CRYSTAL AMBER

# Crystal Amber Fund Limited

## Annual Report and Audited Financial Statements

For the year ended 30 June 2011

*Company No. 47213*

# Contents

## Management and Administration

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|---|---|
| **Directors** | William Collins (*Chairman*)<br>Sarah Evans (*Senior Independent Director*)<br>Mark Huntley<br>Nigel Ward |
| **Registered Office** | Heritage Hall<br>Le Marchant Street<br>St. Peter Port<br>Guernsey GY1 4HY |
| **Investment Manager** | Crystal Amber Asset Management (Guernsey) Limited<br>Heritage Hall<br>Le Marchant Street<br>St. Peter Port<br>Guernsey GY1 4HY |
| **Investment Adviser** | Crystal Amber Advisers (UK) LLP<br>29 Curzon Street<br>London W1J 7TL |
| **Administrator and Secretary** | Heritage International Fund Managers Limited<br>Heritage Hall<br>Le Marchant Street<br>St. Peter Port<br>Guernsey GY1 4HY |
| **CISX Listing Sponsor** | Heritage Corporate Services Limited<br>Heritage Hall<br>Le Marchant Street<br>St. Peter Port<br>Guernsey GY1 4HY |
| **Nominated Adviser** | Merchant Securities Limited<br>(*Ceased to be Joint Broker on 30 June 2011*)<br>51-55 Gresham Street<br>London EC2V 7HQ |
| **Sole Broker** | Numis Securities Limited<br>(*Appointed 31 March 2011. Sole Broker from 30 June 2011*)<br>The London Stock Exchange Building<br>10 Paternoster Square<br>London EC4M 7LT |
| **Independent Auditor** | KPMG Channel Islands Limited<br>20 New Street<br>St. Peter Port<br>Guernsey GY1 4AN |

## Management and Administration (continued)

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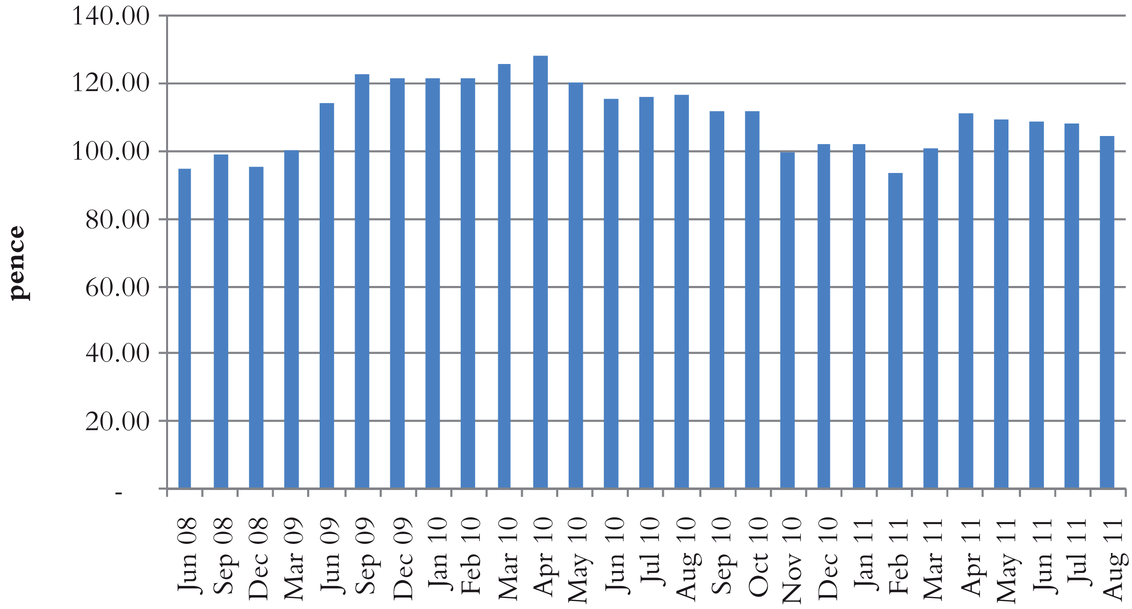
|---|---|
| **Legal Advisers to the Company** | *As to English Law*<br>Norton Rose LLP<br>3 More London Riverside<br>London SE1 2AQ<br><br>*As to Guernsey Law*<br>Carey Olsen<br>PO Box 98<br>Carey House<br>Les Banques<br>St. Peter Port<br>Guernsey GY1 4BZ |
| **Custodian** | ABN AMRO (Guernsey) Limited<br>(*formerly MeesPierson (C.I.) Limited*)<br>PO Box 253<br>Martello Court<br>Admiral Park<br>St. Peter Port<br>Guernsey GY1 3QJ |
| **Registrars** | Capita Registrars (Guernsey) Limited<br>2nd Floor<br>No.1 Le Truchot<br>St. Peter Port<br>Guernsey GY1 4AE |

## Highlights

- Sale of investment in Pinewood Shepperton PLC ("Pinewood") yields £8.7 million profit (realised post year end)
- Strong cash position post Pinewood leaves the Fund well placed to take advantage of recent market turbulence
- Constructive activism in core investments
- Realised profits of over £3.3 million during the year, taking total (including Pinewood post year end) to over £34 million since flotation
- Board representation secured at JJB Sports PLC ("JJB") to drive recovery strategy
- Net asset value recovers in second half of the year and remains resilient despite recent market sell off
- First dividend declared during the year

**Crystal Amber Fund Net Asset Value (pence per share)**




"The sale of the investment in Pinewood since the year end has generated a very acceptable £8.7 million profit on the Fund's largest holding. This put the Fund in a very strong cash position, enabling it to take full advantage of the opportunities offered by the recent slump in markets. Nonetheless the sell-off has affected some of the Fund's core holdings and the overall NAV relatively modestly. We have taken determined action on JJB, including the securing of board representation, to help its recovery."

William Collins, *Chairman*

## Chairman's Statement

I hereby present the fourth annual report of Crystal Amber Fund Limited ("the Company" or "the Fund") for the year to 30 June 2011.

For the world economy, it was a year of uneven growth with concerns remaining about the strength of the recovery in the UK and US, the US fiscal deficit, and the problems of the Eurozone countries. Financial markets were inevitably affected by these concerns and remain very volatile.

For the Fund, it was a year of intense and sustained engagement with our main portfolio companies. We secured an excellent outcome at Pinewood Shepperton, our largest holding, where the takeover by Peel Acquisitions resulted in an £8.7 million profit, realised on 15 July 2011.

Where necessary, the Fund took a public stance. Though our efforts have not always been as successful as we would wish, we are pursuing with vigour the brief set out in our Admission Document. This has resulted in growing recognition of Crystal Amber's role as an activist investor.

Net asset value ("NAV") at 30 June 2011 was £65.4 million, compared with an unaudited £61.2 million at 31 December 2010 and £69.3 million at 30 June 2010. NAV per share was 109.01p, compared with 101.92p per share at 31 December 2010 and 115.50p at 30 June 2010. The fall in the first half of the year was mainly due to the performance of JJB, where recovery is taking longer than we expected and envisaged at the time of investment. However the Manager and Adviser have made concerted efforts to turn the JJB investment around and progress is in line with the turnaround plan. The welcome recovery of NAV in the second half of the year was led by Pinewood.

The Fund deployed its resources actively during the year. At 30 June 2011 it was 93 per cent. invested, compared with 82 per cent. a year earlier. Cash and liquid resources were £4.3 million. Since the year end, cash resources have increased substantially – to more than 50p per share at the end of July, following the successful realisation of the Pinewood investment. This has put the Fund in a very strong position to exploit the opportunities thrown up by the slump in global share markets since the year end. Investment in carefully targeted companies has been achieved at attractive prices.

We welcome the growing awareness of the case for activism and the increasing discussion of management and governance issues. We are well aware that the activist route can be difficult and challenging, though we are greatly encouraged by the positive response of many companies and their managements to the issues we raise.

We are pleased to have paid our first dividend to shareholders in August 2011. We emerge from a challenging year in good shape and more determined than ever to deliver positive returns for our shareholders.

William Collins
*Chairman*

12 September 2011

# Investment Manager's Report

## Strategy and performance

The year under review has been one of intense activity for the Fund involving continuous activism in several of our core investments. This has resulted in several notable successes and a very healthy level of realised profits. Focus now moves on to realising shareholder value in core holdings and building positions in new companies.

The most notable success was the £8.7 million profit banked after the year end on the investment in Pinewood Shepperton, the Fund's largest holding. This followed more than two years of engagement, both public and private, with Pinewood's board and management.

The Pinewood proceeds took the Fund's total realised gains over the last three years to £34.7 million. This gives us some confidence that the intrinsic value in our other investments can be released over time and successful outcomes delivered for our investors.

While ready to take a public stance where necessary, we believe that activism can be constructive and co-operative in many cases. An example is PayPoint, where our active support for the management helped the company to deal with a very serious competitive challenge and this approach is reflected in the value of the holding.

Since the year end, markets have been turbulent with very sharp falls in prices of both strong and weak companies. Having banked profits on Pinewood, the Fund has been very well placed to take advantage of the opportunities offered. Purchases have been made at levels which, in our view, offer scope for attractive returns. The market slump has affected some of the Fund's core holdings and the total NAV relatively modestly.

## Performance

In a portfolio where the top six holdings account for more than 75 per cent. of the Fund's NAV, the underperformance of one holding can have a marked effect. In late 2010 and early 2011, a steep fall in the share price of JJB Sports had a material effect on the Fund's NAV. In the last four months of the year, this was offset by gains elsewhere in the portfolio, notably in the largest holding, Pinewood Shepperton, and, following a strengthening of JJB's share price, the NAV recovered.

Since the year end, market turbulence inevitably has affected NAV and the Fund's share price. The Fund, which was partly insulated by its strong cash position, has taken advantage of the opportunities offered to purchase targeted stocks at attractive levels.

| LARGEST EQUITY HOLDINGS at 30 June 2011 | *£m* | *% of NAV* | *% of Investee company held* |
|---|---|---|---|
| **Pinewood Shepperton** | 26.7 | 40.8 | 28.9 |
| **Omega Insurance** | 6.3 | 9.6 | 3.2 |
| **PayPoint** | 5.1 | 7.8 | 1.5 |
| **JJB** | 3.9 | 6.0 | 7.1 |
| **Sutton Harbour** | 3.6 | 5.5 | 13.6 |
| **N Brown Group** | 3.5 | 5.4 | 0.5 |
| Other Equities | 12.0 | 18.3 | |
| Total Equities | 61.1 | 93.4 | |
| Cash & net current assets | 4.3 | 6.6 | |
| Total Assets | 65.4 | 100.0 | |

## Investment Manager's Report (continued)

### Pinewood Shepperton PLC

We identified Pinewood's potential for value realisation from the outset and it was one of the Fund's first investments. Our view was based on the strength of the Pinewood brand, its leading role in the global film industry, and the asset backing provided by the group's properties. By the beginning of the year, the Fund held 18 per cent. of Pinewood and had engaged repeatedly with the board and management. We urged it to improve the transparency of its reporting, clarify the value of its assets and strengthen the board. Having been disappointed at the lack of progress, we called publicly for the Chairman and Senior Independent Director of Pinewood to step down. The board rejected this. In the period to December 2010 the Fund increased its holding to 27.3 per cent. and increased the pressure to deliver value. We continued to purchase shares up to mid-March 2011, when the holding had been increased to 28.9 per cent.

In April 2011 Pinewood received an initial approach from Peel Holdings ("Peel") regarding a possible offer of 190p per share. Subsequently the Pinewood board recommended an increased offer from Peel at 200p cash per share. The Fund entered an irrevocable commitment with Peel to accept the offer, except in the event of a third party offer at not less than 250p.

Although there was other activity including the purchase of a substantial stake in Pinewood by Warren James Holdings at a higher price, no higher offer materialised and Peel's offer was declared unconditional on 21 June 2011. Since the year end, the Fund has realised a profit of £8.7 million on its investment of £18.0 million in Pinewood.

### Omega Insurance Holdings Limited ("Omega")

Omega is a Lloyd's insurer and reinsurer with a strong profit record and balance sheet and an excellent underwriting record. The Fund built up its holding in mid-2010 having assessed the replacement cost of Omega's assets and its net asset backing. The markets in which Omega operates have become increasingly challenging over the last year due to a series of natural disasters including the New Zealand earthquake and the Japanese earthquake and tsunami. Against this background the company continued its discussions with potential acquirers. It is reassuring that, even in difficult markets, Omega continues to attract serious and reputable interest. It has been in an offer period since 10 January 2011. Within the constraints imposed by this, we have met twice with management recently and expressed concern about how the offer timetable was being managed, and made clear our view that the process needs to be concluded expeditiously. If no discernible progress is made within a reasonable timeframe, further activism may be required. On 30 August 2011, Omega reported an interim loss before tax of USD 49.1 million and said "that it remained in discussions with third parties regarding potential corporate activity with the aim to conclude the process shortly."

### PayPoint PLC ("PayPoint")

PayPoint is a specialist payments company with a network of 22,000 terminals in UK and Irish retail outlets and a growing business in internet and mobile phone payment services. The Fund invested in the company because of the strength of its products and its innovative record, combined with good management and a strong balance sheet. Engagement has included helping its successful campaign to avert the threat of competition from lottery provider Camelot.

PayPoint continues to develop its product range and to trade strongly, handling a record number of payments in the year to 31 March 2011. With increased sales and profits, its shares have advanced considerably. During the quarter to June 2011 the Fund sold about 20 per cent. of its holding at 522p per share. The remaining holding is valued at substantially more than its cost of 315p per share. We continue to engage with PayPoint's management and to support its efforts to deliver further value.

## Investment Manager's Report (continued)

### JJB Sports PLC

Following pressure from major shareholders, led by the Company, JJB's management and board have been renewed and it continues its efforts to deliver recovery in a very challenging climate for sports retailers. The Fund through the Manager and Adviser has engaged intensely, being instrumental in helping to rescue the company through two rounds of fundraising. This gave JJB the opportunity to recover from the heavy operating losses it reported for the year to January 2011. The fundraising proceeds enabled JJB to repay £25 million of bank debt, replenish stock and plan for recovery.

We continue to be very active operationally and in assisting JJB to implement a turnaround in its trading. Richard Bernstein, a Director of the Fund's Manager and Investment Adviser, was appointed as a non-executive Director of JJB in May 2011.

Having appointed a new chief executive in March 2010, JJB appointed a new chairman with turnaround experience in December 2010. The scale of the challenge at JJB is large but so are the opportunities for improvement on a substantial sales base. It completed a Company Voluntary Arrangement enabling it to "right size" its store portfolio, closed underperforming stores and significantly reduced its headcount and operating costs. It plans to refresh or refit the majority of its stores in the current trading year. The willingness of the new management team to get to grips with the issues is encouraging. Though retail conditions remain very challenging, the group has considerable scope for the "self help" measures which are crucial to a full recovery.

### Sutton Harbour Holdings PLC ("SUH")

The Fund has increased its holding in SUH to 13.6 per cent. of the equity and it is the second largest shareholder.

Having disposed of its loss making airline Air Southwest, SUH accelerated plans to close Plymouth City Airport and return to its core property and marine activities. Losses on discontinued operations were £8.4 million in the year to 31 March 2011, resulting in net losses for SUH of £8.45 million and the omission of a final dividend. Net assets fell from 68.5 pence to 57.3 pence per share over the year.

The Fund has engaged actively with the board and management and made clear that this performance is unacceptable and a credible plan for the recovery of the business is needed. An activist strategy to enhance the long term value of the business will continue and intensify as necessary. At SUH's annual meeting on 24 August 2011, the Fund opposed a resolution empowering the SUH board to issue additional shares. The resolution was defeated.

### N Brown Group PLC ("Brown")

The Fund has been an investor in Brown since 2008 and recently increased its holding. From its roots as a home shopping operation, Brown has expanded both geographically and through selective acquisitions, and has built a successful online business. The group has been managed prudently through the retail downturn and we believe it remains an undervalued business with good growth opportunities. In the year to February 2011 revenues rose 4.2 per cent. to £719 million and adjusted pretax profits rose 5.5 per cent. to £98.2 million. Online sales rose 19 per cent. to £324 million. We have engaged positively with the board and management and look forward to further engagement.

# Investment Manager's Report (continued)

## Other holdings

A 2.99 per cent. holding in Tribal Group PLC ("Tribal"), the public sector outsourcing consultant, was disclosed in December 2010 following a takeover approach for Tribal. Tribal subsequently sold its government and health divisions to focus on its successful educational business, and appointed a new chief operating officer. Following engagement, the holding was increased to 4.41 per cent. Approximately half the Fund's holding in Trading Emissions ("TRE"), which invests in tradeable carbon permits, was sold at a profit. TRE's plans to realise value from its portfolio, and the value of the Fund's remaining holding, have been affected by a sharp fall in traded carbon prices. The Fund continues to monitor this investment and the potential for further engagement.

## The portfolio

At 30 June 2011 the Fund's equity portfolio had a market value of £61.1 million. The top six holdings listed above amounted to 80 per cent. of the portfolio, in line with the policy set out in the Admission Document. The Fund's cash holdings rose substantially after the year end, following the realisation of the Pinewood investment. Following sharp falls in share markets in August 2011, it took the opportunity to purchase targeted stocks at attractive levels. There is exciting and potentially rewarding work in progress within the portfolio. The focus continues to be on seeking ways to enhance and/or crystalise value, and on balance sheet strength and cash generation. The holdings listed in this report amount to more than 80 per cent. of the Fund's equity portfolio. Shareholders requiring further information about the portfolio should apply in writing to the Company's Registered Office.

## Engagement

Engagement with the managements and boards of investee companies has been fundamental to the Fund's strategy since the beginning. Engagement has been intense in the period under review and where necessary, has been supported by the consultancy expertise available to Crystal Amber Advisers. Where appropriate, independent research has been commissioned on companies' operations and markets. All these resources were deployed during the year at JJB, where engagement was particularly intensive.

In most cases, the response of management and boards to our suggestions has been very encouraging. Where this is not the case, we are ready to make our concerns public, and to call for changes where needed. This was demonstrated in the case of Pinewood. We are determined to ensure that our investments deliver their full potential for all shareholders, and remain committed to engage to the degree required to achieve this.

## Realisations

During the year, the Fund has realised investment gains of approximately £3.3 million since July 2010, including a gain of £2.1 million which was realised on part of the Fund's PayPoint holding. A substantial stake has been retained in PayPoint and at 30 June 2011 it was the Fund's third largest holding.

Among other gains, the holding in Forth Ports realised a profit of £0.45 million as a result of the cash offer from Otter Ports.

These gains follow the successful realisation in earlier years of the investments in 3i Quoted Private Equity, Delta, Tate & Lyle, Kentz, and Chloride.

Including the £8.7 million profit realised on Pinewood after the year end, total realised gains since inception now amount to over £34 million. This is a very satisfactory return achieved in a period of just over three years.

## Investment Manager's Report (continued)

### Profile

The Fund's activism has attracted attention and media coverage, particularly in respect of Pinewood, JJB and PayPoint. While our focus is on effective action rather than publicity, we welcome the increased understanding of the Fund and its role.

The Fund's NAV and largest equity holdings are announced monthly and published on our website www.crystalamber.com.

The Fund is also listed on the Association of Investment Companies (AIC) website. This is an independent source and the information published does not always come from Crystal Amber – for example the AIC publishes daily net asset value estimates calculated by Fundamental Data Limited, an independent researcher.

### Strategy and outlook

Economic recovery in the UK remains modest. Concerns about public spending cuts and inflation continue, and the Eurozone crisis has not yet abated. These issues continue to cause turbulence in financial markets.

In these conditions the Fund's current cash resources enable it to take advantage of suitable opportunities. These may include larger mid-cap companies, typically with market value of between £250 million and £1 billion, whose shares are more liquid and where it is easier to acquire holdings. The activist path continues to require a sustained determination to realise value, sometimes in the most challenging market conditions. We remain committed to pursue the Fund's strategy and convinced that it can deliver good returns.

Crystal Amber Asset Management (Guernsey) Limited

12 September 2011

## Investing Policy

Crystal Amber Fund Limited ("the Company" or "the Fund") 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 will also 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 aims 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 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)

### Dividend policy

The primary objective of the Company is to achieve an attractive total return primarily through capital growth. The Company's investment objective and strategy means that the timing and amount of investment income cannot be predicted. There can therefore be no guarantee as to the timing and amount of any distribution payable by the Company, although dividends will be paid if this is considered to be in the best interests of Shareholders. The Company will have the ability, in certain circumstances, to make distribution payments out of realized investments if considered to be in Shareholders' interests.

### 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

The Company was incorporated on 22 June 2007 and commenced operations on 17 June 2008.

## Principal activities

The Company 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 Statement of Comprehensive Income on page 22.

The Directors do not recommend payment of a final dividend in respect of the year to 30 June 2011 (2010: £nil).

On 7 July 2011 the Company declared an interim dividend of £300,000, equating to 0.5p per share, which was paid on 12 August 2011 to shareholders on record on the register on 15 July 2011.

## 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 receivable and payables that arise directly from the Company's operations.

Details about the main risks associated with these instruments are given in note 11 to the financial statements.

## Directors

The Directors of the Company who served during the year and as at 30 June 2011 are shown on page 2. Biographies of the Directors holding office as at 30 June 2011 and at the date of signing these financial statements are shown on page 19.

# Report of the Directors (continued)

## 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:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | *Number of Ordinary Shares* | *Percentage of Issued Share Capital* | *Number of Ordinary Shares* | *Percentage of Issued Share Capital* |
| 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:

| | *2011* | *2010* |
|---|---|---|
| | *£* | *£* |
| William Collins | 30,000 | 30,000 |
| Sarah Evans | 25,000 | 25,000 |
| Mark Huntley | 20,000 | 20,000 |
| Nigel Ward | 20,000 | 20,000 |
| **Total** | 95,000 | 95,000 |

## Substantial interests

At 19 August 2011, the following persons had interests in 3 per cent. or more of the issued share capital of the Company:

| | *Number of Ordinary Shares* | *Percentage of Issued Share Capital* |
|---|---|---|
| Invesco Perpetual Asset Management Limited | 17,700,000 | 29.50% |
| Baring Asset Management Limited | 6,325,000 | 10.54% |
| Merseyside Pension Fund | 6,000,000 | 10.00% |
| Artemis Investment Management Limited | 4,500,000 | 7.50% |
| Rathbones | 2,807,500 | 4.68% |
| CCLA Investment Management Limited | 2,500,000 | 4.17% |
| Simpson Financial Limited | 2,000,000 | 3.33% |
| **Total** | 41,832,500 | 69.72% |

## 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.

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.

# Report of the Directors (continued)

## Statement of Directors' responsibilities (continued)

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

## 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 UK Corporate Governance Code published by the Financial Reporting Council (the "FRC Code") in May 2010. The FRC Code became effective for reporting periods beginning on or after 29 June 2010. 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.

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 and Guide were updated in October 2010 to take into account the newly issued UK Corporate Governance Code. The Board has decided to report against the highest standard and so far this year the annual corporate governance review was undertaken against the updated AIC Guide.

The Board comprises four non-executive Directors, three of whom are considered to be independent of the Company and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Mark Huntley is a Director of the Investment Manager, Managing Director of the Administrator and the CISX Listing Sponsor. Mr Huntley does not typically chair meetings of the Investment Manager and clearly separates the respective functions when interacting with the Company. Board appointments have been made based on merit, against objective criteria, and with due regard for the benefits of diversity, including gender diversity.

# Report of the Directors (continued)

**Corporate governance (continued)**

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 FRC Code relating to independence, and has determined that Mr Collins is an Independent Director. The Company has no employees and therefore there is no requirement for a chief executive.

An evaluation of the performance of individual Directors and the Chairman is carried out annually by way of peer appraisal and reviews the following areas: Board composition and meeting process, Board information, training and an evaluation of the Chairman.

The AIC Code recommends that a board should appoint one independent Non Executive Director to be the Senior Independent Director. With effect from 16 December 2010, Sarah Evans was appointed as Senior Independent Director to the Company and fulfills the role of deputy chairman and takes the lead in the annual evaluation of the Chairman.

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. At the forthcoming Annual General Meeting, William Collins and Mark Huntley will be retiring and offering themselves for re-election. Independent Directors will take the lead in the appointment of Directors, and Mr Huntley will offer himself for re-election annually.

None of the Directors have 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.

*Board responsibilities*

The Board is responsible to shareholders for the overall management of the Company. The Board has adopted a set of reserved powers which set out the particular duties of the Board. Such reserved powers include decisions relating to the determination of investment policy and oversight of the Manager and their advisers, strategy, risk assessment, Board composition, capital raising, statutory obligations and public disclosure, financial reporting and entering into any material contracts by the Company.

The Directors have access to the advice and services of the Administrator and Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with Guernsey Law and applicable rules and regulations of the Guernsey Financial Services Commission and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice at the expense of the Company.

The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an ongoing basis. Investment Advisory services are provided to the Company by Crystal Amber Advisers (UK) LLP. The Board is responsible for setting the overall investment policy and monitors the action of the Investment Adviser at regular Board meetings. The Board has also delegated administration and company secretarial services to Heritage International Fund Managers Limited but retains accountability for all functions it delegates.

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.

## Report of the Directors (continued)

**Corporate governance (continued)**

The Board meets formally on a quarterly basis to review the performance of the Company, its investments and its service providers. Prior to each of its quarterly meetings, the Board receives reports from the Investment Adviser covering activities during the period, performance of relevant markets, performance of the Company's assets, finance, compliance matters, working capital position and other areas of relevance to the Board. The Board also considers from time to time reports provided by the Manager and the Administrator and other service providers. There is regular contact between the Board, the Investment Manager and the Administrator. 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 and to consider ad hoc business.

*Audit committee*

The Audit Committee comprises Sarah Evans (Chair of the committee), William Collins and Nigel Ward and meets at least twice a year. With effect from 16 December 2010, William Collins was appointed as a member of the Audit Committee in place of Mark Huntley who stood down from the Committee on the same date. This is reflected in the attendance table below.*

The responsibilities of the Audit Committee include reviewing the Annual Report and Financial Statements, the Interim Report and Financial Statements, the system of internal controls and risk management, and the terms of the appointment of the auditor, together with their remuneration. It is also the forum through which the auditor reports to the Board. The Audit Committee also reviews the objectivity of the auditor and considers KPMG to be independent of the Company.

The Board considers that an internal audit function specific to the Company is unnecessary and that the systems and procedures employed by the Investment Manager and the Administrator, including their own internal audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained.

Although the AIC Code recommends that companies appoint remuneration and nomination committees, the Board has not deemed this necessary, as being wholly comprised of non-executive Directors, the whole Board considers these matters.

The Board has also chosen not to establish a management engagement committee. However, the Board reviews the arrangements for the provision of management and other services to the Company on an ongoing basis. The Company receives regular reporting from the Investment Adviser and regular valuations of the Company's investments, which allows the Board to form a judgement as to the performance of its portfolio.

*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.

| | *Board & Board Committee* | | *Audit Committee* | |
|---|---|---|---|---|
| | *Held* | *Attended* | *Held* | *Attended* |
| William Collins | 8 | 7 | 2 | 1* |
| Sarah Evans | 8 | 8 | 2 | 2 |
| Mark Huntley | 8 | 8 | 2 | 1* |
| Nigel Ward | 8 | 7 | 2 | 2 |

# Report of the Directors (continued)

## Corporate governance (continued)

*Relations with shareholders*

The Board welcomes correspondence from shareholders and places great importance on communication with its shareholders. Senior members of the Investment Adviser make themselves available at all reasonable times to meet with principal shareholders and key sector analysts. The Chairman and other Directors are also available to meet with shareholders, if required.

All shareholders have the opportunity to put questions to the Company at the registered address. The Annual General Meeting of the Company provides a forum for shareholders to meet and discuss issues with the Directors and Investment Adviser. Company information is also available to the shareholders through the Company's website www.crystalamber.com.

## Independent auditors

KPMG Channel Islands Limited have agreed to offer themselves for re-appointment as auditor 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 on 18 October 2011 at the Registered Office of the Company, Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey.

On behalf of the Board

**William Collins**
*Director*

12 September 2011

**Sarah Evans**
*Director*

12 September 2011

# Directors

**William Collins (aged 62), Guernsey Resident, Non-Executive Chairman**

William Collins has over 40 years experience in banking and investment and since September 2007 he has been employed by Bank Sarasin 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 in Bermuda, Hong Kong and Guernsey. 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 56), Guernsey Resident, Senior Independent Director**

Sarah Evans is a chartered accountant 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 six 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 53), 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 31 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 a period of 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 a member of the Audit and Risk and Listing Rules Committees. He holds appointments for a number of listed and unlisted fund and fund related companies.

**Nigel Ward (aged 54), Guernsey Resident, Non Executive Director**

Nigel Ward is currently an independent non-executive Director on the board of several offshore funds and companies, including AIM and CISX listed, with investment mandates ranging across property, agricultural land, ground rents, UK and North American equities, credit, and private equity with mining and exploration interests. He has over 37 years' experience of international investment markets, credit and risk analysis, corporate and retail banking, corporate governance, compliance and the managed funds industry. He is currently employed by Bank Sarasin, prior to which he spent over 20 years at Barings, and before that at TSB Bank and National Westminster Bank. He is a founding Commissioner of the Guernsey Police Complaints Commission, an Associate of the Institute of Financial Services, a member of the Institute of Directors and holds the IoD Diploma in Company Direction.

# Independent Auditor's Report
# To the Members of Crystal Amber Fund Limited

We have audited the financial statements of Crystal Amber Fund Limited (the "Company") for the year ended 30 June 2011 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 as issued by the IASB.

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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 14 and 15, 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 (APB'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 Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of its return for the year then ended;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008

# Independent Auditor's Report
# To the Members of Crystal Amber Fund Limited (continued)

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

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

KPMG Channel Islands Limited
*Chartered Accountants*

# Statement of Comprehensive Income
## For the year ended 30 June 2011

| | Notes | 2011 Revenue £ | 2011 Capital £ | 2011 **Total £** | 2010 Revenue £ | 2010 Capital £ | 2010 **Total £** |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Dividend income from listed investments | | 2,024,736 | – | **2,024,736** | 1,948,124 | – | **1,948,124** |
| Interest income from UK Government securities | | – | – | **–** | 492,678 | – | **492,678** |
| Fixed deposit interest | | 6,526 | – | **6,526** | 37,038 | – | **37,038** |
| Bank interest | | 9,570 | – | **9,570** | 8 | – | **8** |
| | | 2,040,832 | – | **2,040,832** | 2,477,848 | – | **2,477,848** |
| **Net gains on financial assets at fair value through profit or loss** | | | | | | | |
| Realised gain | 8 | – | 3,673,533 | **3,673,533** | – | 15,096,818 | **15,096,818** |
| Movement in unrealised loss | 8 | – | (7,702,553) | **(7,702,553)** | – | (14,487,648) | **(14,487,648)** |
| **Total income** | | 2,040,832 | (4,029,020) | **(1,988,188)** | 2,477,848 | 609,170 | **3,087,018** |
| **Expenses** | | | | | | | |
| Transaction costs | 4 | – | 230,285 | **230,285** | – | 464,679 | **464,679** |
| Management fees | 12, 14 | 1,290,658 | – | **1,290,658** | 1,459,600 | – | **1,459,600** |
| Directors' fees | | 95,000 | – | **95,000** | 95,000 | – | **95,000** |
| Administration fees | | 83,604 | – | **83,604** | 82,876 | – | **82,876** |
| Custodian fees | | 31,405 | – | **31,405** | 38,042 | – | **38,042** |
| Audit fees | | 17,388 | – | **17,388** | 17,360 | – | **17,360** |
| Other expenses | | 154,885 | – | **154,885** | 155,969 | – | **155,969** |
| | | 1,672,940 | 230,285 | **1,903,225** | 1,848,847 | 464,679 | **2,313,526** |
| **Return for the year** | | 367,892 | (4,259,305) | **(3,891,413)** | 629,001 | 144,491 | **773,492** |
| Basic and diluted earnings per share (pence) | | 0.61 | (7.10) | **(6.49)** | 1.05 | 0.24 | **1.29** |

All items in the above statement derive from continuing operations.

The total column of this statement represents the Company's Statement of Comprehensive Income 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 Notes to the Financial Statements form an integral part of these financial statements.

## Statement of Financial Position
**As at 30 June 2011**

| | Notes | *2011* £ | *2010* £ |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 6 | 4,067,541 | 12,419,482 |
| Trade and other receivables | 7 | 354,628 | 1,015,805 |
| Financial assets designated at fair value through profit or loss | 8 | 61,062,843 | 56,557,754 |
| **Total assets** | | 65,485,012 | 69,993,041 |
| **LIABILITIES** | | | |
| Trade and other payables | 9 | 77,926 | 694,542 |
| **Total liabilities** | | 77,926 | 694,542 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity shareholders** | | | |
| Share capital | 10 | 600,000 | 600,000 |
| Distributable reserve | 10 | 56,447,261 | 56,447,261 |
| Retained earnings | 10 | 8,359,825 | 12,251,238 |
| **Total equity** | | 65,407,086 | 69,298,499 |
| **Total liabilities and equity** | | 65,485,012 | 69,993,041 |
| **Net asset value per share (pence)** | 5 | 109.01 | 115.50 |

The financial statements were approved by a committee of the Board of Directors and authorised for issue on 12 September 2011.

**William Collins**
*Director*

12 September 2011

**Sarah Evans**
*Director*

12 September 2011

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 2011

| *2010* | *Notes* | *Share Capital* £ | *Distributable Reserve* £ | *Retained earnings Capital* £ | *Retained earnings Revenue* £ | *Retained earnings Total* £ | *Total Equity* £ |
|---|---|---|---|---|---|---|---|
| Opening balance at 1 July 2009 | 10 | 600,000 | 56,447,261 | 10,929,368 | 548,378 | 11,477,746 | 68,525,007 |
| Return for the year | | – | – | 144,491 | 629,001 | 773,492 | 773,492 |
| Balance at 30 June 2010 | | 600,000 | 56,447,261 | 11,073,859 | 1,177,379 | 12,251,238 | 69,298,499 |

| *2011* | *Notes* | *Share Capital* £ | *Distributable Reserve* £ | *Retained earnings Capital* £ | *Retained earnings Revenue* £ | *Retained earnings Total* £ | *Total Equity* £ |
|---|---|---|---|---|---|---|---|
| Opening balance at 1 July 2010 | 10 | 600,000 | 56,447,261 | 11,073,859 | 1,177,379 | 12,251,238 | 69,298,499 |
| Return for the year | | – | – | (4,259,305) | 367,892 | (3,891,413) | (3,891,413) |
| Balance at 30 June 2011 | | 600,000 | 56,447,261 | 6,814,554 | 1,545,271 | 8,359,825 | 65,407,086 |

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

## Statement of Cash Flows
**For the year ended 30 June 2011**

| | *Notes* | *2011* £ | *2010* £ |
|---|---|---|---|
| **Cashflows from operating activities** | | | |
| Dividend income received from listed investments | | 2,389,272 | 1,366,142 |
| Interest income received from UK Government securities | | – | 563,500 |
| Fixed deposit interest received | | 8,133 | 33,968 |
| Bank interest received | | 9,570 | 1,050 |
| Management fees paid | | (1,290,658) | (1,459,600) |
| Performance fee paid | | – | (1,040,581) |
| Directors' fees paid | | (95,000) | (95,000) |
| Other expenses paid | | (371,032) | (233,561) |
| **Net cash inflow/(outflow) from operating activities** | | 650,285 | (864,082) |
| | | | |
| **Cashflows from investing activities** | | | |
| Purchase of investments | | (54,752,991) | (79,131,260) |
| Sale of investments | | 45,981,050 | 80,650,771 |
| Transaction charges on purchase and sale of investments | | (230,285) | (464,679) |
| **Net cash (outflow)/inflow from investing activities** | | (9,002,226) | 1,054,832 |
| | | | |
| Net (decrease)/increase in cash and cash equivalents during the year | | (8,351,941) | 190,750 |
| | | | |
| Cash and cash equivalents at beginning of year | | 12,419,482 | 12,228,732 |
| **Cash and cash equivalents at end of year** | 6 | 4,067,541 | 12,419,482 |

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 2011**

## General Information

Crystal Amber Fund Limited is a company incorporated and registered in Guernsey on 22 June 2007 and is governed under the provisions of 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 on the CISX on 17 June 2008. The Company is also a member of the AIC.

## 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 or loss which are measured at fair value.

### Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, 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 has adopted IFRS 8, 'Operating Segments' as of 1 January 2009. This standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The Board has considered the requirements of IFRS 8 'Operating Segments', and is of the view that the Company is domiciled in Guernsey and is engaged in a single segment of business, being investment in UK equity instruments, and in one geographical area, the United Kingdom, and therefore the Company has only a single operating segment.

## Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Segmental reporting (continued)**

The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in these financial statements.

The Board of Directors has overall management and control of the Company. Material changes to the investment objective or investment policy can only be made by Shareholders. The Board of Directors has delegated the day to day implementation of this strategy to its Investment Adviser but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The investment decisions of the Investment Adviser are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board. The Investment Adviser has been given full authority to act on behalf of the Company, including the authority to purchase and sell securities and other investments on behalf of the Company and to carry out other actions as appropriate to give effect thereto. Whilst the Investment Adviser may make decisions on a day to day basis regarding the allocation of funds to different investments, any changes to the investment strategy or major allocation decisions have to be approved by Shareholders, even though they may be proposed by the Investment Adviser and Manager. The Board therefore retains full responsibility as to the major allocations decisions made on an ongoing basis. The Investment Adviser will always act in accordance with the investment policy and investment restrictions set out in the Company's latest Prospectus which cannot be radically changed without the approval of Shareholders.

The Company has a diversified portfolio of investments from which it receives dividends from time to time and no single investment accounts for more than 30 per cent. of the Fund's gross assets 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. All the Fund's assets are classified as current assets.

The Company also has a diversified shareholder population. Shareholders with holdings greater than 3 per cent. are detailed on page 14.

**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 reporting 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 Statement of Comprehensive Income.

**Financial instruments**

Financial instruments comprise investment in equity, 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.

# Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 Statement of Comprehensive Income. Gains and losses arising from changes in fair value are presented in the Statement of Comprehensive Income 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 reporting date or at the realisable value if the Company has entered into an irrevocable commitment to sell the investment prior to the reporting 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 Statement of Comprehensive Income 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 statement of comprehensive income, 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 is 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 2011 (continued)**

## 2. NEW STANDARDS AND INTERPRETATIONS

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were issued but not yet effective:

| New standards | | Effective for periods beginning on or after |
|---|---|---|
| IFRS 10 | Consolidated Financial Statements – includes the concept of '*de facto*' control and replaces the consolidation guidance in IAS 27: Consolidated and Separate Financial Statements and SIC: Consolidation – Special Purpose Entities | 1 January 2013 |
| IFRS 11 | Joint Arrangements – includes the concepts of joint operations (resulting in consolidation of entity's share of assets and liabilities) and joint ventures (resulting in equity method of accounting); the new standard replaces IAS 31: Interest in Joint Ventures | 1 January 2013 |
| IFRS 12 | Disclosure of Interests in Other Entities – requires enhanced disclosures for related parties (consolidated and unconsolidated entities) | 1 January 2013 |
| IFRS 13 | Fair Value Measurement | 1 January 2013 |

| Revised and amended standards | | Effective for periods beginning on or after |
|---|---|---|
| IFRS 7 | Financial Instruments: Disclosures – amendments enhancing disclosures about transfers of financial assets | 1 July 2011 |
| IFRS 9 | Financial Instruments: classification and measurements | 1 January 2013 |
| IAS 24 | Related Party Disclosures – revised definition of related parties | 1 January 2011 |
| IAS 27 | Separate Financial Statements – the requirements for separate financial statements remain unchanged | 1 January 2013 |
| IAS 28 | Investments in Associates and Joint Ventures – incorporates changes required due to IFRS 10, 11 and 12 | 1 January 2013 |

In addition, in May 2010, the IASB issued improvements to IFRS which affect seven IFRS. Most amendments are effective for annual periods beginning on or after 1 January 2011, although entities are generally permitted to adopt them earlier.

The Directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the Financial Statements of the Company.

IFRS 9 'Financial Instruments' was issued in December 2009. This addresses the classification and measurement of financial assets and is not likely to affect the Company's accounting for financial assets. The standard is not applicable until 1 January 2013 but it is available for early adoption. The standard is not expected to have a significant impact on the financial statements since the majority of the Company's financial assets are designated at fair value through profit or loss.

## Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

### 3. TAXATION

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

### 4. TRANSACTION COSTS

The transaction charges incurred in relation to the acquisition and disposal of investments during the year were as follows:

| | *2011* | *2010* |
|---|---|---|
| | *£* | *£* |
| Stamp duty | 134,410 | 240,763 |
| Commissions and custodian transaction charges | 95,875 | 223,916 |
| | 230,285 | 464,679 |

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

Earnings per share is based on the following data:

| | *2011* | *2010* |
|---|---|---|
| Return for the year | £(3,891,413) | £773,492 |
| Average number of issued Ordinary shares | 60,000,000 | 60,000,000 |
| Basic and diluted earnings per share (pence) | (6.49) | 1.29 |

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

| | *2011* | *2010* |
|---|---|---|
| Net asset value per statement of financial position | £65,407,086 | £69,298,499 |
| Number of Ordinary shares outstanding | 60,000,000 | 60,000,000 |
| Net asset value per share (pence) | 109.01 | 115.50 |

### 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 were as follows:

| | *2011* | *2010* |
|---|---|---|
| | *£* | *£* |
| Cash available on demand | 4,047,567 | 4,406,267 |
| Cash on deposit with maturities of less than 90 days | 19,974 | 8,013,215 |
| | 4,067,541 | 12,419,482 |

Cash available on demand earns interest at a rate based on the bank call deposit rate while short-term placements earned interest ranging from 0.38 per cent. to 0.40 per cent. per annum during the year.

## Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

### 7. TRADE AND OTHER RECEIVABLES

| | *2011* | *2010* |
|---|---|---|
| | £ | £ |
| Trade receivables | 334,227 | 1,000,579 |
| Prepayments | 20,401 | 15,226 |
| | 354,628 | 1,015,805 |

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

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

| | *2011* | *2010* |
|---|---|---|
| | £ | £ |
| Equity investments – UK equity securities | 61,062,843 | 56,557,754 |
| | 61,062,843 | 56,557,754 |
| Cost at beginning of year | 65,840,714 | 53,670,914 |
| Purchases | 54,151,989 | 78,023,962 |
| Sales | (45,680,841) | (80,950,980) |
| Realised gain | 3,673,533 | 15,096,818 |
| Cost at 30 June | 77,985,395 | 65,840,714 |
| Unrealised losses at beginning of year | (9,247,423) | 5,240,225 |
| Movement in unrealised losses | (7,702,553) | (14,487,648) |
| Unrealised losses carried forward | (16,949,976) | (9,247,423) |
| Effect of exchange rate movements | 27,424 | (35,537) |
| Fair value at 30 June | 61,062,843 | 56,557,754 |

### 9. TRADE AND OTHER PAYABLES

| | *2011* | *2010* |
|---|---|---|
| | £ | £ |
| Accruals | 77,926 | 93,542 |
| Unsettled trade purchases | – | 601,000 |
| | 77,926 | 694,542 |

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

# Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

## 10. SHARE CAPITAL AND RESERVES

### 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.

As per the Company's memorandum and articles of association the retained earnings are distributable by way of dividend in addition to distributable reserve held on the Company's statement of financial position at year end. The distributable reserve represents the amount transferred from the share premium account which was approved by the Royal Court of Guernsey on 18 July 2008.

### Externally imposed capital requirement

There are no capital requirements imposed on the Company.

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:

| | *2011* | | *2010* | |
|---|---|---|---|---|
| | *Number* | *£* | *Number* | *£* |
| Allotted, called up and fully paid | | | | |
| Ordinary shares of £0.01 each | 60,000,000 | 600,000 | 60,000,000 | 600,000 |

## 11. 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 that it has entered into with the Company resulting in financial loss to the Company. At 30 June 2011 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 30 June 2011. 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.

# Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

## 11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

### Credit risk (continued)

The table below shows the cash balances at the statement of financial position date and the Standard & Poor's credit rating for each counterparty.

| | *Location* | *Rating* | *Carrying Amount 2011 £* | *Carrying Amount 2010 £* |
|---|---|---|---|---|
| ABN AMRO (Guernsey) Limited | Guernsey | A | 4,034,208 | 4,391,938 |
| HSBC Bank PLC – Guernsey Branch | Guernsey | AA | 29,974 | 8,023,215 |
| Other | | | 3,359 | 4,329 |
| | | | 4,067,541 | 12,419,482 |

The credit ratings disclosed above are the credit ratings of the parent entities of each of the counterparties namely ABN AMRO Bank N.V. and HSBC PLC.

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

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 30 June 2011 £65,097,051 (2010: £60,949,692) of the financial assets of the Company were held by the Custodian, ABN AMRO (Guernsey) 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. The Custodian has a Standard & Poor's credit rating of A.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations arising from financial liabilities. 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 tables detail the Company's expected maturity for its financial assets and liabilities:

| *2011* | *Weighted average interest rate* | *Less than 1 year £* | *1-5 years £* | *5+ years £* | *Total £* |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Non-interest bearing | – | 61,417,471 | – | – | 61,417,471 |
| Variable interest rate instruments | 0.25% | 4,067,541 | – | – | 4,067,541 |
| **Liabilities** | | | | | |
| Non-interest bearing | – | (77,926) | – | – | (77,926) |
| | | 65,407,086 | – | – | 65,407,086 |

# Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

## 11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

### Liquidity risk (continued)

| *2010* | *Weighted average interest rate* | *Less than 1 year* £ | *1-5 years* £ | *5+ years* £ | *Total* £ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Non-interest bearing | – | 57,573,559 | – | – | 57,573,559 |
| Variable interest rate instruments | 0.35% | 12,419,482 | – | – | 12,419,482 |
| **Liabilities** | | | | | |
| Non-interest bearing | – | (694,542) | – | – | (694,542) |
| | | 69,298,499 | – | – | 69,298,499 |

### Market risk

The Fund is exposed through its operations to market risk which encompasses interest rate risk, price risk and foreign exchange risk.

### Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as it has funds held on deposit and current account balances. 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.

### Interest rate sensitivity analysis

The sensitivity analysis below has been based on the exposure to interest rates for financial assets held at the statement of financial position date. An increase/decrease of 0.15 per cent. represents management's assessment of a reasonably possible change in interest rates. If interest rates had been 0.15 per cent. (2010: 0.15 per cent.) higher/lower and all other variables were held constant:

- the Company's return for the year ended 30 June 2011 would have increased/decreased by £8,427 (2010: £20,088);
- there would have been no impact on the other equity reserves.

### Price risk

Price risk is the risk that the fair value of investments will fluctuate as a result of changes in market prices. 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 in any single investment at the time of investment. However, there is no guarantee that this will be the case after any investment is made, particularly where it is believed that an investment is exceptionally attractive.

## Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

### 11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

**Price risk (continued)**

As at 30 June 2011, the fair value of the Company's investment in Pinewood Shepperton PLC represented 41 per cent. of the gross assets. The following tables detail the Company's investments:

*2011*

| *Equity Investments* | *Sector* | *Value* *£* | *Percentage of Gross Assets* |
|---|---|---|---|
| Pinewood Shepperton PLC | Media | 26,731,722 | 41 |
| Omega Insurance Holdings Ltd | Insurance | 6,266,414 | 10 |
| Paypoint PLC | Support Services | 5,095,000 | 8 |
| JJB Sports PLC | Retail | 3,864,595 | 6 |
| Sutton Harbour Holdings PLC | Transportation Services | 3,582,897 | 5 |
| Brown N Group PLC | Retail | 3,497,827 | 5 |
| Tribal Group PLC | Consulting Services | 2,057,163 | 3 |
| Other | Various | 9,967,225 | 15 |
| **Total** | | 61,062,843 | 93 |

*2010*

| *Equity Investments* | *Sector* | *Value* *£* | *Percentage of Gross Assets* |
|---|---|---|---|
| Pinewood Shepperton PLC | Media | 13,065,411 | 19 |
| JJB Sports PLC | Retail | 12,112,500 | 17 |
| Paypoint PLC | Support Services | 8,820,792 | 13 |
| Omega Insurance Holdings Ltd | Insurance | 7,185,863 | 10 |
| Trading Emissions PLC | Financial Services | 4,836,462 | 7 |
| Sutton Harbour Holdings PLC | Transportation Services | 3,085,596 | 4 |
| Conygar Investment Company PLC | Real Estate | 2,664,259 | 4 |
| Other | Various | 4,786,871 | 7 |
| **Total** | | 56,557,754 | 81 |

If market prices had been 25 per cent. higher/lower at the statement of financial position date and all other variables were held constant:

- the Company's profit and net assets for the year ended 30 June 2011 would have increased/decreased by £15,265,711 (2010: £14,139,438);
- 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 2011.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

## 11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

**Fair value measurements**

IFRS 7 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 7 are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Company's financial assets measured at fair value at 30 June 2011 and 30 June 2010:

| | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| *2011* | £ | £ | £ | £ |
| Financial assets designated at fair value through profit and loss: | | | | |
| Equity investments – | | | | |
| Listed equity securities | 34,331,121 | 26,731,722 | – | 61,062,843 |

| | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| *2010* | £ | £ | £ | £ |
| Financial assets designated at fair value through profit and loss: | | | | |
| Equity investments – | | | | |
| Listed equity securities | 56,557,754 | – | – | 56,557,754 |

The Level 1 equity investments were fair valued with reference to the closing bid prices of each investee company on the reporting date.

The Level 2 equity investment was fair valued with reference to the realisable value of an investee company on the reporting date.

## Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

### 11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

**Transfers between Level 1 and 2**

The following table shows all transfers from Level 1 to Level 2 of the fair value hierarchy for financial assets recognised at fair value:

| | *2011* | *2010* |
|---|---|---|
| | *£* | *£* |
| Financial assets designated at fair value through profit and loss: | | |
| Equity investments – Listed equity securities | 26,731,722 | – |

Financial assets were transferred from Level 1 to Level 2 on 21 June 2011, on which date an agreement to sell the Company's entire holding of Pinewood Shepperton PLC became unconditional. Proceeds from this agreement were received in full following the reporting date, as detailed in note 16.

### 12. 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 £83,604 (2010: £82,876) of which £18,750 (2010: £22,688) was outstanding at the year end. Mark Huntley also received a Director's fee of £20,000 (2010: £20,000) of which £5,000 (2010: £5,000) was outstanding at the year end.

Richard Bernstein is a Director of the Investment Manager and a holder of 780,000 Ordinary Shares, representing 1.30 per cent. (2010: 1.08 per cent.) of the issued share capital of the Company at the year end. On 6 May 2011, he was appointed as a non-executive Director of JJB Sports PLC, the Company's third largest holding as at 30 June 2011.

During the year the Company incurred management fees of £1,290,658 (2010: £1,459,600) all of which had been paid at the year ended 30 June 2011 and 2010. The Investment Manager did not earn a performance fee during the year and waived the performance fee amounting to £86,425 for the year ended 30 June 2010. On 3 May 2011 the Investment Manager purchased 763,000 shares in the Company, representing 1.27 per cent. of the issued share capital.

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

### 13. DIRECTORS' REMUNERATION

| | *2011* | *2010* |
|---|---|---|
| | *£* | *£* |
| William Collins | 30,000 | 30,000 |
| Sarah Evans | 25,000 | 25,000 |
| Mark Huntley | 20,000 | 20,000 |
| Nigel Ward | 20,000 | 20,000 |
| **Total** | 95,000 | 95,000 |

# Notes to the Financial Statements
**For the year ended 30 June 2011 (continued)**

## 14. MATERIAL AGREEMENTS

The Company has entered into the following material agreements:

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

Under the management agreement, 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:

1. 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
2. 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.

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 Administrator has been appointed to provide administration and company secretarial services to the Company. For these services, the Administrator will be paid an annual fee of 0.12 per cent. (2010: 0.12 per cent.) of the Net Asset Value (subject to a minimum of £75,000 per annum.)

**ABN AMRO (Guernsey) Limited (formerly MeesPierson (C.I.) Limited) (the "Custodian")**

Under the custodian agreement, the Custodian receives a fee, calculated and payable quarterly in arrears at the annual rate of 0.05 per cent. of NAV per annum, subject to a minimum fee of £25,000 per annum. Transaction charges of £100 per trade for the first 200 trades processed in a calendar year and £75 per trade thereafter are also payable.

## 15. 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.

# Notes to the Financial Statements

**For the year ended 30 June 2011 (continued)**

## 16. POST BALANCE SHEET EVENTS

On 7 July 2011 the Company declared an interim dividend of £300,000, equating to 0.5p per share, to be paid on 12 August 2011 to shareholders on record on the register on 15 July 2011.

On 11 July 2011 the Company received proceeds of £26,731,722 from the sale of its holding in Pinewood Shepperton PLC.

On 5 August 2011 the Company reported that its unaudited NAV at 29 July 2011 was 108.38p per share.

On 7 September 2011 the Company reported that its unaudited NAV at 31 August 2011 was 104.75p per share.

CRYSTAL AMBER

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