year.

**Outlook**

We are long-term deep value investors. We seek to buy good assets selling below their intrinsic value. We actively seek out opportunities when a market or an asset class is unpopular or even hated. We seek a large margin of safety in each investment. When possible we try to position our initial investment in a senior portion of the capital structure but with equity upside through either conversion rights or an equity carry. As discussed in previous communications, this strategy should allow for the deployment of patient capital, which over time, will provide exceptional risk adjusted returns.

This strategy requires both the willingness to walk away from most investment opportunities and patience once capital is deployed. Most importantly, it requires the discipline to abstain from a market when we cannot understand or justify prevailing valuations. We believe this is the most difficult environment to find value in the public and private equity and credit markets we have ever experienced. Asset valuations are at almost incomprehensible levels while, in our view, global political risk and systemic financial risk is at at-least a fifty year high. Neither the possibility of a major market correction nor a destabilizing political event is priced into any market. We believe the current situation is best characterized as "The Everything Bubble".

On most investment charts the Y-axis is price and the X-axis is time. We accept that in the business of capital allocation the difference between "Chicken Little" and "Nostradamus" is the length of the X-axis. Like Roger Babson in 1927 and 1928, we are comfortable with our view despite being ridiculed in some circles for our bearish warnings of market and political instability. When it comes to capital deployment we remain cautious almost to the point of cowardice. This is nothing new. In last year's Annual Report we wrote the following,

"*We believe we are in a period of significant political and economic turmoil. Unprecedented fiscal and monetary stimulus has been accelerating for the past seven years. Central bank activity has been the driving factor in most financial markets. This has caused numerous distortions in the price of financial assets, hard assets and global currencies. In the equity markets, regulation and the aforementioned central bank policies have driven capital away from individual shares into index driven financial products. For the past ten years exceedingly low interest rates in the developed world created a bubble in fixed income, and emerging market shares and currencies as investors chased yield... We expect there to be more economic and political turmoil in the near future…"*

If last year our tone was cautious then this year it is defensive. Geopolitical risk is rising dramatically while the market seems immune to what in other times would have been more than enough to create a crisis. Yet in a world where Instagram, Twitter and Facebook are the major source of information, the markets seem unconcerned by such developments.

The credit markets are priced as if we live in a world without risk. Argentina recently issued a 100-year bond with a 7.1% coupon. It is very hard indeed to be a value investor in emerging markets or anywhere for that matter, if the "smart money" is willing to lend cheap money for the next century to a country that defaulted six times in the last century. Two decades ago, in 1998, the cost of capital for a primary residential mortgage in the UK was higher than what Argentina was required to pay for the next 100 years. Less we think that Argentina's century bond was a single outlier Nigeria's 2023 Eurobonds were trading at 5.4% this summer after the government announced it would need to borrow an additional €2.5 billion to fund the current year's budget shortfall. We believe these valuations are unprecedented. In fact in our experience at any other time these issuances would never have been floated at any price. And it is not only emerging markets that seem to have drifted from the shore of rationality. In September the European high yield credit index (often called junk bonds) traded inside the US 10-year treasury. This is by no means rational and it is not only the debt markets that have lost their tether.

Equity markets are also disconnected from traditional metrics of valuation. Major indexes including the NASDAQ, S&P 500 and FTSE 100 are at all time highs. Markets have been driven higher by the shift to passive index based investing and algorithmic trading and exacerbated by desperate investors forced out of fixed income investments by years of low rates. With rates near zero pension funds and other investors who must match their investments with future drawdowns have given up on the bond markets. Perhaps the S&P 500 at nearly 25 times earnings and a less than 2% dividend yield seems comparably attractive when compared with European high yield credit index at 2.5% or Argentina's century bond at 7.1%. One should use caution when using Price:Earnings as the equity market valuation tool because much of the earnings growth has been driven by share buybacks financed by inexpensive debt. In 2001 Warren Buffet wrote an article for Fortune Magazine in which he wrote "*…the 'single best' way to tell if stocks are too expensive is to look at two simple numbers: the total value of all equities in the market and the total size of the economy. When the value of all stocks is 80% or less than the size of the economy, buying stocks is likely to work very well for you..."* In the US as of September the value of the Russel 5000 was 133% of GNP. The only time in the last century when the ratio was higher was in 2001, at the height of the dot-com bubble, when Buffett felt compelled to pen the article for Fortune. We realise that no ratio or indicator is fool proof and we certainly realise that the markets today are far different than they were in 2001. In our estimation the risks are far worse today.

Our model remains the same. We seek unpopular markets and overlooked opportunities. Our largest investments remain in Brazil and Angola, two markets that have suffered violent economic reversals and in our estimation cannot fall much further. However, total capitulation has yet to occur and it may yet be several years before we see significant progress in the other direction. In South Africa, we believe the political and economic situation will continue to deteriorate and we have been reducing our exposure accordingly. As we exit existing investments we are building cash for future deployment.

Even with the frothy markets across the globe, there remain pockets of value. Private companies with an annual EBITDA of less than $10 million still trade at reasonable prices. However, many owners are holding off selling because they are unsure how to invest the proceeds in the current environment. Recently, small and micro cap publicly traded shares in the US and the UK have largely been abandoned by investors. They are not included in the indexes that have witnessed the flow of capital into the passive manager's coffers and they are too illiquid to be of use to any algorithmic traders. Particularly in the US, where the baby boomers are forced by the tax code to liquidate equities held in tax advantaged retirement accounts, we are seeing the shares of small companies trade down to very reasonable valuations. They are not exactly cheap but they are heading in that direction. It may be wise to raise cash to fund the acquisition of meaningful stakes in very small public companies. These companies may no longer be viable as publicly listed securities but their equity can be purchased for a fraction of the ordinary liquidation value. The value will need to be extracted over time and returned to shareholders through a combination of dividend distributions, asset liquidation and share buybacks.

It is not lost upon your managers that the same can be said of Craven House Capital. The shares have languished at a fraction of their net asset value. There seems to be little market interest in micro caps in general and even less in an investment company with a global mandate to buy unloved and sometimes hated assets. In the world of passive index investing, Craven House Capital does not register. The public quote on the AIM market is of limited value to traders of any stripe, as the shares seem to trade by appointment. While this is a detriment to anyone who wants to trade in and out of the shares or someone who needs to liquidate their position in a hurry, it is of no concern to the patient value investor. On the contrary, the lack of interest in the shares by the greater market provides two significant benefits. First it allows for the long term investor to purchase assets at a discount. Secondly, it attracts like-minded shareholders who look at value rather than price and who value a publicly quoted company in the same way they would value a private company. In this regard we have been able to attract a core constituency of shareholder partners who are supportive of the strategy and understand the patience required. We believe that our strategy will work best in times of economic and market turmoil. For the past three years we have been either outbid for every major acquisition or found ourselves looking at assets that have little interest from other suitors for good reason. We look at each investment from a return of capital perspective before we look at the potential return on capital. We continue to look at transformational acquisitions but refuse to chase a target whose only attribute is size at the expense of value. Until such time as we find a meaningful acquisition that will provide shareholders with a steady stream of cash flow at a reasonable price, we will continue to deploy our capital in a conservative and cautious manner. If we find market valuations become compelling in the near future we will consider raising further capital to exploit these opportunities if we can raise fresh capital at a valuation that is accretive to all shareholders.

**Desmond Holdings Ltd**
**Investment Manager to Craven House Capital Plc**

**STRATEGIC REPORT**
**FOR THE YEAR ENDED 31 MAY 2017**

The directors present the Strategic Report of Craven House Capital plc for the year ended 31 May 2017.

**Principal activity**
The Company's Investing Policy is to invest in or acquire a portfolio of companies, partnerships, joint ventures, businesses or other assets globally in any geographic jurisdiction. The Company will invest in both developed and developing markets and may from time to time invest in special situations including distressed equity and debt. The investments or acquisitions may be funded wholly by cash, the issue of new shares or debt, or a mix thereof, as the Board deems appropriate. The Company's equity interest in a proposed investment may range from a minority position to 100% ownership; the proposed investments may be either quoted or unquoted, although will likely be unquoted in the majority of cases. It is anticipated that the investments will be held for the short to medium term but the Board will place no minimum or maximum limit on the length of time that any investment may be held. The Company intends to deliver Shareholder returns through capital growth with a medium term objective of implementing a dividend policy.

**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. NAV per share increased by 38% during the period from the equivalent of $7.33 per share in May 2016 to $10.11 per share in May 2017. The increase in NAV per share was the result of new equity being raised at a premium to the prevailing NAV per share and an increase in the carrying value of the Company's investments during the year. The Company's Investment Manager, Desmond Holdings Ltd, 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. The Company successfully completed a number of private placings of new shares during the year, raising $10.2 million in cash. The proceeds have been utilised to execute the Company's investment strategy.
The resulting underlying investments of Craven Industrial Holdings Plc are disclosed in further detail in note 8 and note 14 below. A comprehensive review of the Company's performance and business activities is included in the Investment Manager's Report.

**Position of the Company's business at the end of the year**
The Company's NAV increased from $10.8 million to $25.3 million during the year and, with the exception of trade creditors, we remain a debt free business. The Company maintains minimal cash reserves as excess cash is deployed for investment at the subsidiary level. Sufficient cash is available to the Company from its subsidiaries to ensure it is able to meets its liabilities as they fall due. The Company has no employees; the vast majority of overhead expenditure relates to regulatory, accounting and audit costs.

**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 emerging markets and distressed sellers in developed markets 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.

**Corporate governance**
As an AIM listed company, Craven House Capital Plc is not required to, and does not, comply with the UK Corporate Governance Code published by the Financial Reporting Council. However, the directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained and therefore the Company applies all principles the directors consider appropriate to a public company of the company's size quoted on AIM.

**ON BEHALF OF THE BOARD:**

.................................................................
Mr M J Pajak – Director
Date: ............................................

## REPORT OF THE DIRECTORS
## FOR THE YEAR ENDED 31 MAY 2017

The directors present their report with the financial statements of the Company for the year ended 31 May 2017.

**DIVIDENDS**
No dividends will be distributed for the year ended 31 May 2017. A fair review of the business and disclosure of the Company's activities and principal risks and uncertainties are included in the Strategic Report.

**EVENTS SINCE THE END OF THE YEAR**
Information relating to events since the end of the year is given in the note 16 to the financial statements.

**DIRECTORS**
The directors who held office during the year were;

Mr R Burrows (appointed 3 October 2016)
Mr M J Pajak
Mr B S Bindra
Mr C P Morrison

Directors' remuneration and details of service contracts are given in note 3 to the financial statements.

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

**FINANCIAL RISK MANAGEMENT POLICIES**
Information on the use of financial instruments by the Company and its management of financial risk is disclosed in note 14 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 16.

**SIGNIFICANT SHAREHOLDERS**
Shareholders with holdings of more than 3% of the Company as of the date of this report are as follows;

Vidacos Nominees Ltd – 16.5%
WB Nominees Ltd – 15.5%
Mr. Martin Brink – 9.6%
Desmond Holdings Ltd – 9.4%*
Xenod Tour Oikod Epeix Afon – 8.2%
Platform Securities Ltd – 5.4%
Amber Fortress s.a.l. – 3.8%
HSBC Client Holdings Nominee (UK) – 3.3%

*Connected to Mark Pajak, Non-Executive Director

**DIRECTOR SHAREHOLDINGS**
Shareholdings in the Company by directors as of the date of this report are as follows;

Mr R Burrows – 1,000 ordinary shares of $1.00
Mr B S Bindra – 9,536 ordinary shares of $1.00
Mr C P Morrison – 2,452 ordinary shares of $1.00

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**
The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 (IFRSs) 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.

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, Grant Thornton, was appointed during the year and will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

................................................................
Mr M J Pajak - Director

Date: ............................................

We have audited the financial statements of Craven House Capital plc for the year ended 31 May 2017 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. 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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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 Statement, the Investment Manager's Report, the Strategic Report and the Report of the Directors 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 company's affairs as at 31 May 2017 and of its profit 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.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of Directors.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Murray
Senior Statutory Auditor
for and on behalf of Grant Thornton
Statutory Auditor, Chartered Accountants
Dublin
Ireland
Date:

## INCOME STATEMENT
## FOR THE YEAR ENDED 31 MAY 2017

| | | 2017<br>$'000 | *Restated*<br>2016<br>$'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Changes in fair value | | **3,354** | (183) |
| Administrative expenses | | **(535)** | (611) |
| **OPERATING PROFIT / (LOSS)** | | **2,819** | (794) |
| Finance costs | 4 | **(11)** | (235) |
| Finance income | 4 | **-** | 15 |
| Other gains | 5 | **240** | - |
| **PROFIT / (LOSS) BEFORE INCOME TAX** | 5 | **3,048** | (1,014) |
| Income tax | 6 | **-** | - |
| **PROFIT / (LOSS) FOR THE YEAR** | | **3,048** | (1,014) |
| **Profit/(loss) per share expressed in cents per share:** | | | |
| Basic and diluted | 7 | **135.98** | (90.98) |

The notes on pages 17 to 35 form part of the financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 MAY 2017**

| | 2017 | *Restated* 2016 |
|---|---|---|
| | $'000 | $'000 |
| **PROFIT / (LOSS) FOR THE YEAR** | **3,048** | (1,014) |
| **Items that will be reclassified subsequently to profit or loss** | | |
| Foreign exchange difference arising on change in presentation currency | **184** | (184) |
| **TOTAL COMPREHENSIVE INCOME RECOGNISED** | **3,232** | (1,198) |

The notes on pages 17 to 35 form part of the financial statements.

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 MAY 2017**

| | Notes | 2017 $'000 | *Restated* 2016 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Investments at fair value through profit or loss | 8 | **26,403** | 8,119 |
| | | **26,403** | 8,119 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 9 | **75** | 3,947 |
| Cash and cash equivalents | 10 | **11** | 95 |
| | | **86** | 4,042 |
| **TOTAL ASSETS** | | **26,489** | 12,161 |
| **EQUITY** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 11 | **12,594** | 13,445 |
| Share premium | | **25,128** | 15,706 |
| Reserves | | **-** | (184) |
| Retained earnings | | **(12,462)** | (18,157) |
| **TOTAL EQUITY** | | **25,260** | 10,810 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | **1,229** | 745 |
| Interest bearing loans and borrowings | 13 | **-** | 606 |
| | | **1,229** | 1,351 |
| **TOTAL LIABILITIES** | | **1,229** | 1,351 |
| **TOTAL EQUITY AND LIABILITIES** | | **26,489** | 12,161 |

Approved and authorised for issue by the Board on ………………….2017 and signed on its behalf by:

..................................................................
Mr M J Pajak - Director

The notes on pages 17 to 35 form part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MAY 2017

| | Called up share capital $'000 | Share premium $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 June 2015** | 13,040 | 11,305 | - | (17,143) | 7,202 |
| **Changes in equity** | | | | | |
| Issue of share capital | 405 | 4,401 | - | - | 4,806 |
| Transactions with owners | 13,445 | 15,706 | - | (17,143) | 12,008 |
| Loss for the year (as previously reported) | - | - | - | (2,094) | (2,094) |
| Prior period adjustment | | | | 1,080 | 1,080 |
| Loss for the year (as restated) | - | - | - | (1,014) | (1,014) |
| Foreign exchange difference arising on change in functional currency | - | - | (184) | - | (184) |
| **Balance at 31 May 2016 (as restated)** | 13,445 | 15,706 | (184) | (18,157) | 10,810 |
| **Changes in equity** | | | | | |
| Issue of share capital | 1,033 | 11,685 | - | - | 12,718 |
| Transactions with owners | 14,478 | 27,391 | (184) | (18,157) | 23,528 |
| Profit for the year | - | - | - | 3,048 | 3,048 |
| Foreign exchange difference arising on change in functional currency | (1,884) | (2,263) | 184 | 2,647 | (1,316) |
| **Balance at 31 May 2017** | 12,594 | 25,128 | - | (12,462) | 25,260 |

The notes on pages 17 to 35 form part of the financial statements.

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MAY 2017

| | Notes | 2017<br>$'000 | *Restated*<br>2016<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) before income tax | | **3,048** | (1,014) |
| **Adjustments for non-cash items** | | | |
| Finance costs | | **11** | 235 |
| Finance income | | **-** | (15) |
| (Increase)/decrease in value of investments | | **(3,354)** | 183 |
| Decrease in trade and other receivables | | **311** | 91 |
| Increase in trade and other payables | | **484** | 585 |
| Satisfaction of debt by way of share issue | | **(240)** | - |
| Foreign exchange | | **(1,350)** | (236) |
| **Net cash used in operating activities** | | **(1,090)** | (171) |
| **Cash flows from investing activities** | | | |
| Equity Investment | | **(10,245)** | (1,605) |
| Investment additions | | **(131)** | - |
| Proceeds from disposal of investments | | **563** | - |
| Loan advances repaid | | **734** | - |
| **Net cash used in investing activities** | | **(9,079)** | (1,605) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | **10,245** | 1,605 |
| Repayment of convertible loans | | **(160)** | - |
| Interest paid | | **-** | (66) |
| **Net cash from financing activities** | | **10,085** | 1,539 |
| **Net decrease in cash and cash equivalents** | | **(84)** | (237) |
| **Cash and cash equivalents at the beginning of the year** | 10 | **95** | 332 |
| **Cash and cash equivalents at the end of the year** | 10 | **11** | 95 |

The notes on pages 17 to 35 form part of the financial statements.

## 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 as adopted by the EU.

Craven House Capital plc is a public company incorporated in the United Kingdom under the Companies Act 2006. 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 directors have considered the definition of an investment entity in IFRS 10 as well as the associated application guidance. The directors consider that the Company has met the definition of an investment entity.

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. Amendments to accounting policies have been made for a change in presentation currency and for a change in investment valuation methodology as detailed below.

**Change in presentation currency**
From 29 July 2016 the Company has changed its presentation currency from GB pounds to US dollars (rounded to the nearest $'000). Comparative information has been restated in US Dollars in accordance with the guidance defined in IAS 21 using the procedures outlined below:

- Assets and liabilities were translated into US dollars at closing rate of exchange (£1:$1.4635). Trading results were translated into US dollars at average rate of exchange (£1:$1.4949). Differences resulting from the retranslation on the opening net assets and the results for the year have been taken to other comprehensive income and subsequently recycled through the income statement;

- Share capital, share premiums and other reserves were translated at historic rates prevailing at the date of transactions; and

- All exchange differences were extracted from the Company's underlying records.

**Change in functional currency**
IAS 21 (foreign currency translations) describes functional currency as 'the currency of the primary economic environment in which the entity operates'. Taking into account that the Company's shares began trading in US dollars during the year and that underlying transactions, events and conditions that are most likely to impact on the Company's performance are more closely linked to the US dollar than the GB pound, the directors determined that the functional currencies of the principal operating activities had permanently changed to US dollars effective 29 July 2016. In accordance with IAS 21 this change has been accounted for prospectively from this date.

**Change in investment valuation methodology**
In the previous period, the Company's underlying investment in Ceniako Ltd was valued at the price of the investment. During the current period, this investment has been valued on a net asset basis which the directors consider represents the best indication of fair value. The change in valuation methodology has resulted in a prior period adjustment which increases gross portfolio return for the year ended 31 May 2016 and shareholders' equity as at that date, as previously reported, by $1,080,629.

## 1. ACCOUNTING POLICIES – continued

**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 Investment Manager'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. The Company maintains minimal cash reserves as excess cash is deployed for investment at the subsidiary level. Sufficient cash is available to the Company from its subsidiaries to ensure it is able to meets its liabilities as they fall due.

**The Company has applied for the first time certain amendments to the standards**
*Annual Improvements to IFRSs 2012-2014 Cycle* (effective for annual periods beginning on or after 1 January 2016, endorsed by the European Union on 15 December 2015).

Amendments to IAS1 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2016, endorsed by the European Union on 18 December 2015).

Amendments to IFRS10, IFRS12 and IAS 27 *Investment Entities: Applying the Consolidation Exemption* (effective for annual periods beginning on or after 1 January 2016, endorsed by the European Union on 22 September 2016).

None of these amendments have had an effect on the Company's financial position and performance.

**The following new and revised standards and interpretations have not been adopted by the Company, whether endorsed by the European Union or not**
IFRS 9 *Financial Instruments* and subsequent amendments (effective for annual periods beginning on or after 1 January 2018, endorsed by the European Union on 22 November 2016).

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017, not yet endorsed by the European Union).

Amendments to IAS 7 *Disclosure Initiatives* (effective for annual periods beginning on or after 1 January 2017, not yet endorsed by the European Union).

Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018, not yet endorsed by the European Union).

*Annual improvements to IFRS Standards 2014-2016 Cycle* (effective for annual periods beginning on or after 1 January 2018, not yet endorsed by the European Union).

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018, not yet endorsed by the European Union).

IFRIC 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019, not yet endorsed by the European Union).

The Company has not assessed the impact of the adoption of these standards and interpretations on its financial statements on initial adoption.

**1. ACCOUNTING POLICIES - continued**

**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 recognised through profit and loss. 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 profit and 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 Company’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.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 8 and 14.

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.

## 1. ACCOUNTING POLICIES - continued

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.

**Financial liabilities and equity**
Financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for those designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

An equity instrument is any contract that evidences a residual interest in the assets of the Company 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 is recognised as finance income using the effective interest rate model
- Investments are held at fair value and are revalued continually with any net change in fair value recognised in profit or loss.

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

**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. A deferred tax asset is only recognised for an unused tax loss carried forward if it is considered probable that there will be sufficient future taxable profits against which the loss can be utilised.

## 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 US dollar 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.

**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. Further information regarding the assumptions relied upon and sensitivity analysis around these assumptions is provided in note 14 below.

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 relate to the valuation of investments.

The Company has made a number of investments in the form of 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.

The directors have also determined that the Company meets IFRS 10’s definition of an investment company and that the change in functional currency is appropriate given that underlying transactions, events and conditions that are most likely to impact on the Company’s performance are more closely linked to the US dollar than GB sterling.

## 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

| | **2017** | 2016 |
|---|---|---|
| | **$'000** | $'000 |
| Wages and salaries – directors' remuneration | **104** | 106 |

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

| | **2017** | 2016 |
|---|---|---|
| Directors | **4** | 3 |

The Company has no employees other than the directors.

Directors' remuneration is analysed as follows;

| | **2017** | 2016 |
|---|---|---|
| | **$'000** | $'000 |
| Fees: | | |
| Mr M J Pajak | **63** | 41 |
| | **63** | 41 |
| Share based payments: | | |
| Mr R Burrows | **33** | - |
| Mr B S Bindra | **3** | - |
| Mr C P Morrison | **5** | - |
| Miss A N Eavis | **-** | 65 |
| | **41** | 65 |
| Total | **104** | 106 |

The service contracts of the current directors are as follows:

| | **Basic annual fee** |
|---|---|
| Mr R Burrows | $50,000 |
| Mr M J Pajak | £43,000 |
| Mr B S Bindra | $9,000* |
| Mr C P Morrison | $9,000* |

* Payable in new ordinary shares of the company at $1.00 per share

Desmond Holdings Ltd is the Company's Investment Manager. The directors are the key management of the Company. There were no directors (2016: none) to whom retirement benefits were accruing under money purchase schemes.

## 4. NET FINANCE INCOME

| | 2017 | 2016 |
|---|---|---|
| | $'000 | $'000 |
| Finance income: | | |
| Interest receivable | - | 15 |
| | - | 15 |
| Finance costs: | | |
| Loan interest | 11 | 235 |
| | 11 | 235 |
| **Net finance expense** | 11 | 220 |

## 5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

| | 2017 | 2016 |
|---|---|---|
| | $'000 | $'000 |
| Rental charges | 40 | 3 |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 25 | 34 |
| Fees payable to the Company's auditor for other services - tax services | - | 4 |
| - other services | - | 3 |
| Foreign exchange (gains)/losses | (1,350) | 9 |
| Other gains arising on the satisfaction of debt by way of issue of ordinary share capital | 240 | - |

## 6. INCOME TAX

**Analysis of charge in the year**

| | **2017** | 2016 |
|---|---|---|
| | **$'000** | $'000 |
| Current tax: | **-** | - |
| Deferred tax | **-** | - |
| Tax on profit on ordinary activities | **-** | - |

| | | *Restated* |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Profit / (loss) on ordinary activities before tax | **3,048** | (1,014) |

**Analysis of charge in the year**

| | | *Restated* |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Profit / (loss) on ordinary activities multiplied by the Company's rate of corporation tax in the UK of 20% (2016: 20%) | **610** | (203) |
| Effects of: | | |
| Losses (utilised) / carried forward | **(610)** | 203 |
| Current tax charge for the year as above | **-** | - |

At 31 May 2017 the Company had UK tax losses of $1,333,099 (2016: $2,160,500) available to be carried forward and utilised against future taxable profits. A deferred tax asset of $253,289 (2016: $432,100) has not been recognised due to uncertainties over the timing of when taxable 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 earnings per share has not been disclosed as the inclusion of the unexercised warrants described in note 11 would be non-dilutive.

## 7. EARNINGS PER SHARE - continued

Reconciliations are set out below.

| | Earnings $'000 | 2017<br>Weighted average number of shares | Per-share amount cents |
|---|---|---|---|
| **Basic EPS** | | | |
| Earning attributable to ordinary shareholders | 3,048 | 2,241,518 | 135.98 |

| | Earnings $'000 | *Restated*<br>2016<br>Weighted average number of shares | Per-share amount cents |
|---|---|---|---|
| **Basic EPS** | | | |
| Earning attributable to ordinary shareholders | (1,014) | 1,114,481 | (90.98) |

## 8. 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 2017:

| Subsidiary Name | Holding | Principal Place of Business | Ownership Interest |
|---|---|---|---|
| Craven Industrial Holdings Plc | Direct | Ireland | 100% |
| Ceniako Ltd | Indirect | Cyprus | 49% |
| Craven House Industries Ltd | Indirect | Ireland | 95% |
| Qeton Ltd | Indirect | Ireland | 50% |
| Craven House Angola LDA | Indirect | Angola | 100% |
| Kwikbuild Corporation Ltd | Indirect | Isle of Man | 97% |

## 8. INVESTMENTS -continued

**Investments at fair value through profit or loss**

| | **Unquoted equity investments $'000** |
|---|---|
| At 1 June 2015 | 7,148 |
| Additions | 1,610 |
| Disposals | (136) |
| Fair value movement (as restated) | (183) |
| Foreign exchange difference on change of presentational currency | (320) |
| At 31 May 2016 (as restated) | 8,119 |
| | |
| Additions | 16,531 |
| Disposals | (1,601) |
| Fair value movement | 3,354 |
| **At 31 May 2017** | **26,403** |

Unpaid share capital within the financial statements at 31 May 2016 of $3,561,457 was advanced to subsidiary undertakings during the year ended 31 May 2017.

Investment additions include an amount of $5,866,000 acquired through the issuance of ordinary shares in the Company and an amount of $288,720 following reclassification of intercompany loans.

Investments disposed of in the year includes an amount of $304,000 transferred directly to a creditor in part settlement of borrowings.

## 8. INVESTMENTS - continued

Following a corporate restructuring undertaken during the previous year, investments and loans were transferred from Craven House Capital Plc to its wholly owned subsidiary, Craven Industrial Holdings Plc. The revaluation outlined above therefore represents the valuation applied to the resulting investments held by Craven Industrial Holdings Plc or its subsidiaries as at 31 May 2017 and are described in further detail below.

Unquoted investments at 31 May 2017 have been measured on a Level 3 basis as no observable market data was available. These investments are as follows:

Shares in Craven Industrial Holdings Plc are valued at $26,402,875 representing a 100% holding. These have been valued based on the underlying investments within Craven Industrial Holdings Plc as at 31 May 2017. The value of Craven Industrial Holdings Plc is segmented across its principal investments as follows:

Shares in Ceniako Ltd are valued at $3,937,840 representing a 49% holding. This shareholding has been valued on a net assets basis which the directors consider represents the best indication of the fair value at the year end.

Shares in Craven House Industries Ltd are valued at $5,365,563 representing a 95% holding. This shareholding has been valued on a net assets basis which the directors consider represents the best indication of the fair value at the year end.

Shares in Qeton Ltd are valued at $576,079 representing a 50% holding. This shareholding has been valued on a net assets basis which the directors consider represents the best indication of the fair value at the year end.

Shares in Craven House Angola LDA are valued at $9,247,975 representing a 100% holding. This shareholding has been valued on a net assets basis which the directors consider represents the best indication of the fair value at the year end.

Shares in Kwikbuild Corporation Ltd are valued at $4,775,418 representing a 97% shareholding. This valuation is based on the value of the net assets of KwikBuild Corporation Ltd, which the directors believe represent the best indication of the fair value at the year-end.

Loans made by Craven Industrial Holdings Plc are valued at $2,500,000 being the actual amount loaned during the year.

## 9. TRADE AND OTHER RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| | $'000 | $'000 |
| Current and non-current: | | |
| Other receivables | 61 | 348 |
| Unpaid share capital | - | 3,561 |
| Prepayments and accrued income | 14 | 38 |
| | 75 | 3,947 |

Unpaid share capital at 31 May 2016 represents 277,411,748 new ordinary shares allotted on 17 May 2016 which were fully paid up during 2017.

## 10. CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|---|---|---|
| | $'000 | $'000 |
| Cash in bank | 11 | 95 |

The amounts disclosed in the statement of cash flows in respect of cash and cash equivalents are in respect of the following statement of financial position amounts:

**Year ended 31 May 2017**

| | 31.5.17 | 1.6.16 |
|---|---|---|
| | $'000 | $'000 |
| Cash and cash equivalents | 11 | 95 |

**Year ended 31 May 2016**

| | 31.5.16 | 1.6.15 |
|---|---|---|
| | $'000 | $'000 |
| Cash and cash equivalents | 95 | 332 |

## 11. CALLED UP SHARE CAPITAL

**Allotted, called up and fully paid**

| **Equity shares** Number: | Class: | Nominal Value: | 2017 $'000 | 2016 $'000 |
|---|---|---|---|---|
| 2,499,039 (2016: 1,480,181) | Ordinary | $1.00 | 787 | 1,638 |
| 77,979,412 | Deferred | £0.09 | 10,734 | 10,734 |
| 77,979,412 | Deferred | £0.009 | 1,073 | 1,073 |
| | | | 12,594 | 13,445 |

## 11. CALLED UP SHARE CAPITAL – continued

During the year, each existing ordinary share of £0.001 was redenominated as an ordinary share of US$ 0.0013626 and subsequently consolidated on a 734 to 1 basis into ordinary shares of US$ 1.00 each. The number of ordinary shares as at 31 May 2016 has been restated to reflect the equivalent number of US$ 1.00 shares based on the number of £0.001 ordinary shares in issue as at that date. This redenomination, consolidation and restatement has resulted in a reduction in called up share capital during the year, despite new shares being issued during the year

The aggregate nominal values of the ordinary and deferred shares include exchange differences arising from the translation of shares at historic rates and the translation at the rate prevailing at the date of the change in functional currency. 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.

In the year ended 31 May 2017, the Company extended the time scale of 78,632 fully transferable exercisable warrants which were originally issued in the year ended 31 May 2012. At the date of issue, the warrants could be exercised on or before 30 June 2014, this period has now been extended to 30 June 2018. The warrants are exercisable at a price of $15.00 per share.

## 12. TRADE AND OTHER PAYABLES

| | **2017** | 2016 |
|---|---|---|
| | **$'000** | $'000 |
| Current: | | |
| Trade payables | **959** | 232 |
| Accruals and deferred income | **270** | 513 |
| | **1,229** | 745 |

## 13. FINANCIAL LIABILITIES - BORROWINGS

| | **2017** | 2016 |
|---|---|---|
| | **$'000** | $'000 |
| Current: | | |
| Other loans | **-** | 606 |

## 13. FINANCIAL LIABILITIES - BORROWINGS – continued

At 31 May 2016 other loans of $606,560 comprised a convertible loan made by Mr E Kalimtgis, a shareholder, in the sum of $478,560 and loans totalling $128,000 made by Wise Star Capital Investment Limited, a Hong Kong investment company.

During the year, the Company repaid the capital element of the loan from Mr E Kalimtgis and the outstanding interest was satisfied by way of an issue of 14,420 ordinary shares to Mr E Kalimtgis.

Wise Star Capital Investments Limited was issued 10,720 ordinary shares in lieu of the principal and interest outstanding on its loans to the Company which amounted to $134,000.

## 14. 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.

**14. FINANCIAL INSTRUMENTS - continued**

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

| | **2017** | *Restated* 2016 |
|---|---|---|
| | **$'000** | $'000 |
| **Investment valuation methodology** | | |
| Earnings multiple | - | - |
| Present value of future cash flows (level 2) | 2,500 | - |
| Net Assets (level 3) | 23,903 | 8,119 |
| | 26,403 | 8,119 |

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. 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.

100% of Level 3 investments are valued on a net assets basis, meaning that the Investment Manager has derived an enterprise value for these investments from the perspective of a market participant and from the fair value of the underlying investments. The directors have considered a number of reasonable possible alternative assumptions regarding the value of the net assets. A reasonable change to the input assumptions, for example a 10% increase or decrease in the value of the underlying assets would lead to a decrease or increase in the valuation of these investments of up to $2,640,288.

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 the initial cost of the investment.

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.

Level 2 fair value of loans is calculated as the present value of future receipts and interest discounted at market rate of interest. The loan is held by Craven Industrial Holdings Plc, a subsidiary of the Company.

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.

**14. FINANCIAL INSTRUMENTS – continued**

**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.

**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.

**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 Company maintains minimal cash reserves as excess cash is deployed for investment at the subsidiary level. Sufficient cash is available to the Company from its subsidiaries to ensure it is able to meets its liabilities as they fall due.

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

| **Year ended 31 May 2017** | **On demand $'000** | **Less than 3 months $'000** | **3 to 12 months $'000** | **Total $'000** |
|---|---|---|---|---|
| Trade payables | 959 | - | - | 959 |
| Accruals and deferred income | 270 | - | - | 270 |
| Interest bearing loans and borrowings | - | - | - | - |
| | **1,229** | **-** | **-** | **1,229** |
| Year ended 31 May 2016 | | | | |
| Trade payables | 232 | - | - | 232 |
| Accruals and deferred income | 513 | - | - | 513 |
| Interest bearing loans and borrowings | - | - | 606 | 606 |
| | 745 | - | 606 | 1,351 |

## 14. 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 $2,640,288 (2016: $811,900 (restated)) 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.

Foreign exchange volatility is expected to be significantly reduced following the transition to US$ as the Company's currency exposures are now more closely matched to its functional and reporting currency. The Company's exposure to other foreign currency changes is not deemed to be material as the vast majority of the Company's underlying investments are US Dollar based. A 10% increase/decrease in the foreign exchange rates of non-dollar based assets and liabilities would result in a $308,118 increase/decrease in the net asset value.

### 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 13, cash and cash equivalents and equity comprising issued capital and reserves.

## 14. FINANCIAL INSTRUMENTS – continued

The table below sets out the Company's classification of each class of financial assets/liabilities, their fair values and under which valuation method they are valued:

| | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total carrying amount and Fair Value $'000 |
|---|---|---|---|---|---|
| **31 May 2017** | | | | | |
| *Loans and receivables* | | | | | |
| Trade and other receivables | 9 | 75 | - | - | 75 |
| Cash and cash equivalents | 10 | 11 | - | - | 11 |
| | | 86 | - | - | 86 |
| *Liabilities at amortised cost* | | | | | |
| Trade and other payables | 12 | (1,229) | - | - | (1,229) |
| *Fair value through profit and loss* | | | | | |
| Investments | 8 | - | 2,500 | 23,903 | 26,403 |
| | | (1,143) | 2,500 | 23,903 | 25,260 |
| **31 May 2016** | | | | | |
| *Loans and receivables* | | | | | |
| Trade and other receivables | 9 | 3,947 | - | - | 3,947 |
| Cash and cash equivalents | 10 | 95 | - | - | 95 |
| | | 4,042 | - | - | 4,042 |
| *Liabilities at amortised cost* | | | | | |
| Trade and other payables | 12 | (745) | - | - | (745) |
| Other loans | 13 | (606) | - | - | (606) |
| | | (1,351) | - | - | (1,351) |
| *Fair value through profit and loss* | | | | | |
| Investments | 8 | - | - | 8,119 | 8,119 |
| | | 2,691 | - | 8,119 | 10,180 |

## 15. RELATED PARTY DISCLOSURES

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

**Loans from Wise Star Capital Investment Limited**
At the year end the Company owed $Nil (2016: $128,000 to Wise Star Capital Investment Limited, Mr M J Pajak was a director of Wise Star Capital Investment Limited during the year. Details of the transactions during the year are set out in note 13.

**Loans from Mr E Kalimtgis**
At the year end the balance owed to Mr E Kalimtgis, a shareholder, was $Nil (2016: $478,560). Details of the transactions are set out in note 13.

**Management fees payable to Desmond Holdings Limited**
During the year the Company incurred management fees of $215,985 (2016: $104,641) from Desmond Holdings Limited, the Investment Manager of the Company. At the year end, included in trade creditors, is an amount of $161,089 (2016: $76,833) payable to Desmond Holdings Limited in respect of unpaid invoices.

**Directors and key management**
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.

## 16. EVENTS AFTER THE REPORTING PERIOD

**6 July 2017:** The Company entered into a $800,000 convertible loan note with GEM Investments America LLC (“GEM”) by way of full settlement of fees outstanding to GEM amounting to £600,000 as at 31 May 2017. The loan note bears no interest as has a five year term.

**23 August 2017:** The Company announced its intention to transfer its shareholdings in Craven House Industries Ltd and Ceniako Ltd to DLC Holdings Corp, which is a related party, for a combined consideration of $9,033,471. This valuation is equal to the net asset value of the Company’s shareholdings in Craven House Industries Ltd and Ceniako Ltd. This transaction was approved by shareholders at an Extraordinary General Meeting held on 7 September 2017. Completion of the transaction is subject to the approval of the Toronto Stock Exchange. Two of the directors of DLC Holdings Corp. (Mr. M Pajak and Mr. B Bindra) are also directors of Craven House Capital Plc.

**3 October 2017:** On 30 September 2016 the Company provided a $1,500,000 convertible loan to FMCD Ltd ("FMCD"), a company specialising in the import, distribution and sale of lubricants and food products into Angola. This loan, which had an original term of one year and interest rate of 5%, was renewed on 3 October 2017 for a further period of one year on the same terms. Upon maturity, the loan will be repaid, renewed or is convertible for up to 10% of the equity in FMCD at the discretion of Craven House Capital Plc.

**17 October 2017:** On 17 October 2016 the Company provided a further $1,965,000 convertible loan to FMCD. This loan, which had an original term of one year and interest rate of 5%, was renewed on 17 October 2017 for a further period of one year on the same terms. Upon maturity, the loan will be repaid, renewed or is convertible for up to 13% of the equity in FMCD at the discretion of Craven House Capital Plc.

The Company is party to ongoing litigation. In the event that judgment is not found in favour of the Company, the Company may be liable for legal costs of the counterparty.