CRYSTAL AMBER

Crystal Amber Fund Limited

Annual Report and Audited Financial Statements

For the year ended 30 June 2012

Company No. 47213

Contents

Management and Administration

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Management and Administration (continued)

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Highlights

- Net asset value recovers strongly in second half.
- NAV per share 105.59p at 30 June 2012 (88.72p at 31 December 2011; 109.01p at 30 June 2011).
- Excellent gains on the two largest holdings, TT Electronics and Renishaw, with additional gains on holdings of Devro, API Group and Tribal Group.
- PayPoint holding sold realising a profit of £4.7m.
- Continuing focus on investment in strong, cash generating companies with healthy balance sheets.
- Sustained engagement with the Fund's main investments with full agenda for activism in the year ahead.

Chairman's Statement

I hereby present the fifth annual report of Crystal Amber Fund Limited ("the Fund") for the year to 30 June 2012.

The last year has been a turbulent one for the economies of the Western world and for the Eurozone countries in particular. Fears of a break-up of the Euro currency system have been corrosive and, though governments and central banks have made repeated efforts to deal with the crisis, the problems have not been solved. As a consequence, financial markets have been unstable and volatile.

This has provided a difficult backdrop for all investors and for the Fund. Consequently, and within the parameters of our activist mandate, we have made a determined effort to focus our main investments on strong, cash generating companies with healthy balance sheets and global growth opportunities, and to continue our strategy of close and active engagement with several of our investee companies. In some cases, this has resulted in changes in the companies' senior management and in a more focused strategy.

Net Asset Value ("NAV") at 30 June 2012 was £63.4 million, compared with an unaudited £53.2 million at 31 December 2011 and £65.4 million at 30 June 2011. NAV per share was 105.59p as at 30 June 2012 compared with 88.72p per share at 31 December 2011 and 109.01p at 30 June 2011. As is evident from these figures, the Fund performed better in the second half of its financial year than the first, which was hit by a heavy sell-off in markets and share price weakness at Omega Insurance Holdings Limited. In the second half, the Fund's two largest holdings, TT Electronics PLC and Renishaw PLC, delivered excellent gains and helped to drive the recovery. Among the Fund's other holdings, Tribal Group PLC and API Group PLC also performed particularly strongly.

We pursued our activist brief vigorously throughout the year, engaging with both managements and boards of our main investee companies. While we have not hesitated to take a public stance where necessary, much of this engagement has been conducted in private and has been constructive, positive and rewarding. Where the challenges have been more difficult, we have redoubled our efforts, but we are fully aware of the difficulties we face.

The Fund deployed its resources actively during the year. At 30 June 2012 it was 96 per cent invested, compared with 93 per cent a year earlier, with cash and liquid resources amounting to £2 million at financial year end. We are pleased to have paid our second dividend to shareholders in August 2012.

We have known from the outset that the activist path can be challenging. We are committed to meeting these challenges and delivering value for our shareholders. We are encouraged by the performance of our biggest investments but well aware that more remains to be done elsewhere in the portfolio. We welcome the increasing debate on the case for investor activism and on management and governance issues.

Mark Huntley, who has been a director of the Fund since its inception, intends to step down from the Board at the forthcoming Annual General Meeting. I would like to thank him for his valuable contribution and I am pleased that he will continue to be involved with the Fund in his capacity as a Director of the Investment Manager.

We have come through a very testing year with a strong portfolio, a full agenda of activism and engagement, and renewed determination to deliver positive returns for our shareholders.

William Collins
Chairman

10 September 2012

Investment Manager's Report

Strategy

The Fund has adopted a cautious strategy to navigate the uncertain economic outlook. Markets have been driven by events mainly of a political nature, in particular the unresolved Eurozone crisis and its negative effects on global growth. Lack of confidence continues to impact economic activity, and threatens to worsen the double dip recession that the UK and many European countries are experiencing.

In these adverse conditions, the Fund has looked for cash generative companies, with low financial risk and high replacement value. Three of the Fund's top ten holdings, TT Electronics PLC, API Group PLC and Norcros PLC should be able to deliver earnings growth thanks to self-help measures. A further three of the top ten holdings are backed by tailwinds supporting revenue growth from a global customer base: Renishaw PLC stands to benefit from production automation, Devro PLC, a specialist manufacturer of sausage casings, from gut to collagen casing conversion and N Brown Group PLC from online retail. The Fund also remains focused on realising value from earlier investments, including Sutton Harbour Holdings PLC, an investment with tangible asset backing. Omega Insurance Holdings Limited, the Fund's fifth largest investment, completed its sale to Canopius Group.

With all these investments, the Fund maintains a close oversight of the companies as an owner. The Adviser regularly engages with investee boards to suggest paths to increase shareholder value and to maintain high standards of corporate governance. The Fund's activist approach in some cases requires long holding periods, which facilitate effective engagement. In companies such as TT Electronics PLC, Devro PLC and Norcros PLC, the Fund supports the respective managements' plans, while remaining ready to support alternative ways to release value should this be deemed necessary.

The Fund's top ten holdings represented 79 per cent of NAV at the end of the period, down from 87 per cent at the end of June 2011. This reflects the exit from the Fund's largest position last year, Pinewood Shepperton PLC (41 per cent of June 2011 NAV). The Fund is keen to maintain tactical flexibility to grow individual holdings, yet in normal circumstances it maintains diversification of its largest investments.

Four of the largest investments, N Brown Group PLC, Sutton Harbour Holdings PLC, Omega Insurance Holdings Limited and Tribal Group PLC were among the previous year's main holdings. TT Electronics PLC, Renishaw PLC and API Group PLC are investments that were initiated during the year under review, a period during which the Fund also increased its holdings in Devro PLC and Norcros PLC.

The holding in PayPoint PLC ("PayPoint") has been sold, realising a total gain for the Fund of £4.7m. PayPoint continues to trade well and is making progress in its developing businesses. We took advantage of its strong share price performance to sell the investment as it reached what we believed to be a fair value.

Investment Manager's Report (continued)

Strategy (continued)

TOP 10 EQUITY HOLDINGS AT 30 JUNE 2012

	Pence per share	*Percentage of investee equity held*	*Sector*
TT Electronics PLC	19.0	4.8	Industrial/Electronics
Renishaw PLC	10.5	0.6	Industrial/Metrology
N Brown Group PLC	8.7	0.8	Retail/Home retail
Sutton Harbour Holdings PLC	8.6	26.9	Leisure/Property
Omega Insurance Holdings Limited*	8.6	3.2	Insurance
Devro PLC	7.6	0.9	Consumer/Food
Tribal Group PLC	5.6	4.2	Support services/Education
API Group PLC	5.4	7.3	Packaging/Specialty products
Norcros PLC	4.9	4.6	Industrial/Building materials
JJB Sports PLC	4.7	7.1	Retail/Sports
Total of ten largest holdings	83.6		
Other investments	18.6		
Cash and accruals	3.4		
Total NAV	**105.6**		

* Omega Insurance Holdings Limited position valued at the quoted bid price of 65.75p per share, versus the approved offer price of 67p.

Performance

The Fund's NAV per share fell by 3.1 per cent over the year to 30 June 2012. Taking into account the 0.5p dividend per share paid in July 2011, the total return was -2.7 per cent. While the Fund's objective is absolute return, this compares to a total return on the FTSE 250 of -5.5 per cent and FTSE Small Cap of -6.5 per cent.

The three main positive contributors to performance were the holdings in Tribal Group PLC, Renishaw PLC and Devro PLC. The Tribal Group PLC investment was acquired in the previous financial year and returned 76 per cent during the current period. The holding in Renishaw PLC was built following the sell-off in August 2011, and its value has increased by 30 per cent, during the year and is now valued at 22 per cent above its cost. The Fund has realised gains of £0.4m on its holding in the company.

The three main negative contributors were JJB Sports PLC, Sutton Harbour Holdings PLC and Trading Emissions PLC. During the year, despite intense engagement to move it towards recovery, JJB Sports PLC lost 48 per cent of its value. Sutton Harbour Holdings PLC shares fell ahead of a fundraising, priced at less than 50 per cent of pro-forma NAV, in which the Fund increased its holding. The shares fell 47 per cent over the year. The Fund supported a board change at Trading Emissions PLC, the carbon-credit trading company.

However, following the sharp fall in carbon credit prices globally, the Fund reduced its holding at an average selling price of 27p. Over the year, Trading Emissions PLC shares fell 77 per cent to 19.5p.

Investment Manager's Report (continued)

Investee companies

TT Electronics PLC ("TT Electronics")

TT Electronics develops and manufactures sensors, components and electronic systems. Its key markets are passenger cars (34 per cent), industrial applications (23 per cent) and defence and aerospace (11 per cent). Its global production includes sites in Germany, China, India and Mexico and supplies a global customer base. By customer domicile, its revenue derives 59 per cent from Europe, 19 per cent from North America with the balance from the rest of the world. However its end markets are more diversified, as its top European clients, such as BMW, Volkswagen and Daimler, sell to global markets. For those clients, TT Electronics has developed pressure, position or temperature sensors. Increased safety requirements, emissions regulations and efficiency needs drive a positive growth outlook.

Our engagement with management has deepened our understanding of the business. TT Electronics has been turned from a conglomerate to a business with clearer target markets. Its balance sheet has been strengthened, moving to a net cash position. Thanks to an extensive reorganisation, margins have increased from 4.6 per cent in 2008 to 5.8 per cent in 2011. Current margins, however, are still more typical of lower value added electronics businesses, and management has produced a detailed action plan that should see margins increase to 8-10 per cent by 2014. Changes include moving production to Mexico and Romania, where labour is more flexible and inexpensive. Exiting legacy loss-making contracts will in due course improve earnings. A number of projects remain: the disposal of the company's secure power division, Mexico-based Ottomotores, and the announced plans to fill in technological gaps in its product portfolio, will enhance its customer proposition.

Recent trading has been good, against difficult markets, with the company noting that its customers have outperformed their respective markets. It is on track to meet efficiency gains which should accelerate in the second half of the year.

Since purchasing the stake in TT Electronics, we have met its management and chairman repeatedly. Our engagement has been constructive and we support its strong management team and board. However, we have also had some frank exchanges regarding the communication with the market of operational progress and the vulnerability of the business given recent share price weakness.

In our view, the company's outlook for margin progression is good, as it depends largely on self-help measures that have been implemented. We believe that margin targets are achievable within the company's stated timeframe. However, we believe that the failure to deliver margins corresponding to its technological strength would make the company susceptible to a threat of a takeover. The increased focus following the disposal of peripheral assets has also made TT Electronics more attractive as a focused electronics business.

To date the company has consistently delivered on its performance objectives but at six times 2012 estimated EBIT the current valuation gives no credence to the management's margin objectives. We believe that the shares offer a significant margin of safety.

Renishaw PLC ("Renishaw")

Renishaw develops and manufactures the world's leading metrology instruments. These are used for high-accuracy measurement, and are required, for example, for tooling new machines in production facilities. Renishaw's technological excellence commands a price premium that can be seen in operating margins of 30 per cent for the metrology division. The company operates mainly from the UK, but requires a global network to serve a global client base: approximately 40 per cent, of its sales go to the Far East, 30 per cent to Europe, 23 per cent to the Americas. As the company has a short term order book, revenue visibility is low. However the Company benefits from long-term trends towards increased automation in production, especially in Asia, where wage inflation has put pressure on manufacturers' margins. Renishaw's board has made a considerable investment in new production space backed by its confidence in the company's medium term outlook.

Investment Manager's Report (continued)

Renishaw PLC ("Renishaw") (continued)

The long term focus requires consistently high research and development spend (15 per cent of sales, including engineering costs) to maintain its leadership. Renishaw has moved into healthcare and robotics in neurosurgery and dental applications. The move away from its core metrology markets has not been without losses – £8.6m last year. Following a review of its healthcare activities, fewer projects are being pursued and Renishaw is aiming for profitability in 2014.

The Fund had identified the merits of the company and an engagement agenda with its board. The stake was purchased following the severe de-rating of the stock during the second half of 2011, and engagement began. We have discussed issues of corporate governance and of insufficient investor communications. In our view, the latter may hinder a full re-rating of the stock. We have had useful and constructive dialogue and have been encouraged by the response.

While Renishaw is a successful company, important issues remain, partly due to the closely held nature of the share register. Following a considerable share price recovery, some profits have been taken and the Fund continues to review the issues.

N Brown Group PLC ("N Brown")

N Brown is a home shopping business. Over the last decade, it has made the transition from catalogue mail order to having 50 per cent of its sales online. Its UK brands include SimplyBe, JD Williams and Jacamo, targeting the market for special sizes. This is an underserved niche, in which it is necessary to develop expertise in clothes fit, and stocking of a large range of sizes, but rewards retailers with a higher customer loyalty. N Brown's customers purchase using a credit account and this generates an additional income for the company. N Brown is skilled in data analytics, which gives it increased control over revenue drivers and margin levers. In our view, data analytics are critical in online retail and, by extension, in the multi-channel world. The home shopping model is distinct from other retailers as most costs are flexible, making it more resilient to economic strain. Brown has striven to diversify its customer profile. From 2009 to 2012, menswear revenue has grown 67 per cent. It has invested for overseas growth. In 2009 it began operations in Germany and the following year in the US. In America it is targeting a market estimated to be in excess of $30bn. In the UK, N Brown is cautiously exploring its multi-channel opportunities by opening some high street outlets. Trading over the last year has been resilient in tough markets, with depressed consumer discretionary spending and input cost pressures.

The Fund has engaged with the board, discussing strategy, issues of succession planning and corporate governance. In our view, revenue growth is being held back by a focus on credit sales at the expense of developing profitable cash customers. These issues have been discussed with N Brown's management and with other stakeholders. The Fund has also expressed its support for additional investment in international growth.

At its 2012 annual general meeting, N Brown announced the forthcoming retirement of the chairman, renewal of the board and a subsequent change of CEO. In our view, the renewal of the board offers a real opportunity for N Brown to address important issues which could improve the upside for investors. The retirement of the largest shareholder is a reminder that value could be crystallised by a corporate solution. The changes resulted in a modest re-rating. In our view, there is a potential to develop and achieve better recognition for the online element of N Brown's revenues and the international growth opportunities of its business.

Investment Manager's Report (continued)

Sutton Harbour Holdings PLC ("Sutton Harbour")

Sutton Harbour owns and operates Sutton Harbour in the Barbican area of Plymouth. This includes a leisure marina, the second largest fresh fish market in England and an estate of investment properties around the harbour. The marina can berth 489 vessels and is considered to be one of the best in the South West.

During the 2000s, the company expanded into air transport, acquiring a long lease for Plymouth City Airport and operating airline routes through a new subsidiary, Air Southwest. The airline turned loss-making and was sold in 2010. In 2011 Plymouth City Council agreed to the closure of the airport. The company is now examining with the Council the options for the 104 acre airport estate, valued at £6m on the books. These include retail and residential use.

Sutton Harbour has carried out property regeneration projects in the past, but these have been halted due to depressed property markets. The development of a marina in Millbay, near Sutton Harbour, will be funded by the recent equity capital raising. Building is planned to start shortly in order to berth vessels for the 2013 season. The new King Point marina is aimed to strengthen Sutton Harbour as a leisure destination in the South West.

Trading from the income generating assets has been positive, with 90 per cent occupancy at the marina. Sutton Harbour has made progress in disposing of non-core property assets, as suggested by the Fund. NAV per share stood at 43.1p at the end of March 2012, the latest available, against a share price of 21.5p on 30 June 2012.

The Fund has maintained close engagement with Sutton Harbour. Following the airline disposal, the company's balance sheet was weakened. Our view was that a capital raise was necessary to allow the company to pursue its investment opportunities. We were dissatisfied with the pace of progress and believed that decisive action was required. At Sutton Harbour's AGM, the Fund voted down the authority to allocate shares, as a signal of our view that action was needed. Following this, the Sutton Harbour board announced the departure of the CEO.

The Fund pro-actively advocated shareholders' interests in the run-up to December's fundraising. We engaged intensely both on the terms of the raising and the importance of avoiding higher risk projects. As a result of the fundraising, the Fund's stake in Sutton Harbour increased to 25 per cent.

Though the balance sheet has been strengthened, Sutton Harbour's shares trade at a substantial discount to NAV. In our view, the new CEO and management need to demonstrate their ability to generate further profits, and convince the market of the company's achievements and potential. The Fund has put forward specific proposals to the board and continues to engage actively.

Omega Insurance Holdings Limited ("Omega")

Omega is a Bermuda domiciled reinsurer. It owns a Managing Agent in Lloyd's, which runs syndicate 958, and a subsidiary insurance company operating in Chicago. Until this year, it also operated in the Bermuda reinsurance market.

In our view, Lloyd's is difficult for outsiders to enter and Omega's franchise had a replacement cost in excess of the market's valuation. Since our investment in 2010, the press reported bid interest from half a dozen companies, and the company was in offer talks for most of 2011. During the period, we have engaged with the company's board, key investors and several outsiders interested in Omega. We supported the board's effort to engage with those parties interested in the business.

Over the period, a sequence of natural catastrophes combined with a poor underwriting performance eroded Omega's Net Tangible Assets (NTA, a key valuation metric for reinsurance businesses). NTA per share fell in two years from 126p to 87p. In our view, a new management team would have been able to rebuild the NTA and re-engage with past buyers that have been disappointed with the process.

Investment Manager's Report (continued)

Omega Insurance Holdings Limited (continued)

In April, we publicly requested the removal of the CEO, Richard Pexton, following the failed takeover saga and the poor returns on NTA which, in our view, led to the share price trading at over 20 per cent discount to NTA, well below its peer group's 10 per cent premium.

As a result of increased shareholder pressure to address the issues, the board agreed to the Canopius cash offer of 67p per share. The bid, announced on April 25, valued the business at £164m, or 0.88x NTA. The offer was announced with the irrevocable support of 49 per cent of Omega's shareholders. At the general meeting on 7 June, the deal was approved by 90 per cent of the shares voted. The deal completed at the end of August after receiving regulatory approval. Despite the Fund's best endeavours and continued intense engagement, this investment will result in a loss to the Fund.

Devro PLC ("Devro")

Devro is a specialist manufacturer of collagen casings for sausages. These casings are used instead of sheep gut, and deliver improvements in quality and productivity for the meat processor. Devro produces from sites in Europe, USA and Australia, to a global customer base, with 38 per cent of revenues from continental Europe, 27 per cent from Asia/Pacific, 22 per cent from the Americas, and 14 per cent from the UK. Long-term growth is supported by increased meat consumption in emerging economies and a switch from gut technology. Devro has only one global competitor, Viscofan, and one focused on the Chinese market, Shanguai.

The company's strategy has been to focus the business in its core strength, collagen casings, investing in product development and disposing of non-core operations. It has progressively improved selling prices and margins and launched a premium casing range. Over £100m of capital expenditure is being incurred over 2010-2012 to upgrade production lines. As these enter production, returns should benefit accordingly. Devro has reported robust trading though foreign exchange is now a headwind, as is the higher cost of energy and of Devro's source of collagen, cattle hides.

In our view, Devro is at least 50 per cent undervalued, as the market does not recognise its global growth opportunities or the potential for further margin progress. This is a defensive food business with high revenue visibility in a sector with technological barriers to entry. In our opinion, it ought to be trading at a premium commensurate with its high replacement value.

The Fund has been a longstanding investor in Devro and has increased its holding over the last year. We have engaged positively and constructively with the board and management and expressed our views about improving the understanding of the business and its potential. We are monitoring progress and continue to review options to bring about a re-rating.

Tribal Group PLC ("Tribal Group")

Tribal is a support services company in the education sector. It provides school inspections and student records software, delivering productivity and cost savings for customers. It has 89 of the UK's 165 universities as clients, and is now focusing on overseas expansion. As a result of its business model and reputation, revenues are "sticky", as contracts are typically 12-18 months long and retention rates are high.

Since 2010 Tribal has been transformed, leaving behind a conglomerate of public sector related businesses, which with the arrival of public sector austerity became unprofitable. Over two years, Tribal unwound past acquisitions and returned to its educational core. It realised £5.3m annualised savings in 2011. The restructuring was accompanied by bid approaches which kept the company under offer period for most of 2010.

Investment Manager's Report (continued)

Tribal Group PLC (continued)

Recent trading has been strong. Early in 2012 it announced a new contract with the New South Wales government in Australia, worth £26m over three years. This highlights its strong industry position and overseas growth opportunities. Tribal's earnings growth guidance is for doubled EPS from 2011's 7.9p per share in three years. Management has been incentivised to triple EPS over the same period. The company sees the opportunity to sell its product in other non-educational markets. Accounting rules may cause some uncertainty over earnings growth timing, as Tribal must meet a number of milestones before profit from new clients can be recognised.

The Fund has maintained a sustained and very positive engagement with the management and board. This has covered a range of subjects, from strategic issues to investor communication and executive remuneration. While several issues require continued monitoring, in our view the company is delivering value. In addition, its strategic focus has increased its attraction as a high margin educational business with a strong UK presence and growing representation in the US and Australia.

Whilst on trailing results Tribal does not appear undervalued, we believe that the current price is not reflecting the excellent growth prospects for the company, supported by its competitive position. Cash flow modelling suggests that the market is factoring in negative growth. More positive growth assumptions imply a fair value price well in excess of the current market level.

API Group PLC ("API")

API makes foils, holographics and laminates which are used for premium packaging. Its key markets are tobacco, alcoholic drinks, and personal care in which enhanced visual appeal is an important driver of sales. Its holographics products have a range of uses, from government security and currency to authentication of consumer products. API has manufacturing facilities in the UK and USA, and distributing sites in Europe, Hong Kong and Australia. Some of its markets are highly fragmented; however, API has over 30 per cent of the European laminates market.

The management team arrived in 2007 and following a £8m fund raise started a business turnaround. Since 2008, revenues have risen from £87m to £114m, and a £4m annual loss has turned into a £5m profit. In laminates and holographics, API has started to market its capabilities direct to Fast Moving Consumer Goods (FMCG) companies. In holographics, it has started work to upgrade the security level of its site, which will allow it to bid for higher margin contracts. In Foils Americas, the company is considering a radical reorganisation of production that could enhance margins by over 250 basis points. In June, the company started a new laminates contract with an FMCG company which adds over 10 per cent to volumes. In an operationally leveraged business this is expected be a major contributor to earnings growth.

Activist issues have been prominent at API since February, when its board received a request from its two largest shareholders to explore the sale of the business. Steel Partners and Wynnefield Capital together hold 60 per cent of the equity. The Fund put forward strategic options to API's board and expressed its support for the management's strategy. API's board will announce its decision on the beginning of a sale process during the third quarter.

In our view, a corporate sale could be premature whilst the management is only part-way through its revival plans. More shareholder value will be released by allowing the benefits of this to become apparent.

In its New Jersey site, 20 acres within the Manhattan commuter belt, the company has a hidden asset, potentially worth a significant part of its market capitalisation. It is our belief that the reorganisation, investment and marketing initiatives combine to offer upside well in excess of 100p. We intend to continue our engagement with the board and management to ensure that full value is delivered.

Investment Manager's Report (continued)

Norcros PLC ("Norcros")

Norcros in the UK makes electric power showers, tiles and adhesives, and in South Africa it manufactures and retails both tiles and adhesives. It has market leading brands: Triton for showers and Johnson for tiles. While reliant on construction activity, both products are also heavily dependent on repair and maintenance. This provides a measure of resilience to the revenue line, and Norcros has traded well during the house building downturn.

In recent times, Norcros has invested in its tile-making facilities in Stoke-on-Trent to produce more sophisticated designs and finishes. With Triton, it has continued to invest in new products, including efficient showers that use less water and electricity. The South African division has proved challenging, coming under pressure from depressed economic conditions. Norcros has had manufacturing issues in its tile plant which, following extensive management work, should now be addressed.

The Fund has engaged with the board on the strategic issues facing the group, including the substantial burden of its pension liabilities and the large geographic reach, including small operations in Australia. We have also had frank exchanges with the management on the presentation of corporate news.

In our view, Norcros has market leading positions, which might prosper further under a larger corporate umbrella. We are not convinced that the company has sufficient scale to maximise returns from South Africa. The share price is in our view 50 per cent below our estimated value for the sum of the parts. We intend to continue our engagement with the company to ensure the delivery of maximum value.

JJB Sports PLC ("JJB")

JJB is a sports retailer which offers full product ranges including sports fashion, footwear, replica shirts, equipment and accessories in several sports. JJB operates in most towns and cities of the UK and on the internet.

JJB has been in difficulties for several years and has remained loss-making, not helped by the current economic environment. The company has struggled with the tough competition from value oriented SportsDirect and fashion conscious JD Sports. JJB has been pursuing a strategy of being 'serious about sport', distinct from a discounting strategy or a fashion one. Being a specialist sports retailer offers the opportunity to obtain access to premium brands such as Asics and the top end of Nike product, no longer available at SportsDirect.

To that aim, in recent years JJB has embarked on a store re-design programme and worked to improve its retail proposition. However, management has failed to implement this strategy. Operational issues remain, and can be seen in inadequate product ranges and insufficient promotional effort to drive the revenue line. In parallel, a structural change in the sports retail world has increased the pressure from internet retailers and new high-end specialists on JJB's margins. The on-going losses at the company have slowed down the implementation of its store refurbishing programme.

The Fund first invested in JJB in 2008, and exited its position at a £2.1m gain. It reinvested in May 2009 supporting the Company Voluntary Arrangement (CVA) strategy of Sir David Jones. Sir David had become Executive Chairman after the board dismissed Chris Ronnie, who had previously worked with Mike Ashley of SportsDirect. The Fund also supported Sir David's intention to seek the re-financing needed to re-stock the company in advance of the Christmas season. However, Sir David Jones left JJB in January 2010 due to health issues, also following confirmation that he had obtained financial assistance from Mike Ashley. Under the new chairman John Clare, company senior independent director since 2007, the Fund became increasingly concerned over lack of progress in resolving operational issues. Inadequate and poor stock acquired earlier in 2010 worsened sales and resulted in a September 2010 profit warning.

Investment Manager's Report (continued)

JJB Sports PLC (continued)

Facing the risk of a breach of banking covenants, the Fund supported a Christmas emergency fund raise in December 2010 and pressed for a renewal of the board. This resulted in the arrival of Mike McTighe, an executive with turnaround experience, as chairman. A new CVA took a further step to reduce the store portfolio. From this position, the Fund supported an additional 2011 capital issue to carry on re-furbishing stores, buy stock and pay down debt. Additionally, since May 2011, the Fund has been represented on the Board by Richard Bernstein, a director of the Manager.

Over 2012 disappointing progress in operations have precluded effective competition with JJB's well managed rivals, and the Fund facilitated the arrival of Dick's Sporting Goods (DSG), a leading US sporting goods retailer, as a strategic partner for JJB. The arrival of DSG triggered a fresh search for new board leadership and management.

On 19 July, JJB announced that further deterioration in trading had reduced headroom on financial facilities, which was likely to accelerate the timing of additional financing. On 30 August, the company initiated a sale process.

JJB has taught the Fund the limits of its ability to effect wholesale turnarounds when faced with the toughest obstacles.

Other holdings

United Drug PLC ("United Drug") is a pharmaceuticals wholesaler in Ireland and a specialised support services company in the UK, US and Europe. It provides marketing, packaging, and logistic services to pharmaceutical companies, and will benefit from the long-term trend of pharmaceutical firms to outsource non-core operations. Its dominant market position in Ireland has improved throughout the recession and remains highly cash generative. In our view, the lack of listed peers and an 'Irish discount' have obscured the merits of its growth opportunities and strong market positions and balance sheet.

Young & Co's Brewery PLC ("Young & Co") manages its pub estate, which includes a hotel business. The majority of those pubs are in the South East of England and have performed better than their peers in this difficult consumer climate. The Fund had been monitoring this company for some time, and has engaged over matters including the dual-share structure and the discount to its asset value. The investment was acquired opportunistically at a discount from the Guinness Peat Group holding placement, and has already been sold at a profit.

Smiths News PLC ("Smiths News") distributes newspapers and magazines to newsagent stores in the UK. It also sells books internationally and, after its recent acquisition of the Consortium, it sells consumables to schools. The company was identified as a deep-value investment. In our view, Smiths News has a strong management team able to drive efficiencies in a declining industry. Having acquired the Consortium, Smith News is on track to re-gain revenue growth. This, combined to its profitable core business, has started a re-rating.

Hedging activity

During the year, the Fund purchased derivative instruments as an insurance against a significant market sell-off.

Activist investment process

The Fund originates ideas mainly from its screening processes and its network of contacts, including its shareholders. Companies are valued with focus on their replacement value, cash generation ability and balance sheet strength. In the process, the Fund's goal is to examine the company both 'as it is' and also under the lens of 'as it could be' to maximise shareholder value.

Investment Manager's Report (continued)

Activist investment process (continued)

Investments are made after an initial engagement, which in some cases may have been preceded by the purchase of a modest position in the company. This position allows the Adviser to meet the company as a shareholder. Engagement includes the company chairman and management, and normally also several non-executive directors, as we build a network of knowledge around our holdings. Site visits are undertaken to deepen the research and where appropriate independent research is commissioned. Investee company annual general meetings are attended to maintain close contact with the board and other stakeholders.

For all companies in the portfolio, the Fund strives to develop an activist angle and aims to contribute to the companies' strategy with the goal of maximising shareholder value. Where value is hidden or trapped, the Fund looks for ways to realise it. Throughout the year, most of the Fund's activism has taken place in private, but the Fund remains willing to make its concerns public when appropriate. Over the period under review, the response of management and boards to our suggestions has generally been very encouraging. We remain determined to ensure that our investments deliver their full potential for all shareholders, and are committed to engage to the degree required to achieve this.

Realisations

Over the year, the Fund's main realisations have been Pinewood Shepperton PLC, which completed in July 2011 and generated a profit of £8.7m and PayPoint, which was sold during the year at a total gain of £4.7m.

Partial realisations from TT Electronics, Devro and Renishaw allowed the Fund to take profits of £0.7m, £0.6m and £0.4m respectively. These outweighed losses on Kesa Electricals PLC (£0.8m), and Trading Emissions (£0.5m), both holdings previously disclosed by the Fund.

The Fund's total realised gains since inception now amount to £38.3m. Previous profitable exits include 3i Quoted Limited Private Equity, Delta PLC, Kentz Corporation Limited, Tate & Lyle PLC and Chloride Group PLC.

Outlook

Though economic conditions remain challenging, the Fund's outlook is encouraging as it focuses on correcting perceived undervaluations.

The opportunities for engaged investment are supported by a continued improvement in the corporate governance of UK listed companies, and the positive perception of active ownership in recent government reports such as the Kay Review. Amongst under-researched or misunderstood UK small and mid-cap companies, the opportunities to deliver gains by focusing on shareholder value are promising.

The investment in JJB has shown the limits of the most intense activism when faced with the toughest challenges, as has our experience in the protracted Omega takeover saga. However, the Fund's many successes encourage us to continue to pursue our activist strategy to deliver good returns.

The Fund's portfolio includes companies which have very attractive opportunities to deliver value and in which we believe an activist stance can make a difference to shareholder returns. The Manager and Adviser are determined to realise their full value.

Crystal Amber Asset Management (Guernsey) Limited

10 September 2012

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 it is the intention of the Board to distribute a proportion of the dividends received to shareholders from the Fund's realised distributable reserves. The level of dividend receipts will vary based on the composition of the portfolio from time to time. 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.

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 15.

Results and dividend

The results for the year are set out in the Statement of Comprehensive Income on page 26.

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

On 6 July 2012 the Company declared an interim dividend of £300,000, equating to 0.5p per Ordinary share, and was paid on 20 August 2012 to shareholders on record on the register on 20 July 2012.

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 12 to the financial statements.

Directors

The Directors of the Company who served during the year and as at 30 June 2012 are shown on page 2. Biographies of the Directors holding office as at 30 June 2012 and at the date of signing these financial statements are shown on page 24.

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:

	2012		*2011*	
	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:

	2012	*2011*
	£	*£*
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 11 August 2012, 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	6,696,614	11.16%
Wirral BC	6,000,000	10.00%
Rathbones	3,034,300	5.06%
CG Asset Management Limited	2,500,000	4.17%
CCLA Investment Management Limited	2,500,000	4.17%
Hargeave Hale Limited	2,087,000	3.48%
Simpson Financial Limited	2,000,000	3.33%
Total	42,517,914	70.87%

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 auditor is 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 auditor is 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") (available from the Financial Reporting Council's website, www.frc.org.uk). 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") (both available from the AIC's website, www.theaic.co.uk). A new version of the AIC code was published in March 2012 which is aligned with the FRC Code and the Board reports against the new version of the AIC Code.

The Guernsey Financial Services Commission ("GFSC") Code came into force in Guernsey on 1 January 2012. Under the GFSC Code, the Company shall be deemed to satisfy the GFSC Code provided that it continues to conduct its governance in accordance with the requirements of the AIC Code.

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. In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC 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.

A biography for the Chairman and all the other Directors follows in the next section, which sets out the range of investment, financial and business skills and experience represented. The Directors believe that the current mix of skills, experience, ages and length of service of the Directors is appropriate to the requirements of the Company.

Internal evaluation of the Board, the Audit Committee and individual Directors has taken the form of peer appraisal, questionnaires and discussions to determine the effectiveness and performance in various areas as well as the Director's continued independence.

The AIC Code recommends that a board should appoint one independent Non Executive Director to be the Senior Independent Director. Sarah Evans is the 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, Sarah Evans will be retiring and offering herself for re-election.

Any Director who has held office with the Company, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for re-appointment by the members. However, the Company will consider whether there is any risk that such Director might reasonably be deemed to have lost independence through such long service. At the date of this report no Director has held office for more than six years.

Independent Directors will take the lead in any discussions relating to the appointment or re-appointment of Directors.

Mr Huntley will not offer himself for re-election and intends to step down from the Board at the forthcoming AGM.

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.

Report of the Directors (continued)

Corporate governance (continued)

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. A formal review of the effectiveness of the Company's risk management and internal control systems is conducted at least once a year and this was completed successfully during the period under review.

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. Due to the size of the Board all independent Directors are members of the Audit Committee.

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. Formal terms of reference for the Audit Committee are available on the Company website www.crystalamber.com.

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.

Report of the Directors (continued)

Corporate governance (continued)

Board meetings, Committee meetings and Directors' attendance

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

	Scheduled Board Meetings		*Audit Committee*	
	Held	*Attended*	*Held*	*Attended*
William Collins	4	4	2	2
Sarah Evans	4	4	2	2
Mark Huntley	4	4	2	N/A
Nigel Ward	4	4	2	2

In addition there were 2 Committee meetings during the year.

Relations with shareholders

The Board welcomes the views of 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.

The Board regularly monitors the shareholder profile of the Company and receives comprehensive shareholder reports from the Company's broker at all quarterly board meetings. A post results programme of visits to major shareholders is conducted by the Company's Broker and Investment Adviser.

Independent auditor

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 12 October 2012 at the Registered Office of the Company, Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey.

On behalf of the Board

Sarah Evans
Director

10 September 2012

Nigel Ward
Director

10 September 2012

Directors

William Collins (aged 63), 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 57), 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 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 54), Guernsey Resident, Non-Executive Director

Mark Huntley is an Associate Member of the Chartered Institute of Bankers. 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 over 30 years experience in offshore funds, trust and fiduciary services and private banking, with particular focus on the specialist and alternative fund sectors gained whilst at Barings over 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 Channel Island Stock Exchange LBG.

Nigel Ward (aged 55), Guernsey Resident, Non Executive Director

Nigel Ward is currently a full time independent non-executive Director on the board of several offshore funds and companies, including London and CISX listings. Investment mandates include property, agricultural land, student accommodation, UK equities, European SME credit, and distressed debt. He has over 38 years' experience of international investment markets, credit and risk analysis, corporate and retail banking, corporate governance, compliance and the managed funds industry. He spent 20 years at Baring Asset Management, and also at TSB Bank, National Westminster Bank and Bank Sarasin. 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.

A list of the Director's publically held directorships is available at the Company's registered office.

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 2012 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 19 and 20, 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 2012 and of its loss 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

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 2012

		2012			2011		
	Notes	*Revenue* £	*Capital* £	***Total* £**	*Revenue* £	*Capital* £	***Total* £**
Income							
Dividend income from listed investments		1,355,881	–	**1,355,881**	2,024,736	–	**2,024,736**
Director's fees received	13	46,201	–	**46,201**	–	–	**–**
Fixed deposit interest		22,140	–	**22,140**	6,526	–	**6,526**
Bank interest		15,903	–	**15,903**	9,570	–	**9,570**
		1,440,125	–	**1,440,125**	2,040,832	–	**2,040,832**
Net gains on financial assets at fair value through profit or loss							
Equities							
Realised gains	8	–	12,592,346	**12,592,346**	–	3,673,533	**3,673,533**
Movement in unrealised losses	8	–	(13,153,615)	**(13,153,615)**	–	(7,702,553)	**(7,702,553)**
Derivative Financial Instruments							
Realised loss	8	–	(249,635)	**(249,635)**	–	–	**–**
Total income		1,440,125	(810,904)	**629,221**	2,040,832	(4,029,020)	**(1,988,188)**
Expenses							
Transaction costs	4	–	495,861	**495,861**	–	230,285	**230,285**
Exchange movements on revaluation of investments		–	211,079	**211,079**	–	–	–
Management fees	13,15	1,215,135	–	**1,215,135**	1,290,658	–	**1,290,658**
Directors' remuneration	14	95,000	–	**95,000**	95,000	–	**95,000**
Administration fees	13	78,454	–	**78,454**	83,604	–	**83,604**
Consultancy fees	13	50,000	–	**50,000**	–	–	**–**
Custodian fees		30,282	–	**30,282**	31,405	–	**31,405**
Audit fees		18,080	–	**18,080**	17,388	–	**17,388**
Other expenses		185,945	–	**185,945**	154,885	–	**154,885**
		1,672,896	706,940	**2,379,836**	1,672,940	230,285	**1,903,225**
(Loss)/return for the year		(232,771)	(1,517,844)	**(1,750,615)**	367,892	(4,259,305)	**(3,891,413)**
Basic and diluted earnings per share (pence)	5	(0.39)	(2.53)	**(2.92)**	0.61	(7.10)	**(6.49)**

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 are presented under guidance published by the Association of Investments Companies.

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

Statement of Financial Position
As at 30 June 2012

	Notes	2012 £	2011 £
ASSETS			
Cash and cash equivalents	6	1,959,506	4,067,541
Trade and other receivables	7	337,421	354,628
Financial assets designated at fair value through profit or loss	8	61,369,130	61,062,843
Total assets		63,666,057	65,485,012
LIABILITIES			
Trade and other payables	9	309,586	77,926
Total liabilities		309,586	77,926
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	10	600,000	600,000
Distributable reserve		56,147,261	56,447,261
Retained earnings		6,609,210	8,359,825
Total equity		63,356,471	65,407,086
Total liabilities and equity		63,666,057	65,485,012
Net asset value per share (pence)	5	105.59	109.01

The financial statements were approved by a committee of the Board of Directors and authorised for issue on 10 September 2012.

Sarah Evans
Director

10 September 2012

Nigel Ward
Director

10 September 2012

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 2012

2012	*Notes*	*Share Capital* £	*Distributable Reserve* £	*Retained earnings* *Capital* £	*Revenue* £	*Total* £	*Total Equity* £
Opening balance at 1 July 2011	10	600,000	56,447,261	6,814,554	1,545,271	8,359,825	65,407,086
Dividend paid in the year	11		(300,000)	–	–	–	(300,000)
Return for the year		–	–	(1,517,844)	(232,771)	(1,750,615)	(1,750,615)
Balance at 30 June 2012		600,000	56,147,261	5,296,710	1,312,500	6,609,210	63,356,471

2011	*Notes*	*Share Capital* £	*Distributable Reserve* £	*Retained earnings* *Capital* £	*Revenue* £	*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 2012

	Notes	2012 £	2011 £
Cashflows from operating activities			
Dividend income received from listed investments		1,370,606	2,389,272
Fixed deposit interest received		21,141	8,133
Director's fees received		49,589	–
Bank interest received		15,903	9,570
Management fees paid		(1,215,135)	(1,290,658)
Consultancy fee paid		(50,000)	–
Directors' fees paid		(95,000)	(95,000)
Other expenses paid		(312,503)	(371,032)
Net cash (outflow)/inflow from operating activities		(215,399)	650,285
Cashflows from financing activities			
Dividends Paid		(300,000)	–
Net cash outflow from financing activities		(300,000)	–
Cashflows from investing activities			
Purchase of financial instruments		(61,277,213)	(54,752,991)
Sale of financial instruments		60,180,438	45,981,050
Transaction charges on purchase and sale of financial instruments		(495,861)	(230,285)
Net cash outflow from investing activities		(1,592,636)	(9,002,226)
Net decrease in cash and cash equivalents during the year		(2,108,035)	(8,351,941)
Cash and cash equivalents at beginning of year		4,067,541	12,419,482
Cash and cash equivalents at end of year	6	1,959,506	4,067,541

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 2012

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") as issued by the IASB 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. During the year no assumptions or estimates have been made that are significant to the financial statements.

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 2012 (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 19.

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, derivatives, trade and other receivables, cash and cash equivalents, and trade and other payables. Financial instruments are recognised initially at fair value. Subsequent to initial recognition financial instruments are measured as described below.

Investments

All the Company's investments are designated at fair value through profit or loss. They are initially recognised at fair value, being the cost incurred in their acquisition. Transaction costs are expensed in the 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.

Notes to the Financial Statements
For the year ended 30 June 2012 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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.

Derivative financial instruments

When considered appropriate the Company will enter into derivative contracts to manage its price risk and provide protection against the volatility of the market. The Company does not issue derivatives for trading or speculative purposes.

The Company's holdings of derivatives are designated at fair value through profit or loss. They are initially recognised at fair value, being the cost incurred in their acquisition.

Quoted derivatives are valued at the bid price on the reporting date. Where derivatives 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. Gains and losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

Derecognition of financial instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and consideration received (including any new asset obtained less any new liability assumed) is recognised in the Statement of Comprehensive Income.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Any gain or loss on derecognition is recognised in the Statement of Comprehensive Income.

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.

Notes to the Financial Statements
For the year ended 30 June 2012 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Company currently incurs withholding tax imposed by non UK countries on dividend income, these dividends are recorded gross of withholding tax in the Statement of Comprehensive Income. Withholding tax is recorded in Other expenses in the Statement of Comprehensive Income.

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.

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 9	Financial Instruments: classification and measurement	1 January 2015
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

Notes to the Financial Statements
For the year ended 30 June 2012 (continued)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Revised and amended standards		Effective for periods beginning on or after
IFRS 7	Financial Instruments: Disclosures – amendments related to the offsetting of assets and liabilities	1 January 2013
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
IAS 32	Financial Instruments: Presentation – amendments relating to the offsetting of assets and liabilities	1 January 2014

In addition, in May 2012, the IASB issued the annual improvements to IFRS 2009-2011 Cycle which affect five IFRS. Most amendments are effective for annual periods beginning on or after 1 January 2013, 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 2015 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.

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:

	2012 £	*2011* £
Stamp duty	280,674	134,410
Commissions and custodian transaction charges:		
In respect of purchases	139,864	57,025
In respect of sales	75,323	38,850
	495,861	230,285

Notes to the Financial Statements
For the year ended 30 June 2012 (continued)

5. BASIC AND DILUTED LOSS PER SHARE AND NET ASSET VALUE PER SHARE

Loss per share is based on the following data:

	2012	*2011*
Loss for the year	£(1,750,615)	£(3,891,413)
Average number of issued Ordinary shares	60,000,000	60,000,000
Basic and diluted loss per share (pence)	(2.92)	(6.49)

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

	2012	*2011*
Net asset value per statement of financial position	£63,356,471	£65,407,086
Number of issued Ordinary shares	60,000,000	60,000,000
Net asset value per share (pence)	105.59	109.01

There are no potentially dilutive shares in issue.

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:

	2012	*2011*
	£	£
Cash available on demand	1,917,584	4,047,567
Cash on deposit with maturities of less than 90 days	41,922	19,974
	1,959,506	4,067,541

Cash available on demand earns interest at a rate based on the bank call deposit rate while short-term placements earned interest ranging from 0.15 per cent to 0.55 per cent per annum during the year.

7. TRADE AND OTHER RECEIVABLES

	2012	*2011*
	£	£
Trade receivables	315,102	334,227
Prepayments	22,319	20,401
	337,421	354,628

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

Notes to the Financial Statements
For the year ended 30 June 2012 (continued)

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

	2012	2011
	£	£
Equity investments	61,369,130	61,062,843
Derivative financial instruments	–	–
	61,369,130	61,062,843

	2012	2011
Equity investments		
Cost brought forward	77,985,395	65,840,714
Purchases	60,803,794	54,151,989
Sales	(59,725,158)	(45,680,841)
Realised gain	12,592,346	3,673,533
Cost carried forward	91,656,377	77,985,395
Unrealised losses brought forward	(16,949,976)	(9,247,423)
Movement in unrealised losses	(13,153,615)	(7,702,553)
Unrealised losses carried forward	(30,103,591)	(16,949,976)
Effect of exchange rate movements	(183,656)	27,424
Fair value of equity investments	61,369,130	61,062,843
Derivative financial instruments		
Cost brought forward	–	–
Purchases	704,915	–
Sales	(455,280)	–
Realised Loss	(249,635)	–
Fair value of derivative financial instruments	–	–

At 30 June 2012 the Company did not hold any investments in derivative financial instruments.

9. TRADE AND OTHER PAYABLES

	2012	2011
	£	£
Unsettled trade purchases	231,496	–
Accruals	78,090	77,926
	309,586	77,926

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 2012 (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:

	2012		*2011*	
	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. DIVIDENDS

On 12 August 2011 the Company paid a dividend of £300,000, equating to 0.5p per Ordinary share. Subsequent to the year end, the Company declared an additional dividend of £300,000, equating to 0.5p per Ordinary share, which was paid on 20 August 2012.

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial risk management objectives

The Manager, Crystal Amber Asset Management (Guernsey) Limited and the Administrator, Heritage International Fund Managers ("HIFM"), provide advice to the Company which allows it to monitor and manage financial risks relating to its operations through internal risk reports which analyse exposures by degree and magnitude of risks. The Manager and the Administrator report to the Board on a quarterly basis. The risks relating to the Company's operations include credit risk, liquidity risk, and the market risks of interest rate risk, price risk and to a certain extent foreign currency risk.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument will default on its contractual obligations that it has entered into with the Company resulting in financial loss to the Company. At 30 June 2012 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 2012. 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 2012 (continued)

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (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 2012 £*	*Carrying Amount 2011 £*
ABN AMRO (Guernsey) Limited	Guernsey	A+	1,902,352	4,034,208
HSBC Bank Plc – Guernsey Branch	Guernsey	AA-	51,922	29,974
Other			5,232	3,359
			1,959,506	4,067,541

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 2012 £63,271,482 (2010: £65,097,051) 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 parent of 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:

2012	*Weighted average interest rate*	*Less than 1 year £*	*1-5 years £*	*5+ years £*	*Total £*
Assets					
Non-interest bearing	–	61,706,551	–	–	61,706,551
Variable interest rate instruments	0.25%	1,959,506	–	–	1,959,506
Liabilities					
Non-interest bearing	–	(309,586)	–	–	(309,586)
		63,356,471	–	–	63,356,471

Notes to the Financial Statements

For the year ended 30 June 2012 (continued)

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Liquidity risk (continued)

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

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 (2011: 0.15 per cent) higher/lower and all other variables were held constant:

- the Company's return for the year ended 30 June 2012 would have increased/decreased by £15,766 (2011: £8,427);
- 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.

During the year to 30 June 2012 the Company entered into various index put derivative option contracts to protect the Company's value against a potential fall in the market. None of these contracts were outstanding at 30 June 2012.

Notes to the Financial Statements
For the year ended 30 June 2012 (continued)

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Price risk (continued)

As at 30 June 2012, the following tables detail the Company's investments. Shareholders requiring further information about the portfolio should apply in writing to the Company's registered office.

2012

Equity Investments	*Sector*	*Value £*	*Percentage of Gross Assets*
TT Electronics PLC	Industrial	11,417,410	18
Renishaw PLC	Industrial	6,300,000	10
Brown N Group PLC	Retail	5,201,477	8
Sutton Harbour Holdings PLC	Transportation Services	5,180,236	8
Omega Insurance Holdings Ltd	Insurance	5,150,209	8
Devro PLC	Consumer	4,545,012	7
Tribal Group PLC	Consulting Services	3,388,813	5
API Group PLC	Basic Materials	3,253,800	5
Norcros PLC	Industrial	2,964,500	5
JJB Sports PLC	Retail	2,817,470	4
United Drug PLC	Consumer	2,243,743	4
Young & Co's Brewery PLC	Consumer	1,715,000	3
Smiths News PLC	Communications	1,714,500	3
Other	Various	5,476,960	8
Total		61,369,130	96

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

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 2012 would have increased/decreased by £15,342,282 (2010: £15,265,711);
- there would have been no impact on the other equity reserves.

Notes to the Financial Statements
For the year ended 30 June 2012 (continued)

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates and arises when the Company invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency. During the year the Company was exposed to foreign exchange risk arising from equity investments held in Euro.

The table below illustrates the Company's exposure to foreign exchange risk at 30 June 2012:

	2012	*2011*
	£	*£*
Financial assets designated at fair value through profit or loss		
Equity investments – Listed equity securities (Euro)	3,135,845	1,804,182
Total Assets	**3,135,845**	**1,804,182**

If the Euro weakened/strengthened by 10 per cent against GBP with all other variables held constant, the effect on the fair value of equity investments would increase/decrease by £313,584 (2011: £180,418).

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 price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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.

Notes to the Financial Statements

For the year ended 30 June 2012 (continued)

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Fair value measurements (continued)

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 2012 and 30 June 2011:

2012	*Level 1* £	*Level 2* £	*Level 3* £	*Total* £
Financial assets designated at fair value through profit and loss:				
Equity investments – Listed equity securities	61,369,130	–	–	61,369,130

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

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 Pinewood Shepperton PLC which was realised on 11 July 2011.

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:

	Transfers from Level 1 to Level 2	
	2012 £	*2011* £
Financial assets designated at fair value through profit or 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 on 11 July 2011.

13. RELATED PARTIES

Mark Huntley, Director of the Company, is Managing Director of the Company's Administrator, Heritage International Fund Managers Limited, Managing Director of the CISX Listing Sponsor and a Director of the Investment Manager. During the year the Company incurred administration fees of £78,454 (2011: £83,604) of which £19,064 (2011: £18,750) was outstanding at the year end. Mark Huntley also received a Director's fee of £20,000 (2011: £20,000) of which £5,000 (2011: £5,000) was outstanding at the year end.

Notes to the Financial Statements

For the year ended 30 June 2012 (continued)

13. RELATED PARTIES (continued)

Richard Bernstein is a Director of the Investment Manager and a holder of 780,000 (2011: 780,000) Ordinary Shares, representing 1.30 per cent (2011: 1.30 per cent) of the issued share capital of the Company at the year end. He is as a non-executive Director of JJB Sports PLC. During the year the Company earned £46,201 (2011: £Nil) in relation to this directorship. At the year end £3,388 (2011: £Nil) had been received in advance.

The Investment Manager paid a consultancy fee of £50,000 to a third party on behalf of the Company during the year (2011: £Nil) in relation to the Company's investment in JJB. This amount was reimbursed in full by the Company.

During the year the Company incurred management fees of £1,215,135 (2011: £1,290,658) all of which had been paid at the year ended 30 June 2012 and 2011. The Investment Manager did not earn a performance fee during the year. (2011: £Nil) As at 30 June 2012 the Investment Manager held 1,115,000 shares (2011: 763,000) of the Company, representing 1.86 per cent (2011: 1.27 per cent) of the issued share capital.

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

14. DIRECTORS' REMUNERATION

	2012	*2011*
	£	£
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

15. 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.

Notes to the Financial Statements
For the year ended 30 June 2012 (continued)

15. MATERIAL AGREEMENTS (continued)

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

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

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

Heritage International Fund Managers Limited (the "Administrator")

The 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 (2011: 0.12 per cent) of the Net Asset Value (subject to a minimum of £75,000 per annum.)

ABN AMRO (Guernsey) Limited

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 the 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.

16. ULTIMATE CONTROLLING PARTY

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

17. POST BALANCE SHEET EVENTS

On 6 July 2012 the Company declared an interim dividend of £300,000, equating to 0.5p per Ordinary share, which was paid on 20 August 2012 to shareholders on record on the register on 20 July 2012.

On 7 August 2012 the Company reported that its unaudited NAV at 31 July 2012 was 104.96 per share.

On 19 July 2012 JJB announced that further deterioration in trading had reduced headroom on financial facilities, which was likely to accelerate the timing of the requirement for additional financing. On 30 August 2012 JJB initiated a sale process.

On 7 September 2012 the Company reported that its unaudited NAV at 31 August 2012 was 104.81p per share.

CRYSTAL AMBER

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