

CRYSTAL  AMBER

Crystal Amber Fund Limited

Annual Report and Audited Financial Statements

For the year ended 30 June 2009

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Management and Administration

Directors	William Collins Sarah Evans Mark Huntley Nigel Ward
Registered Office	Heritage Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY
Investment Manager	Crystal Amber Asset Management (Guernsey) Limited Heritage Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY
Investment Adviser	Crystal Amber Advisers (UK) LLP 29 Curzon Street London W1J 7TL
Administrator and Secretary	Heritage International Fund Managers Limited Heritage Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY
CISX Listing Sponsor	Heritage Corporate Services Limited Heritage Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY
Nominated Adviser and Broker	John East & Partners Limited 10 Finsbury Square London EC2A 1AD
Financial Adviser	West Hill Corporate Finance Limited 60 Lombard Street London EC3V 9EA
Independent Auditors	KPMG Channel Islands Limited 20 New Street St. Peter Port Guernsey GY1 4AN

Management and Administration (continued)

**Legal Advisers
to the Company**

As to English Law
Norton Rose LLP
3 More London Riverside
London SE1 2AQ

As to Guernsey Law
Carey Olsen
PO Box 98
Carey House
Les Banques
St. Peter Port
Guernsey GY1 4BZ

Custodian

MeesPierson (C.I.) Limited
(formerly Fortis Bank (C.I.) Limited)
PO Box 253
Martello Court
Admiral Park
St. Peter Port
Guernsey GY1 3QJ

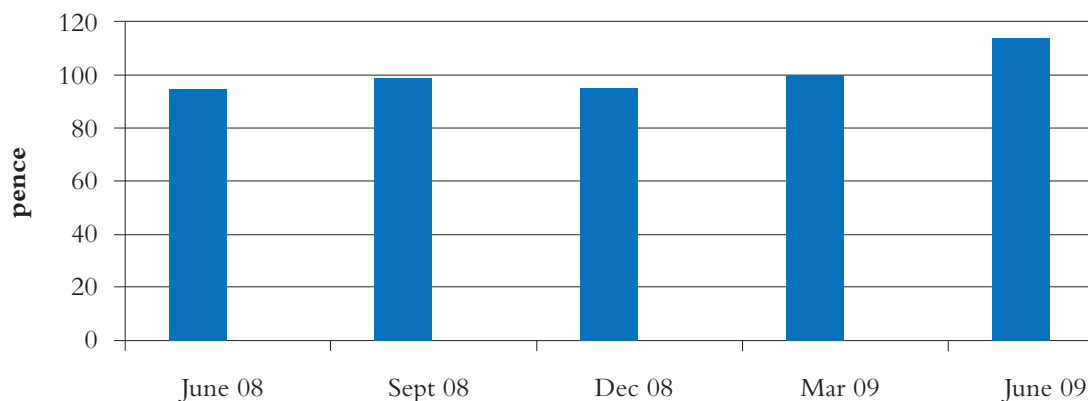
Registrars

Capita Registrars (Guernsey) Limited
2nd Floor
No.1 Le Truchot
St Peter Port
Guernsey GY1 4AE

Highlights

- Net assets up from £57.0 million to £68.5 million
- Net assets per share ahead 20 per cent. at 114.21p
- Total return of £11.5 million for the year
- Substantial positive performance in adverse market conditions
- Investment in 3i Quoted Private Equity realised profit of £3.9 million
- Focused portfolio of undervalued stocks with potential for activism
- First year return gives the Board confidence for future prospects

Crystal Amber Fund Net Asset Value
(pence per share)



“This has been an excellent first full year for the Fund, with a 20 per cent. gain in net assets per share achieved in adverse market conditions.

We are particularly pleased with the outcome at 3i Quoted Private Equity, where we realised a net return of 53 per cent. on our investment.

While the economic outlook remains uncertain, our experience so far gives us confidence that the Fund’s strategy will continue to deliver good returns”

William Collins, *Chairman*

Chairman's Statement

I am pleased to present the second annual report of Crystal Amber Fund Limited which covers the year from 1 July 2008 to 30 June 2009. As the initial annual report to 30 June 2008 covered only the two week period following the Company's admission to trading on AIM and the Channel Islands Stock Exchange ("CISX"), this is the first opportunity to report on a full year of activity.

For most of the year under review, economic and market conditions proved extremely challenging, as the world grappled with the credit crunch and the problems of failing banks and financial institutions. Despite a welcome recovery of financial markets in the early months of 2009, our view is that recovery and confidence remain fragile.

These conditions tested the cautious approach adopted by the Company, which proved effective in safeguarding shareholders' interests. Until March 2009, more than half of the Company's assets were held in cash or short dated government securities.

As our Manager and Adviser progressively identified opportunities, the funds deployed in the equity market were gradually increased. By 30 June 2009 our equity holdings amounted to £38.9 million, representing 57 per cent. of the Company's net assets at that time. At the same time, we retained, and still retain, considerable cash resources which we have found to be of great advantage in current markets, where volatility and distress produce real opportunities. The cash reserves enable us to fulfil our objectives for target companies, including equity support where appropriate and justified by the potential returns.

The key for shareholders is how our assets have performed. I am pleased to report that net asset value, from an initial level after flotation of £57.0 million, had grown to £68.5 million as at 30 June 2009. Thus net assets per share grew from the initial 95.02p to 114.21p.

Against the economic and market background of the year under review, we believe that this represents a very satisfactory achievement. Although the Company does not attempt to track any particular index, the FTSE 250 index, which contains many of the companies in our target area, fell by 24 per cent. in the period from the Company's admission to AIM and CISX on 17 June 2008 to 30 June 2009.

In accordance with the objectives set out in the admission document, we have been building a carefully selected and targeted portfolio of investments where we see our involvement as having the capacity to enhance value. Value has already been realised from one of our first investments, 3i Quoted Private Equity, where a very satisfactory net return of 53 per cent. on capital invested was achieved over a six month period.

The process of engagement with the boards and management of investee companies is progressing well. We are encouraged that, in most cases, the managers and directors of these companies have been receptive to our approach. Inevitably, as we engage more closely, we may need to proceed with persistence and determination, and we are ready to do so where required.

The economic outlook remains uncertain with the world economy expected to shrink in 2009. Many forecasters expect a recovery in 2010, but it remains to be seen how vigorous and robust the recovery will be. Until the problems of the financial sector are resolved, it is hard to see a return to growth.

Uncertain conditions, however, can produce opportunities. Our experience so far gives us confidence that the Fund's strategy will enable us to capture some of these opportunities, with the aim of continuing to deliver good returns to our shareholders.

William Collins
Chairman

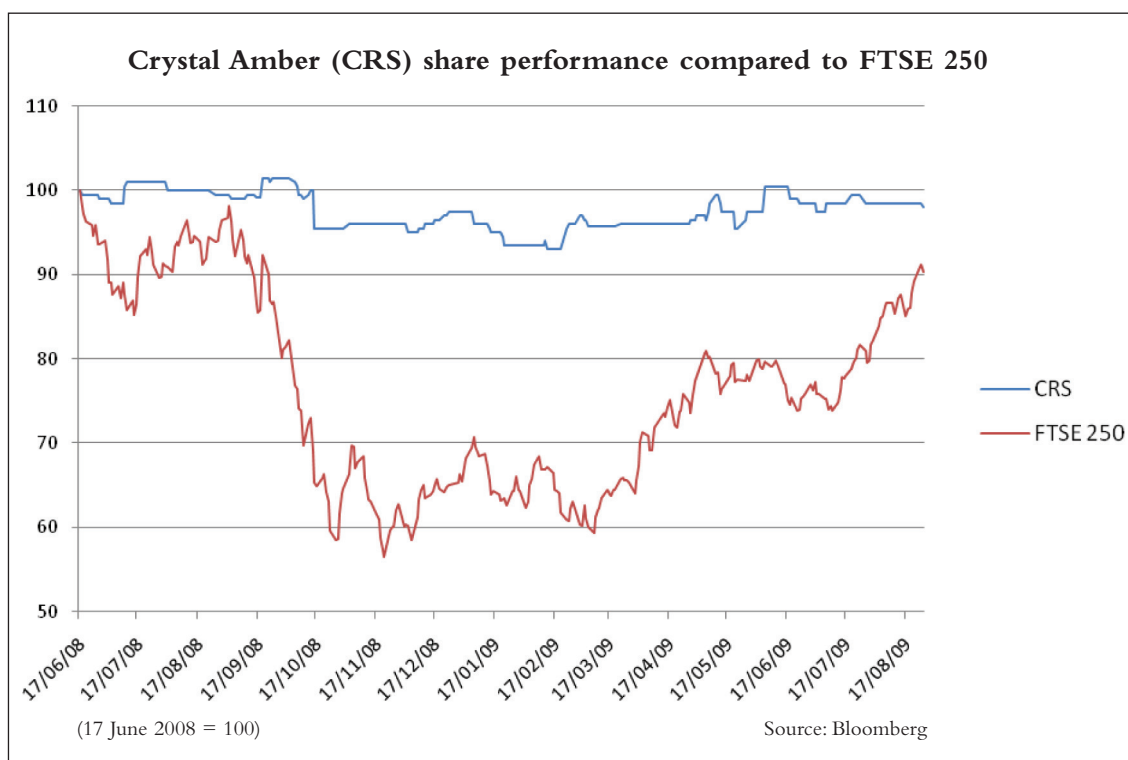
8 September 2009

Investment Manager's Report

The first full financial year of the Fund was one of considerable difficulty for the world economy and, in particular, for the global banking and financial system. Governments have spent and borrowed enormous sums to underpin the banking system in an attempt to avert economic meltdown. By the second quarter of 2009, panic had receded and there were welcome signs that confidence was beginning to return. Stock markets rallied substantially from March onwards. But many of the underlying problems of the financial system remain unresolved and recovery remains febrile and fragile. Further ahead is the question of how the massive borrowings incurred by the public sector in rescuing the financial system will be reduced to more normal levels.

The latest official figures for the UK economy (for the quarter to June 2009) show a contraction of 5.5 per cent. year on year. Forecasts from independent economists suggest a return to very modest growth in 2010.

To a considerable extent, governments and their economic advisers are in unknown territory, in which the threats of deflation and inflation appear to exist at the same time. Although some measures show negative inflation, the most widespread concern is that attempts by governments and central banks to provide a flood of cheap liquidity to financial markets will increase the risk of inflationary pressures in future. The mid-cap market, which is the Fund's territory, was volatile throughout the year. From a level of above 9,700 on 17 June 2008, the FTSE 250 index fell below 5,500 in November, rallied to 7,870 in early May, fell back again and rallied again.



This volatility called for caution and selectivity in the Fund's approach and reminded us that the focus, under the Fund's brief, is on total return rather than on tracking the market in the short term. In the early months, a good deal of time was well invested on examining and getting to know target companies to assess their potential. More recently, the focus has been on active involvement with investee companies.

Investment Manager's Report (continued)

As at 30 June 2009 the top six investments – JJB Sports Plc, Tate & Lyle Plc, Pinewood Shepperton Plc, Chloride Group Plc, SSL International Plc and Kentz Corporation Ltd – accounted for 91 per cent. of the portfolio's equity investments. Although this inevitably involves greater concentration of specific stock risk than a more diversified portfolio and could cause some volatility in net asset values over short periods, it is in line with the mandate set out in the Fund's admission document and the focus on absolute return.

Largest equity holdings

The biggest equity holdings of the Fund at 30 June 2009 were as follows and are discussed individually below.

	<i>£m</i>	<i>% held in Investee Co.</i>
JJB	11.2	14.2
Tate & Lyle	8.4	0.6
Pinewood Shepperton	5.7	7.5
Chloride Group	4.3	1.1
SSL	3.0	0.3
Kentz	2.9	1.6
Total size of holdings	35.5	
Other equities	3.4	
Total equities	38.9	
Cash & gilts less net current liabilities	29.6	
Net assets	68.5	

JJB Sports Plc

At 30 June 2009 the Fund's holding in JJB Sports Plc ("JJB") was valued at £11.2 million and the Fund was the biggest single shareholder in JJB.

JJB has suffered severely both from operational issues and from credit concerns. The Fund's stake was purchased immediately after the company reached agreement with its creditors, giving it time to plan its recovery. We began an intensive engagement process with the JJB management in an attempt to ensure that it focused fully on the vital task of reviving and restocking its 253 stores. Our team has met the chairman and senior executives of JJB on a number of occasions. We have visited and assessed JJB stores, with the help of a highly experienced retailer on our team of consultants.

The recovery effort has not been helped by public questioning of JJB's strategy by supporters of a competitor and by controversies resulting from personal issues at board level. We have made vigorous efforts to ensure that JJB's executive team is fully focused on the recovery of the business and on delivering the returns of which we believe it is capable. This task requires diligence, focus and persistence. We remain fully committed to delivering significant value from this investment.

Tate & Lyle Plc

At 30 June 2009 the Fund's holding in Tate & Lyle Plc ("Tate") was valued at £8.4 million. Analysis of Tate's divisional and cash flow strengths suggested the potential to unlock value. With a market value of £1.4 billion it is at the top end of the Fund's target range and an activist strategy would succeed only with the support of other shareholders. Pressures for change are evident. Tate has appointed a new chief executive from outside the group, having already recruited a new chairman. We have met Tate's executives and further meetings are planned. In this case the engagement process is at an early stage.

Investment Manager's Report (continued)

Pinewood Shepperton Plc

At 30 June 2009 the Fund was the fourth largest shareholder in Pinewood Shepperton Plc ("Pinewood") and its shareholding was valued at £5.7 million. We are encouraged that Pinewood is taking steps to unlock the potential value of its property, which we see as considerable though recognising that in current markets, crystallising value may be a long term process. Following consultation with local groups, Pinewood launched a planning application on 1 June 2009 for "Project Pinewood" on 105 acres of green belt land adjoining its film studios. Though the film industry is affected by economic slowdown and by sporadic industrial disputes, Pinewood's trading has been resilient in the circumstances. We have held frequent meetings with Pinewood's executives as part of the engagement strategy. We have advanced our views on the realisation of property potential and on other aspects of delivering value. A useful and constructive dialogue has been established.

Chloride Group Plc

At 30 June 2009 the Fund's holding in Chloride Group Plc ("Chloride") was valued at £4.3 million. The resilience of Chloride's power supply protection business has been demonstrated in difficult economic conditions. On 1 June 2009 it reported a 22 per cent. rise in sales for the year to March 2009, with pre-tax profits up 28 per cent. and dividends up 19 per cent. Emerson, which previously bid 270p per share for Chloride and was rejected, has commented that the downturn should provide it with good opportunities for selective acquisitions.

SSL International Plc

At 30 June 2009 the Fund's holding in SSL International Plc ("SSL") was valued at £3 million. Our belief that SSL is capable of rapid growth is clearly shared by its board, which set a target of growing earnings per share by 50 per cent. in the three years to March 2012. The undervaluation of this growth potential by the market raised the possibility of activism. Following a sharp rise in SSL's shares since the year end, the opportunity was taken to realise some profits on this investment.

Kentz Corporation Limited

At 30 June 2009 the Fund's holding in Kentz Corporation Ltd ("Kentz") was valued at £2.9 million. Kentz has an attractive oil services business based largely in the Middle East, where new developments are very resilient to lower oil prices. At the time of our initial investment, the company's market value was almost wholly underpinned by the cash in its balance sheet. We have engaged with Kentz management on a regular basis. We have proposed ideas to its board to improve the recognition and profile of the company with UK investors. A positive response has been received to our suggestions. Following a considerable rise in the share price, some profits were taken on part of the Fund's holding.

The portfolio

At 30 June 2009 the total equity portfolio amounted to £38.9 million. Of this the six largest holdings accounted for £35.5 million, or 91 per cent. of the total. This concentration is in line with the policy set out in the admission document. In addition to the core activist situations, the Fund also invests in a limited number of stocks where it sees underlying value. While the focus remains firmly on our core brief, this strategy has helped to contribute to the good returns achieved in the first year of operation.

Engagement

Engagement with the boards of investee companies is a key part of the Fund's strategy. Dialogue has now been established with most of the companies in the portfolio. Lengthy and detailed meetings with their executive teams have been held. For example, in the four months to 30 June 2009, fourteen meetings were held with investee companies in addition to a large number of less formal discussions.

Investment Manager's Report (continued)

Since many of the Fund's investments have been held for a relatively short time, it is still early to assess the overall results of engagement. We are encouraged by the response of several management teams to our suggestions. We recognise, however, that with companies which have more fundamental performance issues, the process may become more problematic. We remain committed to engaging and to giving managements all possible encouragement to deliver value for their shareholders and for ours.

Our experience with 3i Quoted Private Equity ("QPE") was particularly encouraging. Having identified and assessed it as a value opportunity, we held meetings with its management and urged them to take steps to resolve the undervaluation, which was particularly marked because of its large cash holding. The Fund built up a holding of 13.7 million shares at an average cost of 57p. In February 2009 3i Group Plc launched a cash and share offer bid for QPE at 88p. This enabled the Fund to sell its holding, realising a profit of £3.9 million and a net return of 53 per cent. on capital invested.

This was a very welcome result. We recognise, however, that the delivery of value in many cases is likely to take longer than the six month duration of the QPE investment.

Prospective investments

The task of identifying prospective investments is being addressed on a continuous basis. A targeted and promising pipeline of potential investments has been identified and is undergoing further assessment. One of the issues that needs consideration is the potential exit routes from any investment, at a time when aversion to debt has made management buyouts much more difficult to finance.

Profile/Publicity

Under the guidance of the Board, we have taken initial steps to improve the visibility and recognition of the Fund and its performance. The Fund is now listed on the website of the Association of Investment Companies ('AIC') and the Trustnet website. These are independent sources and the information provided does not always come from Crystal Amber – for example, the AIC publishes daily estimates of net asset value, calculated by Fundamental Data Limited, an independent researcher. We remind investors that the Fund's net asset value figures are reported quarterly and shown on the Fund's website www.crystalamber.com. As the Fund's focus is on activism and engagement, it is inevitable that some of its actions will attract attention. The investment in JJB Sports, for example, has been extensively covered in the media. The Fund's focus will be on effective action, preferably achieved without the distraction of media excitement.

Strategy and outlook

Stock markets have advanced considerably since March 2009 but it is by no means clear that confidence is soundly based. There are encouraging signs that the global economy may have bottomed out, but banks remain vulnerable as bad debts spread from property and investment banking to credit card and consumer lending. Commentators are eager to hail a recovery, yet the outlook remains uncertain.

In the quarter ended 30 June 2009, UK gross domestic product was 5.5 per cent. lower than a year ago. The deterioration in public sector finances is a severe constraint on any further effort to pump-prime the recovery. While "lagging" indicators such as unemployment are likely to worsen for some time to come, confidence has improved since the cataclysmic events of autumn 2008.

For the Fund, with more than half its resources now deployed in equities, the need for selectivity remains paramount. It is self-evident that some companies most in need of activism are not always the best run or the most soundly financed.

Investment Manager's Report (continued)

The economic background to the Fund's first year has been unstable and at times frightening, with the safety of some of the world's biggest financial institutions being questioned. As these fears receded, the challenge has been to ride the rollercoaster of recovery while maintaining a firm focus on the Fund's objectives.

The challenges we face have changed rather than diminished. Our focus remains on delivering returns from the strategy set out in the admission document. The experience of the first year suggests that we can be quietly confident.

Crystal Amber Asset Management (Guernsey) Limited

8 September 2009

Investing Policy

Crystal Amber Fund Limited (“the Fund” or “the Company”) is an activist fund which aims to identify and invest in undervalued companies and, where necessary, take steps to enhance their value. The Company aims to invest in a concentrated portfolio of undervalued companies which are expected to be predominantly, but not exclusively, listed or quoted on UK markets (usually the Official List or AIM) and which have a typical market capitalisation of between £100 million and £1,000 million. Following investment, the Fund and its advisers typically engage with the management of those companies with a view to enhancing value for all their shareholders.

Investment objective

The Fund’s objective is to provide its shareholders with an attractive total return, which is expected to comprise primarily capital growth but with the potential for distributions, including distributions arising from the realisation of investments, if this is considered to be in the best interests of its shareholders.

Investment strategy

The Fund focuses on investing in companies which it considers to be undervalued, and will aim to promote measures to correct the undervaluation. In particular, it aims to focus on companies which the Fund’s investment manager and investment adviser believe may have been neglected by fund managers and investment funds due to their size or where analyst coverage is inadequate or where analysts have relied on traditional valuation techniques and/or not fully understood the underlying company. The Fund and its advisers will seek the co-operation of the company’s management in connection with such corrective measures as far as possible. Where a different ownership structure would enhance value, the Fund will seek to initiate changes to capture such value. The Fund may also seek to introduce measures to modify existing capital structures and introduce greater leverage and/or seek divestiture of certain businesses of the investee company.

Pending investment of the type referred to above, the Company’s funds will be placed on deposit but the Company also has the flexibility to make other investments which are considered to be reasonably liquid in order to ensure that its funds are appropriately deployed. The Company may, in certain circumstances, acquire stakes in target companies from investors in exchange for shares in the Company.

Where it considers it to be appropriate the Fund may (i) utilise leverage for the purpose of investment and enhancing returns to its shareholders and (ii) enter into derivative transactions, for example in seeking to manage its exposure to interest rate and currency fluctuations through the use of currency and interest rate hedging arrangements or for the purposes of efficient portfolio management, and to acquire exposure to target companies through contracts for difference.

Investment restrictions

It is not intended that the Company will invest, save in exceptional circumstances, in:

- companies with a market capitalisation of less than £100 million at the time of the investment;
- pure technology-based businesses; or
- unlisted companies or pre-IPO situations.

It is expected that no single investment in any one company will represent more than 30 per cent. of the gross asset value of the Company at the time of investment. However, there is no guarantee that this will be the case after any investment is made, particularly during the early life of the Company or where it is believed that an investment is particularly attractive.

Investing Policy (continued)

Composition of the portfolio

The Fund's board, investment manager and investment adviser believe that the number of potential target companies is high with more than 2,000 companies quoted on AIM or the Official List and they consider that a significant number of these are in the Fund's targeted range.

Target investee companies typically operate in one or more of the following sectors:

- consumer products;
- industrial products;
- retail;
- support services;
- healthcare; or
- financial services.

However, the Fund is in no way restricted to these sectors and investment decisions are taken based on market conditions and other investment considerations at the time.

Further information on the Company is set out in its AIM Admission Document, which is available to download from the Company's website www.crystalamber.com.

Report of the Directors

Incorporation

These are the financial statements of the Company which was incorporated on 22 June 2007 and commenced operations on 17 June 2008.

Principal activities

Crystal Amber Fund Limited is a Guernsey registered closed ended company established to provide shareholders with an attractive total return, which is expected to comprise primarily capital growth but with the potential for distributions. This will be achieved through investment in a concentrated portfolio of undervalued companies which are expected to be predominantly, but not exclusively, listed or quoted on UK markets and which typically have a market capitalisation of between £100 million and £1,000 million.

The Company was admitted to trading on AIM, the market of that name operated by the London Stock Exchange on 17 June 2008. The Company was also listed on the Channel Islands Stock Exchange ("CISX") on 17 June 2008.

The Company became a member of The Association of Investment Companies ("AIC") on 26 March 2009.

Business review

A review of the business together with the likely future developments is contained in the Chairman's Statement on page 5 and the Investment Manager's Report on pages 6 to 10.

Results and dividend

The results for the year are set out in the Income Statement on page 21.

The Directors do not recommend payment of a dividend in respect of the year to 30 June 2009.

Taxation

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (exempt Bodies) (Guernsey) Ordinances, 2008 and is charged an annual exemption fee of £600.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Financial risk profile

The Company's main financial instruments at the year end include investments, cash and cash equivalents and various items such as receivables and payables that arise directly from the Company's operations.

Details about the main risks associated with these instruments are given in note 12 to the financial statements.

Report of the Directors (continued)

Directors

The Directors of the Company who served during the year and at 30 June 2009 are shown on page 2. Biographies of the Directors holding office at 30 June 2009 and at the date of signing these financial statements are shown on page 18.

Directors' interests

The interests of the Directors in the share capital of the Company at the year end and as at the date of this report are as follows:

	2009		2008	
	<i>Number of Ordinary Shares</i>	<i>Issued Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Issued Share Capital</i>
William Collins	25,000	0.04%	25,000	0.04%
Sarah Evans	25,000	0.04%	25,000	0.04%
Total	50,000	0.08%	50,000	0.08%

Directors' remuneration

During the year the Directors received the following remuneration in the form of Directors' fees from the Company:

	2009	2008
	£	£
William Collins	30,000	18,329
Sarah Evans	25,000	25,617
Mark Huntley	20,000	12,219
Nigel Ward	20,000	20,493
Total	95,000	76,658

Substantial interests

At 7 September 2009, the following persons had interests in 3 per cent. or more of the issued share capital of the Company:

	<i>Number of Ordinary Shares</i>	<i>Issued Share Capital</i>
Invesco Perpetual Asset Management Limited	17,700,000	29.50%
Baring Asset Management Limited	6,306,500	10.51%
Merseyside Pension Fund	6,000,000	10.00%
Artemis Investment Management Limited	5,000,000	8.33%
Midas Capital Partners Limited	3,625,000	6.04%
CCLA Investment Management Limited	2,500,000	4.17%
Simpson Financial Limited	2,000,000	3.33%
Total	43,131,500	71.88%

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

Report of the Directors (continued)

Statement of Directors' responsibilities (continued)

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to the auditors

The Directors confirm that they have complied with the above requirements in preparing the financial statements. They also confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

KPMG Channel Islands Limited have agreed to offer themselves for re-appointment as auditors of the Company and a resolution proposing their reappointment and authorising the Directors to determine their remuneration will be presented at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held at 10.00am on 21 October 2009 at the Registered Office of the Company, Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey.

Corporate governance

As a Guernsey registered company, whose share capital is admitted to trading on AIM and quoted on CISX, the Company is not required to comply with the Combined Code published by the Financial Reporting Council (the "2006 FRC Code"). However, the Directors recognise the value of sound corporate governance and it is the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies.

Report of the Directors (continued)

Corporate governance (continued)

The Board has considered the principles and recommendations of the AIC's Code of Corporate Governance issued in May 2007 (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues which are of specific relevance to investment companies. The Board considers that it is appropriate to report against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code).

In view of the Board's non-executive nature and the requirement of the Articles of Incorporation that one third of Directors retire by rotation at least every three years, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by principle 3 of the AIC Code.

Board responsibilities

The Board comprises four non-executive Directors. None of the Directors has a contract of service with the Company. The Company has no executive directors and no employees. However, the Board has engaged external companies to undertake the investment management, administrative and custodial activities of the Company. Clear documented contractual arrangements are in place between these firms which define the areas where the Board has delegated responsibilities to them.

The Directors are responsible for overseeing the effectiveness of the internal controls of the Company, designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable and that the assets of the Company are safeguarded.

The Board meets formally on a quarterly basis to review the performance of the Company, its investments and its service providers. The Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers.

There may be a requirement to hold board meetings outside the scheduled quarterly meetings in order to review and consider investment opportunities and/or formal execution of documents.

An evaluation of the performance of individual Directors and the Chairman will be carried out annually and will review the following six areas: Board composition and meeting process, Board information, training, Board dynamics, Board accountability and effectiveness and an evaluation of the Chairman.

New Directors receive an induction from the Investment Manager on joining the Board, and all Directors receive other relevant training as necessary.

Chairman

The Chairman of the Board is William Collins. A biography for him and for all the other Directors follows in the next section. In considering the independence of the Chairman, the Board has taken note of the provisions of the 2006 FRC Code relating to independence, and has determined that Mr Collins is an Independent Director. As the Chairman is an Independent Director, no appointment of a Senior Independent Director has been made. The Company has no employees and therefore there is no requirement for a chief executive.

Report of the Directors (continued)

Corporate governance (continued)

Board meetings, Committee meetings and Directors' attendance

The number of meetings of the full Board and the Audit committee attended by each Director is set out below.

	<i>Board</i>		<i>Audit Committee</i>	
	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>
William Collins	5	5	n/a	n/a
Sarah Evans	5	5	4	4
Mark Huntley	5	5	4	4
Nigel Ward	5	5	4	4

Audit committee

The Audit Committee comprises Sarah Evans (Chair of the committee), Mark Huntley and Nigel Ward and meets at least twice a year. The responsibilities of the Audit Committee are to ensure that the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim financial statements and related announcements, to receive and consider reports from the auditors and report their findings to the Board, and to review internal control systems and procedures and accounting policies.

Relations with shareholders

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting. Company information is also available to the shareholders through the Company's website.

On behalf of the Board

William Collins

Chairman

Crystal Amber Fund Limited

8 September 2009

Mark Huntley

Director

Crystal Amber Fund Limited

8 September 2009

Directors

William Collins (aged 60), Guernsey Resident, Non-Executive Chairman

William Collins has over 36 years experience in banking and investment and since September 2007 he has been employed by Bank Sarasin (C.I.) Limited in Guernsey dealing with Private Client business. Prior to that he was employed by the Barings Group in Guernsey for over 18 years and was appointed a director of Barings (Guernsey) Limited in 1995. In 2003 he was appointed Managing Director of Baring Asset Management (C.I.) Limited, a position he held until his resignation in August 2007. During his time with Barings he was responsible for the management of portfolios for private clients and pension funds and was a director of a number of Baring Asset Management fund companies based in Guernsey and Dublin. Prior to joining Barings in 1988, Mr Collins was employed by the Bank of Bermuda initially in Bermuda in 1971 before being transferred to Hong Kong and then to Guernsey in 1981. He started his career with Glyn Mills and Co., (now part of The Royal Bank of Scotland Group) in London. He is an Associate of the ifs School of Finance (formerly the Chartered Institute of Bankers), a Member of the Securities and Investment Institute and a Member of the Institute of Directors.

Sarah Evans (aged 54), Guernsey Resident, Non-Executive Director

Sarah Evans qualified as a chartered accountant in 1979 and is a non-executive director of several investment funds, listed and unlisted. She is a member of the Institute of Directors and has been resident in Guernsey for over three years. She spent six years with the Barclays Group, firstly as a treasury director responsible for the securitisation of the bank's UK assets. From 1996 to 1998 she was Finance Director of Barclays Mercantile (a Barclays Bank subsidiary which then had a balance sheet of £6.5 billion, providing large and middle ticket leasing finance) where she was responsible for all aspects of financial control and operational risk management. In her last two years with Barclays she moved to group treasury as a treasury director. Prior to joining Barclays she ran her own consultancy business advising UK financial institutions on all aspects of securitisation. From 1982 to 1988, she worked at Kleinwort Benson Limited as deputy chief accountant and head of group finance.

Mark Huntley (aged 51), Guernsey Resident, Non-Executive Director

Mark Huntley is an Associate of the ifs School of Finance. He is Managing Director of the Administrator, an independent fund administrator based in Guernsey, Managing Director of the CISX Listing Sponsor and a director of the Investment Manager, Crystal Amber Asset Management (Guernsey) Limited. Prior to establishing the Administrator, he was Head of Business Development & Communications for the Baring Financial Services Group. At Barings, he was also Deputy Managing Director of Guernsey International Fund Managers Limited, where he was responsible for alternative investments and emerging market funds until April 2000. He has 30 years' experience in offshore funds trust and fiduciary services and private banking, with particular focus on the specialist and alternative fund sectors gained whilst at Barings over the last 19 years and, prior to that, with the First National Bank of Chicago and National Westminster Guernsey Trust Company. He is a founding director of the CISX and Chairman of the CISX Business Development Committee. He holds appointments for a number of listed and unlisted fund and fund related companies.

Nigel Ward (aged 52), Guernsey Resident, Non Executive Director

Nigel Ward has over 35 years investment and banking experience and was until December 2007 a Director of Guernsey based Baring Asset Management (C.I.) Limited. In January 2008 he joined a former colleague to establish an asset management business for Bank Sarasin (C.I.) Ltd in Guernsey. Mr Ward has a wide experience of international investment markets, private retail banking, compliance and also the managed funds industry gained at Barings over the past 20 years and before that at TSB Bank and National Westminster Bank. He is an Associate of the ifs School of Finance, a member of the Institute of Directors, and has successfully completed the Institute of Directors Company Direction Programme Diploma. Mr Ward has been resident in Guernsey for 25 years.

Independent Auditors' Report to the Members of Crystal Amber Fund Limited

We have audited the financial statements (the "financial statements") of Crystal Amber Fund Limited (the "Company") for the year ended 30 June 2009 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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

The Directors' responsibilities for preparing the financial statements which give a true and fair view and are in accordance with International Financial Reporting Standards and are in compliance with applicable Guernsey law are set out in the Statement of Directors' Responsibilities on pages 14 and 15.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are in accordance with International Financial Reporting Standards and comply with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent Auditors' Report
to the Members of Crystal Amber Fund Limited (continued)**

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of its return for the year then ended;
- are in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

KPMG Channel Islands Limited
Chartered Accountants

Income Statement
For the year ended 30 June 2009

	<i>Notes</i>	<i>Revenue</i> £	<i>Capital</i> £	<i>Total</i> 2009 £	<i>Total</i> 2008 £
Income					
Dividend income from listed investments		457,128	-	457,128	-
Interest income from UK Government securities		938,403	-	938,403	-
Fixed deposit interest		328,970	-	328,970	-
Bank interest		336,567	-	336,567	74,906
		2,061,068	-	2,061,068	74,906
Net gains on financial assets at fair value through profit or loss					
Realised gain	8	-	7,202,801	7,202,801	-
Unrealised gain	8	-	5,240,225	5,240,225	-
Total income		2,061,068	12,443,026	14,504,094	74,906
Expenses					
Transaction costs	4	-	473,077	473,077	-
Management fees	13,15	1,168,847	-	1,168,847	17,533
Performance fees	13,15	-	1,040,581	1,040,581	-
Directors' fees		95,000	-	95,000	76,658
Administration fees	13,15	74,735	-	74,735	2,877
Custodian fees	15	27,571	-	27,571	959
Audit fees		19,315	-	19,315	6,000
Other expenses		94,672	-	94,672	3,429
		1,480,140	1,513,658	2,993,798	107,456
Return for the year/period		580,928	10,929,368	11,510,296	(32,550)
Basic and diluted earnings/(loss) per share (pence)	5	0.97	18.21	19.18	(0.05)

All items in the above statement derive from continuing operations.

The total column of this statement represents the Company's Income Statement prepared in accordance with International Financial Reporting Standards. The supplementary income return and capital return columns are presented under guidance published by the Association of Investment Companies. The 2008 figures comprise revenue items only as there were no capital items.

The Notes to Financial Statements form an integral part of these financial statements.

Balance Sheet
as at 30 June 2009

	<i>Notes</i>	<i>2009</i> £	<i>2008</i> £
ASSETS			
Cash and cash equivalents	6	12,228,732	54,616,689
Trade and other receivables	7	209,753	2,553,225
Financial assets designated at fair value through profit or loss	8	58,907,174	-
Total assets		71,345,659	57,169,914
LIABILITIES			
Trade and other payables	9	2,820,652	155,203
Total liabilities		2,820,652	155,203
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	10	600,000	600,000
Share premium	11	-	56,447,261
Distributable reserve	11	56,447,261	-
Retained earnings		11,477,746	(32,550)
Total equity		68,525,007	57,014,711
Total liabilities and equity		71,345,659	57,169,914
Net asset value per share (pence)	5	114.21	95.02

The financial statements were approved by a committee of the Board of Directors and authorised for issue on 8 September 2009.

William Collins
Chairman
Crystal Amber Fund Limited
8 September 2009

Mark Huntley
Director
Crystal Amber Fund Limited
8 September 2009

The Notes to the Financial Statements form an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 30 June 2009

2008	Notes	Share			Distributable			Retained earnings			Total Equity
		Capital	Premium	Reserve	Capital	Revenue	Total	Capital	Revenue	Total	
		£	£	£	£	£	£	£	£	£	£
Opening balance at 22 June 2007		-	-	-	-	-	-	-	-	-	-
Share capital issued	10	600,000	59,400,000	-	-	-	-	-	-	-	60,000,000
Share issue expenses		-	(2,952,739)	-	-	-	-	-	-	-	(2,952,739)
Revenue loss for the period		-	-	-	-	-	-	(32,550)	-	(32,550)	(32,550)
Balance at 30 June 2008		600,000	56,447,261	-	-	-	-	(32,550)	-	(32,550)	57,014,711
2009	Notes	Share			Distributable			Retained earnings			Total Equity
		Capital	Premium	Reserve	Capital	Revenue	Total	Capital	Revenue	Total	
		£	£	£	£	£	£	£	£	£	£
Opening balance at 1 July 2008		600,000	56,447,261	-	-	-	-	-	(32,550)	(32,550)	57,014,711
Net realised gains on investments		-	-	-	7,202,801	-	7,202,801	-	-	7,202,801	7,202,801
Net unrealised gains on investments		-	-	-	5,240,225	-	5,240,225	-	-	5,240,225	5,240,225
Revenue profit for the year		-	-	-	-	-	-	580,928	-	580,928	580,928
Transaction costs		-	-	-	-	-	-	(473,077)	-	(473,077)	(473,077)
Performance fees		-	-	-	-	-	-	(1,040,581)	-	(1,040,581)	(1,040,581)
Transfer to distributable reserve	11	-	(56,447,261)	56,447,261	-	-	-	-	-	-	-
Balance at 30 June 2009		600,000	-	56,447,261	10,929,368	548,378	11,477,746	68,525,007	-	68,525,007	

The Notes to the Financial Statements form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 30 June 2009

	<i>Notes</i>	<i>2009</i> £	<i>2008</i> £
Cashflows from operating activities			
Dividend income received from listed investments		343,561	-
Interest income received from UK Government securities		867,581	-
Fixed deposit interest received		376,625	-
Bank interest received		361,025	-
Management fees paid		(1,186,380)	-
Directors' fees paid		(147,908)	-
Other expenses paid		(180,844)	(19,300)
Net cash inflow/(outflow) from operating activities		433,660	(19,300)
Cashflows from financing activities			
Proceeds from issuance of ordinary shares		2,462,075	57,537,925
Share issue expenses		(50,802)	(2,901,936)
Net cash inflow from financing activities		2,411,273	54,635,989
Cashflows from investing activities			
Purchase of investments		(132,661,932)	-
Sale of investments		87,902,119	-
Transaction charges relating to the purchase and sale of investments		(473,077)	-
Net cash outflow from investing activities		(45,232,890)	-
Net (decrease)/increase in cash and cash equivalents during the year/period		(42,387,957)	54,616,689
Cash and cash equivalents at beginning of year/period		54,616,689	-
Cash and cash equivalents at end of year/period	6	12,228,732	54,616,689

The Notes to the Financial Statements form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2009

General Information

Crystal Amber Fund Limited is a company incorporated and registered in Guernsey on 22 June 2007 under the Companies (Guernsey) Law, 1994 which has been superseded by the Companies (Guernsey) Law 2008. The address of the registered office is given on page 2. The Company has been established to provide shareholders with an attractive total return which is expected to comprise primarily capital growth but with the potential for distributions. The Company will achieve this through the investment in a concentrated portfolio of undervalued companies which are expected to be predominantly, but not exclusively, listed or quoted on UK markets and which have a typical market capitalisation of between £100 million and £1,000 million. The Company was listed and admitted to trading on AIM, the market of that name operated by the London Stock Exchange on 17 June 2008. The Company was also listed CISX on 17 June 2008. The Company is also a member of the AIC.

The comparative information for the period ending 30 June 2008 relates to the period from date of incorporation, 22 June 2007, to 30 June 2008.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the current period, unless otherwise stated.

Basis of preparation

The financial statements give a true and fair view, are in accordance with International Financial Reporting Standards (“IFRS”) and the AIC’s Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” issued in January 2009 and comply with the Companies (Guernsey) Law 2008. The financial statements are presented in Sterling, the Company’s functional currency.

These financial statements have been prepared under the historic cost convention with the exception of financial assets designated at fair value through profit and loss which are measured at fair value.

IFRS requires management to make judgments, estimates and assumptions that affect the application of the reported amounts in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Segmental reporting

The Company is organised and operates as one segment, both in terms of business and geography. Consequently, no segmental reporting is provided in the Company’s financial statements.

Foreign currency translation

Monetary assets and liabilities are translated from currencies other than Sterling (“foreign currencies”) to Sterling (the “functional currency”) at the rate prevailing on the balance sheet date. Income and expenses are translated from foreign currencies to Sterling at the rate prevailing at the date of the transaction. Exchange differences are recognised in the Income Statement.

Notes to the Financial Statements
For the year ended 30 June 2009 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments comprise investment in equity and debt securities, trade and other receivables, cash and cash equivalents, and trade and other payables. Financial instruments are recognised initially at fair value. Subsequent to initial recognition financial instruments are measured as described below.

Investments

All the Company's investments are designated at fair value through profit or loss. They are initially recognised at fair value, being the cost incurred in their acquisition. Transaction costs are expensed in the Income Statement. Gains and losses arising from changes in fair value are presented in the Income statement in the period in which they arise.

Purchases and sales of investments are recognised using trade date accounting.

Quoted investments are valued at the bid price on the balance sheet date. Where investments are listed on more than one securities market, the price on the market on which the security was originally purchased is used. If the price is not available as at the accounting date, the last available price is used.

Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of less than 90 days when acquired to be cash equivalents.

Share issue expenses

Share issue expenses of the Company directly attributable to the issue and listing of the shares are charged to the share premium account.

Share capital

Ordinary shares are classified as equity where there is no obligation to transfer cash or other assets.

Income

Investment income and interest income have been accounted for on an accruals basis using the effective interest method. Dividends receivable are taken to the income statement when the relevant security is quoted ex-dividend.

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been presented as revenue items except as follows:

- expenses which are incidental to the acquisition and disposal of an investment are charged to capital; and
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and accordingly the performance fee are charged to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company.

Notes to the Financial Statements
For the year ended 30 June 2009 (continued)

2. NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2009, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company, except for:

- IFRS 8 - *Operating segments* introduces the “management approach” to segment reporting and it requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. IFRS 8 which becomes mandatory for the Company’s 2010 financial statements, is not expected to have a significant impact on the financial statements as the Company’s Board is of the view that the Company is engaged in a single segment of business, being investment in UK equity instruments and also the Board, as a whole, has been determined as constituting the chief operating decision maker of the Company.

- Revised IAS 1 *Presentation of Financial Statements (2007)* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Company’s 2010 financial statements, is expected to have a significant impact on the presentation of the financial statements.

- Amendments to IFRS 7 - Improving disclosures about financial instruments require enhanced disclosures about fair value measurements and liquidity risk and these amendments have been made to address application issues of IFRS 7 and provide useful information to users. These amendments which become mandatory for the Company’s 2010 financial statements are expected to have impact on the financial instruments related disclosures in the financial statements.

3. TAXATION

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinances, 2008 and is charged an annual exemption fee of £600.

4. TRANSACTION COSTS

During the year transaction charges relating to the acquisition and disposal of investments amounting to £473,077 were paid (2008: £nil). These are analysed as follows:

	2009	2008
	£	£
Stamp duty	252,908	–
Commissions and custodian transaction charges	220,169	–
	473,077	–

Notes to the Financial Statements
For the year ended 30 June 2009 (continued)

5. BASIC AND DILUTED EARNINGS PER SHARE AND NET VALUE PER SHARE

Basic and diluted earnings per share is based on the following data:

	2009	2008
	£	£
Return per income statement	11,510,296	(32,550)
Average number of issued Ordinary shares	60,000,000	60,000,000
Basic and diluted earnings per share (pence)	19.18	(0.05)

Net asset value per share is based on the following data:

	2009	2008
	£	£
Net asset value per balance sheet	68,525,007	57,014,711
Number of Ordinary shares outstanding	60,000,000	60,000,000
Net asset value per share (pence)	114.21	95.02

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Company available on demand and on deposit with maturities of less than 90 days. Cash and cash equivalents are analysed as follows:

	2009	2008
	£	£
Cash available on demand	5,514,335	24,616,689
Cash on deposit with maturities of less than 90 days	6,714,397	30,000,000
	12,228,732	54,616,689

Cash available on demand earns interest at a rate based on the bank call deposit rate while short-term placements earned interest ranging from 0.20 per cent. to 5.17 per cent. during the year.

7. TRADE AND OTHER RECEIVABLES

	2009	2008
	£	£
Trade receivables	187,183	91,150
Prepayments	22,570	–
Shareholder receivable	–	2,462,075
	209,753	2,553,225

There are no past due or impaired receivable balances outstanding at the year end.

Notes to the Financial Statements
For the year ended 30 June 2009 (continued)

8. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 £	2008 £
Equity investments – UK listed equity securities	38,870,094	–
Bond investments – UK government bonds	20,037,080	–
	58,907,174	–
Opening balance	–	–
Purchases	134,370,232	–
Sales	(87,902,119)	–
Realised gain	7,202,801	–
Unrealised gain	5,240,225	–
Effect of exchange rate movements	(3,965)	–
Closing balance	58,907,174	–

9. TRADE AND OTHER PAYABLES

	2009 £	2008 £
Accruals	1,112,352	155,203
Unsettled trade purchases	1,708,300	–
	2,820,652	155,203

The credit period taken for trade purchases is less than 30 days. The carrying amount of trade payables approximates to their fair value.

10. SHARE CAPITAL

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Externally imposed capital requirement

There are no capital requirements imposed on the Company.

Notes to the Financial Statements
For the year ended 30 June 2009 (continued)

10. SHARE CAPITAL (continued)

The authorised share capital of the Company is 300 million Ordinary Shares of £0.01 each.

The issued share capital of the Company is comprised as follows:

	2009 Number	£	2008 Number	£
Allotted, called up and fully paid Ordinary shares of £0.01 each	60,000,000	600,000	60,000,000	600,000

11. SHARE PREMIUM AND SHARE ISSUE EXPENSES

The Company passed a special resolution cancelling the amount of £56,447,261 standing to the credit of the share premium account and transferring this to a distributable reserve. This was approved by the Royal Court of Guernsey on 18 July 2008.

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS**Financial risk management objectives**

The Manager, Crystal Amber Asset Management (Guernsey) Limited and the Administrator, Heritage International Fund Managers (“HIFM”), provide advice to the Company which allows it to monitor and manage financial risks relating to its operations through internal risk reports which analyse exposures by degree and magnitude of risks. The Manager and the Administrator report to the board on a quarterly basis.

The risks relating to the Company’s operations include credit risk, liquidity risk, and the market risks of interest rate risk, price risk and to a certain extent foreign currency risk.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. At the balance sheet date the major financial assets which were exposed to credit risk included financial assets designated at fair value through profit or loss and cash and cash equivalents.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. The Company’s credit risk on liquid funds is minimised because the counterparties are banks with high credit ratings assigned by an international credit-rating agency.

The table below shows the cash balances at the balance sheet date and the Standard & Poor’s credit rating for each counterparty.

			Carrying Amount 2009 £	Carrying Amount 2008 £
	<i>Location</i>	<i>Rating</i>		
MeesPierson (C.I.) Limited (ultimately owned by Fortis Bank Nederland N.V.)	Guernsey	A-1	5,499,359	54,616,689
HSBC Bank Plc	Guernsey	AA	6,724,396	–
Other			4,977	–
			12,228,732	54,616,689

The above credit rating applies to Fortis Bank Nederland N.V and the HSBC Group.

Notes to the Financial Statements
For the year ended 30 June 2009 (continued)

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Credit risk (continued)

The Company's credit risk on financial assets designated at fair value through profit or loss is considered minimal as these assets are either quoted equities or government securities.

The Company is also exposed to credit risk on the financial assets with its brokers for unsettled transactions. This risk is considered minimal due to the short settlement period involved and the high credit quality of the brokers used.

At the balance sheet date £64,406,533 (2008: £54,616,689) of the financial assets of the Company were held by the Custodian, MeesPierson (C.I.) Limited. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to financial assets held by the Custodian to be delayed or limited. The Company monitors its risk by monitoring the credit quality and financial position of the Custodian.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate framework for the management of the Company's liquidity requirements.

The Company adopts a prudent approach to liquidity risk management and maintains sufficient cash reserves to meet its obligations. All the Company's investments are listed and are subject to a settlement period of three days.

The following table details the Company's expected maturity for its financial assets and liabilities:

2009	<i>Weighted average interest rate</i>	<i>Less than 1 year</i>	<i>1-5 years</i>	<i>5+ years</i>	<i>Total</i>
Assets					
Non-interest bearing	–	39,079,847	–	–	39,079,847
Variable interest rate instruments	3.67%	32,265,812	–	–	32,265,812
Liabilities					
Non-interest bearing	–	(2,820,652)	–	–	(2,820,652)
		68,525,007	–	–	68,525,007
<hr/>					
2008	<i>Weighted average interest rate</i>	<i>Less than 1 year</i>	<i>1-5 years</i>	<i>5+ years</i>	<i>Total</i>
Assets					
Non-interest bearing	–	91,150	–	–	91,150
Variable interest rate instruments	5.14%	57,078,764	–	–	57,078,764
Liabilities					
Non-interest bearing	–	(155,203)	–	–	(155,203)
		57,014,711	–	–	57,014,711

Interest rate risk

The Company is exposed to interest rate risk as it has funds held on deposit, current account balances and UK Government bonds. The Company's exposure to interest rates is detailed in the liquidity risk section of this note.

The Manager monitors market interest rates and will place interest bearing assets at best available rates but also taking into consideration the counterparty's credit rating and financial position.

Notes to the Financial Statements
For the year ended 30 June 2009 (continued)

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been based on the exposure to interest rates for financial assets held at the balance sheet date. An increase/decrease of 0.5 per cent. represents management's assessment of a reasonably possible change in interest rates.

If interest rates had been 0.5 per cent. higher/lower and all other variables were held constant:

- the Company's profit for the year ended 30 June 2009 would have increased/decreased by £197,329 (2008: £10,947);
- there would have been no impact on the other equity reserves.

Price risk

The Company's exposure to market price risk arises from uncertainties about future prices of its investments. This risk is managed through diversification of the investment portfolio across business sectors. Generally the Company will seek not to invest more than 30 per cent. of the Company's gross assets to any single investment at the time of investment.

The following table details the Company's investments:

<i>Equity Investments</i>	<i>Sector</i>	<i>Value</i> £	<i>Percentage of</i> <i>Gross Assets</i>
JJB Sports Plc	Retail	11,236,307	16
Tate & Lyle Plc	Food producers	8,433,625	12
Pinewood Shepperton Plc	Media	5,653,529	8
Chloride Group Plc	Electronic & electrical equipment	4,318,543	6
SSL International Plc	Personal goods	2,968,944	4
Kentz Corporation Ltd	Oil Equipment & services	2,869,396	4
Other	Various	3,389,750	5
Total		38,870,094	55
<i>Bond Investments</i>			
UK Treasury 5.75% - maturity: 7 December 2009		20,037,080	29

If market prices had been 25 per cent. higher/lower at the balance sheet date and all other variables were held constant:

- the Company's profit and net assets for the year ended 30 June 2009 would have increased/decreased by £14,726,794 (2008: £nil);
- there would have been no impact on the other equity reserves.

Foreign Exchange Risk

The Company's exposure to foreign exchange risk was immaterial for the year ended 30 June 2009.

Notes to the Financial Statements
For the year ended 30 June 2009 (continued)

13. RELATED PARTIES

Mark Huntley, director of the Company, is also a Director of the Company's Administrator, Heritage International Fund Managers Limited and the Investment Manager. During the year the Company incurred administration fees of £74,735 (2008: £2,877) of which £18,750 (2008: £nil) was outstanding at the year end. Mark Huntley also received a Director's fee of £20,000 (2008: £12,219) of which £5,000 (2008: 12,219) was outstanding at the year end.

Richard Bernstein is a director of the Investment Manager and a holder of 530,000 Ordinary Shares, representing 0.88 per cent. (2008: 0.58 per cent.) of the issued share capital of the Company at the year end. Subsequent to the year end he increased his holding to 600,000 Ordinary Shares representing 1.0 per cent. of the issued share capital. During the year the Company incurred management fees of £1,168,847 (2008: £17,533) all of which had been paid at the year end (2008: £17,533). The Company also incurred performance fees of £1,040,581 (2008: £nil) all of which were outstanding at the year end.

All related party transactions are carried out on an arm's length basis.

14. DIRECTORS' REMUNERATION

	2009	2008
	£	£
William Collins	30,000	18,329
Sarah Evans	25,000	25,617
Mark Huntley	20,000	12,219
Nigel Ward	20,000	20,493
Total	95,000	76,658

15. MATERIAL AGREEMENTS

The Company has entered into the following material agreements:

Crystal Amber Asset Management (Guernsey) Limited (the "Manager")

The Company has entered into a management agreement with the Manager. The Manager receives a management fee at the annual rate of 2 per cent. of the Net Asset Value ("NAV") of the Company payable quarterly in advance.

In addition, the Manager is entitled to a performance fee in certain circumstances. This fee is payable by reference to the increase in NAV per Ordinary Share over the course of each performance period.

Payment of the performance fee is subject to:

- the achievement of a performance hurdle condition: the NAV per Ordinary Share at the end of the relevant performance period must exceed an amount equal to the placing price increased at a rate of 7 per cent. per annum on an annual compounding basis up to the end of the relevant performance period ("the Basic Performance Hurdle"); and
- the achievement of a "high watermark": the NAV per Ordinary Share at the end of the relevant performance period must be higher than the highest previously reported NAV per Ordinary Share at the end of a performance period in relation to which a performance fee, if any, was last earned. If no performance fee has been earned since admission, the NAV per Ordinary Share must be higher than the placing price.

Notes to the Financial Statements
For the year ended 30 June 2009 (continued)

15. MATERIAL AGREEMENTS (continued)

If the Basic Performance Hurdle is met, and the high watermark exceeded, the performance fee is an amount equal to 20 per cent. of the excess of the NAV per Ordinary Share at the end of the relevant performance period over the higher of:

1. the Basic Performance Hurdle;
2. the NAV per Ordinary Share at the start of the relevant performance period; and
3. the high water mark.

Heritage International Fund Managers Limited (the “Administrator”)

The Company has entered into an administration agreement with the Administrator. The Administrator has been appointed to provide administration and secretarial services to the Company. For these services, the Administrator will be paid an annual fee of 0.1 per cent. of the Net Asset Value (subject to a minimum of £75,000 per annum).

MeesPierson (C.I.) Limited (formerly Fortis Bank (C.I.) Limited) (the “Custodian”)

The Company has entered into a custodian agreement with the Custodian which was updated during the year for fee changes taking effect from 1 January 2009. The Custodian will receive a fee, calculated and payable quarterly in arrears at the annual rate of 0.05 per cent. (2008: 0.03 per cent.) of NAV per annum, subject to a minimum fee of £25,000 per annum. Transaction charges of £100 (2008: £150) per trade for the first 200 trades processed in a calendar year and £75 (2008: n/a) per trade thereafter are also payable.

16. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors, on the basis of the shareholdings advised to them, the Company has no ultimate controlling party.

CRYSTAL  AMBER

Crystal Amber Fund Limited, Heritage Hall, Le Marchant Street, St Peter Port, Guernsey GY1 4HY