Crystal Amber Fund Limited

Annual Report and Audited Financial Statements

For the year ended 30 June 2014

Company No. 47213

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Management and Administration

Directors	William Collins *(Chairman)* Sarah Evans *(Senior Independent Director)* Nigel Ward David Warr *(Resigned 7 March 2014)* Christopher Waldron *(Appointed 1 July 2014)*
Registered Office	Heritage Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY
Investment Manager	Crystal Amber Asset Management (Guernsey) Limited Heritage Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY
Investment Adviser	Crystal Amber Advisers (UK) LLP 29 Curzon Street London W1J 7TL
Administrator and Secretary	Heritage International Fund Managers Limited Heritage Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY
CISE Listing Sponsor *(Until 1 July 2014)*	Heritage Corporate Services Limited Heritage Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY
Nominated Adviser	Sanlam Securities UK Limited 10 King William Street London EC4N 7TW
Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Independent Auditor	KPMG Channel Islands Limited 20 New Street St. Peter Port Guernsey GY1 4AN

Management and Administration (continued)

Legal Advisers to the Company	*As to English Law* Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ *As to Guernsey Law* Carey Olsen PO Box 98 Carey House Les Banques St. Peter Port Guernsey GY1 4BZ
Custodian	ABN AMRO (Guernsey) Limited PO Box 253 Martello Court Admiral Park St. Peter Port Guernsey GY1 3QJ
Registrar	Capita Registrars (Guernsey) Limited Longue Hougue House St Sampson Guernsey GY2 4JN

Highlights

- Good performance over the year with Net Asset Value ("NAV") per share rising 20.8 per cent to 160.8p per share (133.1p at 30 June 2013)
- Share placing in August 2013 raised £26.4 million before expenses and increased Fund size above £100 million; no cost to existing investors
- Significant contributions to NAV performance from Plus500 Limited, TT Electronics PLC, Sutton Harbour Holdings PLC, STV Group PLC and Cenkos Securities PLC
- Total realised gains over the year of £17.1 million including £3.9 million on Norcros PLC, £2.7 million on Connect Group PLC (formerly Smiths News PLC) and £2.5 million on Northgate PLC
- Significant positions in Leaf Clean Energy Company and NBNK Investments PLC acquired from institutional investors in exchange for Treasury shares in the Fund
- Successful share buy-back programme maintained. Average discount to month end NAV through the year of 3.6 per cent

William Collins, Chairman, commented:

"I am pleased to report another successful year for the Fund with NAV per share rising by 20.8 per cent, supported by significant gains from a number of our investments. The proceeds received from the fundraising in August 2013 have enabled us to make new investments and to add to existing positions. Our engagement with investee companies continues and we are confident that this will help to generate further gains in the coming year."

Chairman's Statement

I hereby present the seventh annual report of Crystal Amber Fund Limited ("the Fund") for the year to 30 June 2014.

For investors the period under review was a year of contrasting fortunes. Over the last six months of 2013, belief in the economic recovery took hold, with UK GDP growth forecasts for 2014 moving from 1.6 per cent to 2.4 per cent. In anticipation, equity markets continued to rally, with the FTSE All Share Index returning 11.5 per cent over the six months. In contrast, over the first six months of 2014, as the recovery became even more certain and GDP growth forecasts reached 3 per cent, equity markets stalled and remained range bound closing the period broadly flat.

For smaller and medium sized companies, such as those in which the Fund invests, the last six months of 2013 were particularly positive. FTSE Small Cap Index outperformed large caps with a 17.5 per cent return, and the FTSE 250 Index returned 17.0 per cent. Over the first six months of 2014, total returns of those indices were low, at 1.6 and 0.1 per cent respectively.

In this context, the returns delivered by the Fund have been good, 17.8 per cent over the second half of 2013 and 3 per cent over the first half of 2014, or 21.3 per cent over the whole period, including the dividend paid. NAV per share was 160.80p at 30 June 2014 compared with 156.14p per share at 31 December 2013 and 133.05p at 30 June 2013.

The market risk taken by the Fund was lower than that of a fully invested fund due to our 13.7 per cent average cash holding over the period. Adjusting for this, the invested portion of the Fund returned 24.7 per cent. As the Manager explains in its report, the rise in NAV was helped by strong contributions from investments in Plus500 Limited, TT Electronics PLC, Sutton Harbour Holdings PLC, STV Group PLC and Cenkos Securities PLC.

In August 2013, the Fund completed a fundraising from existing and new investors in a £26.4 million equity issue that took place at no cost to existing investors. The placing increased the Fund's net assets to slightly in excess of £100 million. The Fund also grew as a result of issuing 5.6 million shares held in treasury in consideration for the acquisition of significant stakes in Leaf Clean Energy Company and NBNK Investments PLC. These share sales were undertaken at NAV and grew the Fund by a further £5.9 million. With those transactions, the Fund has established strategic positions to execute activist campaigns.

Over the year, the Fund purchased 2.8 million of its own shares at an average price of 146.13p, as part of a strategy to reduce any substantial discount of the Fund's share price to NAV. The average discount of the Fund's share price to its month end NAV over the year has been 3.6 per cent.

The cash raised by the Fund over the period has now been fully invested. At the end of the period the Fund's cash position stood at 4 per cent of NAV.

As the NAV per share at 30 June 2014 exceeded the performance hurdle at that date, a performance fee is payable to the Manager. As previously announced in connection with the fundraising, the performance fee hurdle rate was increased from 7 per cent to 8 per cent per annum. As the Fund is trading at a discount, in accordance with the revised investment management agreement, fees will be paid in cash and will be used by the Investment Manager to buy Fund shares in the market.

The stretched market valuations at the end of 2013 held back returns over the first half of 2014. Over 2013, UK stocks rallied 21.2 per cent despite ongoing negative earnings revisions. Markets started 2014 at historically high valuations that already discounted the first leg of the recovery. In 2014, on the back of sterling strength, negative earnings revisions have been frequent, and the 9.8 per cent expected growth in earnings of UK companies has fallen to 3.8 per cent.

Chairman's Statement (continued)

The path ahead is unlike those in previous recoveries as unorthodox monetary policies now need to be unwound. Against an uncertain outlook of monetary tightening, we believe that the Fund is well positioned with its focus on special situations in which we look to act as a catalyst to release value. New positions in asset backed companies, such as Aer Lingus Group PLC, Leaf Clean Energy Company, Juridica Investments Limited and NBNK Investments PLC can deliver shareholder value with our activist engagement.

Finally, we were sorry to lose the services of David Warr who resigned as a Director in March 2014. However we are very pleased to welcome Christopher Waldron who joined the Board on 1 July 2014.

William Collins
Chairman

5 September 2014

Investment Manager's Report

Performance

The Fund's NAV per share increased by 20.8 per cent over the year. Together with the 0.5p dividend paid in July 2013, total return per share for the year was 21.3 per cent. This compares to the FTSE 250 total return of 16.82 per cent and FTSE Small Cap total return of 19.11 per cent. Over the year, the Fund was on average 86.3 per cent invested, with the balance held in cash, implying a return of 24.7 per cent for the invested portion of the portfolio. Returns month by month are shown in the table below.

Month	Fund total returns	FTSE 250 total returns	FTSE Small Cap total returns
June 2014	2.23%	–1.58%	–0.73%
May 2014	–1.83%	1.52%	0.57%
April 2014	–1.23%	–2.35%	0.26%
March 2014	–1.31%	–2.50%	–2.52%
February 2014	3.09%	6.78%	2.98%
January 2014	2.11%	–1.57%	0.99%
December 2013	0.08%	3.25%	2.45%
November 2013	1.24%	0.02%	–0.49%
October 2013	4.05%	4.05%	3.97%
September 2013	4.89%	2.17%	2.84%
August 2013	3.72%	–1.39%	1.17%
July 2013	2.70%	7.93%	6.45%

Key performance contributors were Plus500 Limited (4.0 per cent contribution), TT Electronics PLC (3.3 per cent), Sutton Harbour Holdings PLC (2.6 per cent), STV Group PLC (2.5 per cent) and Cenkos Securities PLC (2.1 per cent). The only material detractors were Leaf Clean Energy Company (–1.1 per cent), Johnston Press PLC (–0.6 per cent) and API Group PLC (–0.4 per cent). The Fund's performance is calculated taking into account portfolio protection through the purchase of FTSE puts, without which NAV per share would have been 5p higher.

Investment Manager's Report (continued)

Portfolio

The table below lists the Fund's top ten holdings.

Top ten holdings	*Pence per share*	*Percentage of investee equity held*	*Total return over the period*	*Percentage contribution to Nav performance*
Sutton Harbour Holdings PLC	11.6	29.2%	35.8%	2.6%
Tribal Group PLC	10.2	4.6%	4.7%	0.7%
4imprint Group PLC	9.8	4.2%	31.5%	1.5%
Aer Lingus Group PLC	9.8	1.2%	3.9%	-0.3%
Leaf Clean Energy Company	9.6	15.9%	-19.4%	-1.1%
Thorntons PLC	9.5	10.0%	15.4%	0.6%
Juridica Investments Limited	8.9	4.5%	1.8%	0.3%
API Group PLC	8.4	11.6%	-1.1%	-0.4%
TT Electronics PLC	8.1	1.9%	38.9%	3.3%
NBNK Investments PLC	8.0	25.4%	19.5%	1.6%
Total of ten largest holdings	93.9			
Other investments	65.5			
Cash and accruals	1.4			
Total NAV	**160.8**			

Over the year, following strong share price appreciation in several core holdings, the Fund reduced its exposure to its largest holdings, and at the end of June 2014 the largest ten accounted for 58.4 per cent of NAV (2013: 71 per cent).

Six of those positions were also amongst the top ten holdings last year, and one position, NBNK Investments PLC, was already an investee company of the Fund. Investments in Aer Lingus Group PLC, Leaf Clean Energy Company and Juridica Investments Limited were initiated during the period under review.

Of the other four positions that were top ten holdings in the previous year investments in three companies, namely Norcros PLC, Devro PLC and Connect Group PLC (formerly Smiths News PLC) have been sold completely. Norcros PLC and Connect Group PLC have made considerable progress since the Fund's initial investment, with shrewd acquisitions in growth areas and disposals of non-core assets. Their shares' ratings similarly progressed, and as the undervaluation has corrected, the Fund disposed of its stakes.

At the end of June, cash accounted for 4 per cent of NAV (2013: 2 per cent).

Investment Manager's Report (continued)

Strategy

As discussed in the Chairman's Statement, 2013 saw strong stock performances on the back of the market re-rating, in anticipation of the earnings growth to come from the economic recovery. In fact earnings growth has been lacklustre and so valuations appear full, with the FTSE 250 trading at 15.5 times prospective earnings.

The Fund has been taking profits on positions that benefited from this re-rating and re-investing the proceeds in new special situations with asset backing. These include Aer Lingus Group PLC, Leaf Clean Energy Company, Juridica Investments Limited, and NBNK Investments PLC. Tangible property holdings also support Sutton Harbour Holdings PLC. In our view, value can be released from these holdings and their returns are less dependent on the overall market rating.

Among the Fund's other top positions, self-help measures underpin the earnings growth of Thorntons PLC, API Group PLC and TT Electronics PLC. The Fund also remains an engaged holder of 4imprint Group PLC and Tribal Group PLC, both being franchises with a clear leadership in their markets and replacement values well in excess of their market capitalisation.

Given the high market levels the Fund continued its cautious policy of purchasing put options to protect the Fund against a significant market sell-off.

Activist investment process

The Fund originates ideas 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. During the process, the Fund's goal is to examine the company both 'as it is' and under the lens of 'as it could be' to maximise shareholder value.

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

Wherever possible, the Fund strives to develop an activist angle and aims to contribute to the companies' strategy. Where value is hidden or trapped, the Fund looks for ways to release it. The activist approach in some cases requires long holding periods, which facilitate effective engagement.

Most of the Fund's activism takes place in private, but we are willing to make our concerns public when appropriate. The response of management and boards to our suggestions has generally been 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.

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 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.

Investment Manager's Report (continued)

Investee companies

Sutton Harbour Holdings PLC ("Sutton Harbour")

Sutton Harbour owns and operates Sutton Harbour in the Barbican, Plymouth's historic old port. 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 securely 462 vessels thanks to its tidal lock that shelters them from the elements, and it is considered to be one of the best deep water harbours in the South West. In 2013, the company added capacity to its estate by opening the King Point Marina, in the neighbouring Millbay site. Sutton Harbour also holds the lease in Plymouth's 113 acre former airport site, entitling it to 25 per cent of any disposal proceeds.

2013 was the first full year since Sutton Harbour re-focused on its core activities. 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. In addition to running an airline, Sutton Harbour had carried out property regeneration projects in the past, but these were halted due to the depressed property markets and the company's indebtedness that resulted from the airline venture.

Having been investors in the company since February 2010, in 2011 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, to signal our view that action was needed. Following this, the Sutton Harbour board announced the departure of the CEO. Furthermore, our view was that a capital raise was necessary to allow the company to pursue its investment opportunities. In December 2011, Sutton Harbour proceeded with a £6 million equity fundraising, at a 57 per cent discount to the company's then net asset value. We engaged intensely both on the terms of the fundraising 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.

The fundraising allowed Sutton Harbour to build its new marina in Millbay and to make a modest investment to reconfigure berths in Sutton Harbour to cater for larger vessels. In our view, growing the berthing capacity has strengthened Sutton Harbour as a leisure destination in the South West. Sutton Harbour also made progress in disposing of non-core property assets, as suggested by the Fund.

Over the last year, Sutton Harbour remained focused on its waterfront assets, maintaining annuity revenues at its core marina and growing revenues at the newly built King Point. It has identified ways to grow revenues with the 'Destination Sutton Harbour' initiative, which markets the marina as a destination of national significance. The company is also exploring ways to reduce its £20.2 million net debt through the sale of development inventory. The Fund is also keen for Sutton Harbour to generate value from the airport site.

Having led the case for renewing the board, the Fund is encouraged by the new chairman's initial contribution and his focus on increasing asset efficiency through asset disposals, at a time when interest in regional property has grown. NAV per share at the end of March 2014 was 40p, up 5.3 per cent from 38p a year earlier, and the shares trade at a 21 per cent discount to NAV.

Investment Manager's Report (continued)

Tribal Group PLC ("Tribal")

Tribal is a leading education technology and services company active in the UK, Australasia, the Middle East and North America. Its systems and solutions include student records software, benchmarking services and school inspections. Its products are critical pieces of enterprise software: they support student admissions and manage the academic progress of students through module-based courses. In the most advanced versions, they can generate predictive analytics of student outcomes. They also deliver tangible paybacks to customers: Trinity College Dublin estimates to have improved its cash position by €6 million since it implemented Tribal's electronics admissions and fee collection system. Predictive analytics deployed for another customer should reduce student dropout rate, a drain on universities' revenues.

The educational market is populated by companies selling content and delivery mechanisms (e-learning), two fields in which Tribal does not operate, and by companies that have developed student management systems, mainly as an offshoot from HR and Finance software packages. Tribal's competitive advantage is its deep expertise and focus on educational institutions. Education, which like healthcare is dominated by not-for-profit entities, is a favourable market for customer referrals and for sharing of good practice. With virtually no customer attrition, Tribal has grown to dominate the UK higher education market, with around 55 per cent market share.

Highly profitable maintenance revenues have been growing progressively and now stand at 15 per cent of total group revenues, or £18.8 million. In the meantime new contract wins and their implementation revenues have grown faster. The 12 to 18 months period that an implementation takes gives an indication of the complexity of the product.

From its UK base, five years ago Tribal initiated its international expansion targeting Australasia. Starting with the University of Sydney in 2009, additional wins followed and Tribal now generates around 20 per cent of its total revenues from the region. For the government of New South Wales, Tribal is developing a new model of integrated student and childcare management, extending from early years to higher education. This product will cover children's services, including wellbeing and early intervention programmes. The programme is expected to go live before the end of the year and it has the potential to be rolled out in other Australian states and back into the UK. Early in 2013, Tribal acquired i-graduate, a student satisfaction surveying company. This complements Tribal's benchmarking capabilities and brings relationships with top level officers at more than 500 higher education institutions around the world, many of which are in Tribal's target markets.

Until three years ago, Tribal's strengths in education were hidden beneath a conglomerate of public sector related businesses. In 2010, government austerity hit its revenues and forced Tribal to rethink its acquisitive strategy. In 2011, the remaining non-education related businesses were sold. Simultaneously, offers were received for the company, suggesting that the value of the educational assets was being recognised. Tribal was in an offer period for most of 2010.

In 2013, Tribal announced a new contract with the University of British Columbia in Canada, which has over 50,000 students. As usual, its value is open ended: the university will order licences for additional modules as the previous ones are installed. The Canadian market is approximately 50 per cent bigger than Australia and gives access to the larger US opportunity.

Having regained investors' trust in the solidity of its education assets, Tribal is now winning credence for its growth potential in international markets. Whilst on trailing results Tribal does not appear undervalued, we believe that the current price is not reflecting the growth prospects. Since initiating the investment in March 2010, we have maintained a very positive sustained engagement with the board including discussion of its growth strategy and product roadmaps, issues that in our view require continued monitoring. Since its long offer period, its education business has grown and is more attractive to other business services companies. In our opinion, during this growth phase, the interest of shareholders would be best served by Tribal remaining independent.

Investment Manager's Report (continued)

4imprint Group PLC ("4imprint")

4imprint distributes and supplies promotional products, such as client-branded stationery or coffee cups. It generates 96 per cent of revenues in the US and Canada, with the remainder coming from its UK and Ireland operations. 4imprint takes orders for product direct from the customer, prepares the artwork and gives the order to a large network of suppliers to print and send to the customer. The small order sizes mean that decisions are not taken by procurement teams but by individuals, for whom the ease of purchase and customer service are most important. Before processing the order, customers typically contact 4imprint four to five times to finalise the artwork. As 4imprint does not produce or hold the inventory, it is in some regards similar to marketing platforms such as eBay or Amazon Marketplace, putting customers in contact with suppliers. Its key assets are its customer database and the analytics it has developed to optimise customer recruitment and retention. In 2013 it processed more than 600,000 orders, with an average order value of $500, covering millions of items. No single customer accounted for more than one per cent of sales.

It is cheaper to retain customers than to acquire new ones. Growth of revenues is largely a function of marketing spend to acquire and retain customers, posing a trade-off to management. Accelerating the growth in market share reduces profits, as customer acquisition costs are fully expensed. The board's strategy is to grow organically at stable operating margins of seven per cent. Having doubled revenues between 2006 and 2011, it is targeting to double them again over the next five year period.

The company has gone from acquiring around 40,000 new customers per year in 2005 to in excess of that number in a single quarter in 2014. Benefits of scale accrue in its relations with suppliers and its marketing effort, and translate to a broader product range, better prices and more efficient marketing. As revenue growth compounds, so does marketing spend, the customer base and the value of the business. With a one per cent share of the $24 billion promotional products market in the US and Canada, 4imprint is the largest direct distributor and faces little competition in its consolidation prospects. Over half of the market is estimated to be with 20,800 distributors with less than $2.5 million of annual sales. Entry barriers are low but the investment required to scale up is high.

Early in 2014 the company sold its UK manufacturing business SPS (Supreme). In 2012, it had disposed of Brand Addition, its European distribution business. 4imprint is now a UK listed direct marketing company with over 96 per cent of revenues and profits from the US. Its main asset in the UK is £26.1 million net cash. The company has indicated that this cash will be used to reduce the company's pension fund liability, which stands at £77.2 million (net pension fund deficit of £15 million).

In its interims, the company indicated that it was in advanced stages of examining its options regarding the pension fund. In our view, reducing the pension fund risk would reduce the cash contribution requirements for the pension fund, and would also remove a possible poison pill for parties that might be interested in this exceptional business. Even without corporate interest, the delivery of impressive growth numbers will facilitate its move to a US listing in due course, a change that we would support.

The Fund has been a shareholder in 4imprint since May 2012.

Investment Manager's Report (continued)

Aer Lingus Group PLC ("Aer Lingus")

Aer Lingus is an Irish based airline, established as the national carrier in 1936 and listed in 2006. In 2013 it carried a total of 10.6 million passengers, with short haul flights accounting for 67 per cent of fare revenues and long haul 33 per cent. The latter has been growing since Dublin and Shannon are able to offer US border pre-clearance, an attractive selling point. This facility, together with Ireland's convenient geographic position for north Atlantic flights, has facilitated the development of Aer Lingus' transatlantic service. Aer Lingus is positioned as a 'value carrier', between the pure low fares model of Ryanair and the higher cost full service airlines.

Ryanair has attempted a number of times to buy Aer Lingus, and has always been blocked on competition grounds. From those attempts, however, it keeps a 29.5 per cent strategic stake in the company. In 2013, Ryanair's holding in Aer Lingus was found to be anti-competitive, and the UK Competition Tribunal ordered its disposal, a matter that is now with the UK Court of Appeal. The other significant shareholders are the Irish State, with a 25.1 per cent holding, and Etihad Airlines, with 5 per cent.

Aer Lingus' net asset value is €813.2 million (against a market capitalisation of €770 million), including €1,034.4 million gross cash (€585.7 million net). Claims on the cash from its employees' pension funds have prevented the distribution of surplus cash. Off balance sheet, the carrier has the right to use 23 pairs of Heathrow landing slots. The last slot pair to be transferred, American Airlines' purchase of a Cyprus Airline pair in June 2014, was at a price of $31 million.

Starting in 2009, under a new CEO, Aer Lingus has executed a successful turnaround, growing profitable markets such as the transatlantic gateway and delivering €104 million cost savings. In 2014, the airline targets an additional 20 per cent growth in long haul passengers, with new routes to Toronto and San Francisco, the latter taking advantage of the many US technology companies that have their European subsidiaries in Dublin. Approximately 48 per cent of total long haul passengers were connecting passengers in 2013, demonstrating the success of its feeder network on both sides of the Atlantic. Partnership deals with Jet Blue and United Airlines have been put in place to feed long haul flights, and these now account for 20 per cent of connecting passengers.

In 2014 trading has been good, in a challenging context that included strike action by its staff and growing capacity from its local competitor Ryanair. The strike prompted the company to issue a profits warning, yet the strength of long haul revenues led to guidance on profits being flat at 2013's level, or €61 million. Aer Lingus also announced a new two-year profit improvement programme. This aims to build scale, and reduce costs by €30 million through simplifying business processes and improving reservation and ticketing systems. As it stands, Aer Lingus has the second lowest cost position in Europe, after Ryanair. Any improvement to the European and US economic backdrop should contribute to a recovery in transatlantic traffic.

Efforts to resolve the dispute over the main Irish Airlines pension scheme continue. Aer Lingus reluctantly accepted the findings of an independent Expert Panel which involve a total €190.7 million one-off payment by the company, and employees are now required to vote on it.

In our view, Aer Lingus has an asset value, including its Heathrow slots, well in excess of its market capitalisation. It is also of clear strategic value to other airlines, as demonstrated by the repeated attempts from Ryanair to buy it outright, and the presence of Etihad on the register. A number of catalysts could release this value, and after monitoring the situation for a number of years, we initiated this investment in January 2014 in the belief that these are nearing fruition. Key amongst those are the resolution of the pension fund dispute, the disposal of Ryanair's stake, the return of surplus cash to shareholders and the likely sale of the Irish state stake. Meantime, the new self-help initiative should help the carrier improve its performance. We see upside from the execution of the improvement plan and more in the case of a corporate action.

Investment Manager's Report (continued)

Leaf Clean Energy Company ("Leaf")

Leaf is an investment company set up in 2007 by EEA Fund Management Limited, the manager of Trading Emissions PLC, to invest in clean energy projects, predominantly in North America. The company listed in June 2007 at 100p a share, raising $386 million net. Leaf has bought back 71.3 million of its own shares at a cost of $79.3 million. Adjusting for these purchases would reduce the net amount originally invested at IPO to $306.7 million. Net assets at 31 December 2013 were $181.9 million, implying a loss of 41 per cent of capital.

Back in 2007, investors took interest in US renewables in the belief that the US would soon join carbon trading schemes. As EEA did not have direct presence in the US, it joined forces with Shaw Capital to source investment opportunities. By the end of 2009, less than three years after IPO, the portfolio was substantially invested in 11 companies, and the poor performance of its investments was evident. Leaf's first investment was $20 million of preferred stock in biodiesel firm Greenline Industries, which had already filed for bankruptcy proceedings.

Ethanol producer Range Fuels Inc. (another $20 million investment) closed down in 2011 without having reached production. A third, solar panel producer MiaSolé (also a $20 million investment), would be written off and sold in 2012. As happens when much money chases few opportunities in new asset classes, the wisdom of some investments would come under scrutiny.

In March 2010, as some investments were unravelling, board director Bran Keogh became an executive director. Shortly after, EEA Fund Management ceased to be the manager and Leaf set up an in-house team under the leadership of its executive director. Unexpectedly, now that Leaf was managed in-house, the transparency of its reports reduced. As they were written off, both Range Fuels and MiaSolé disappeared from Leaf's reports, with no explanation. Disclosure of ownership structures and valuations became minimal, as did the news flow from Leaf.

Fees remained out of line with operations. Despite bringing management in-house, Leaf spent $17.6 million over the next three years to oversee a portfolio of less than a dozen companies, including minority investments. As the companies have matured, we estimate that only three required active management.

Despite the increasing maturity of holdings, no information on revenues or earnings has been provided which would enable market participants to have greater visibility of the current financial position of each underlying investment. The valuations in the portfolio are instead undertaken on discounted future cash flow forecasts, despite these holdings not being cash generative. In our view, this is a wholly assumptions-based approach, over reliant upon estimates of future cash flows.

When the Fund initiated its investment in October 2013, Leaf was trading at 45 per cent discount to its then prevailing net asset value. In our view this was the result of a poor investment track record and the scale of its annual running costs.

Leaf however has some attractive investments and amongst those stands out a convertible investment in Invenergy Wind, acquired for $40 million. Invenergy Wind is North America's largest wind power generation company, and has developed more than 8,000 MW of renewable and natural gas power generation and energy storage facilities. Additional value should be obtainable from some of the other operating projects such as Johnstown Regional Energy. Cash on the balance sheet stands at $19.1 million.

Following engagement with the board, the Fund took decisive action to change the leadership of the company. We called an EGM to remove Peter Tom as chairman and Bran Keogh as executive director and proposed that Mark Lerdal became executive chairman, with a clear mandate to realise the investments in an orderly fashion. An incentive package was agreed, centred on the cash returned to shareholders. Leaf's board soon agreed to the changes. The renewed board reviewed the portfolio and initiated steps to realise assets. It has moved decisively, cutting additional funding to MaxWest, a company with an unsuccessful technology for gasification of waste water.

Investment Manager's Report (continued)

Leaf Clean Energy Company ("Leaf") (continued)

Excluding MaxWest's $17.2 million carrying value, and allowing for the cash burn, our estimated NAV is $160 million, implying that Leaf is now trading at approximately 50 per cent of its NAV. Whilst in our opinion additional write downs are likely, we are confident that Leaf can return cash to shareholders significantly in excess of its share price.

Thorntons PLC ("Thorntons")

Thorntons is a manufacturer and retailer of chocolates. From its factory in Derby, it supplies its retail estate and third party grocers with a range of boxed chocolates and other specialties. Thorntons is the UK market leader in the £205 million inlaid boxed chocolate category, with a 35 per cent market share. Despite years of underinvestment in product and stores, Thorntons remains a well-recognised brand, and our survey research confirmed that it retains considerable consumer goodwill.

Thorntons listed in 1988, reporting £64 million of revenues and £6.4 million of profits. Around that time, it embarked on the construction of its chocolate factory, a grandiose project that would necessitate a considerable growth in sales to become economic. The resulting factory is believed to be the most efficient of its kind in managing the complexities of mass producing inlaid boxed chocolates. To achieve sufficient utilisation of its new factory Thorntons, which used to sell its products exclusively through its own estate and Marks & Spencer, initiated a strategy to grow to its estate to the maximum. The company grew its own store numbers from 188 to a peak of 410 in the year 2000. A quarter of those had been added in just three years, following the arrival of a new CEO. Location and size of Thorntons' stores changed from small shops near the high street to include bigger sites in prime locations. Costs grew faster than revenues, and profits were squeezed. In the meantime, customers moved their food purchases in the opposite direction to Thorntons, away from speciality grocers in the high street and towards supermarkets, where the Thorntons brand was not available. A much higher cost base compressed margins, and when austerity hit revenues, Thorntons' profits vanished.

In 2011, the company set out a new strategy to halve its retail estate and grow commercial sales. This implicitly acknowledged the change in consumer behaviour and the need to maintain factory volumes. Thorntons has been fortunate in that, following its binge on new store leases during the 1990s, many of them are coming up for renewal now, and will be terminated. The cost base is therefore expected to reduce as more profitable commercial sales take off. Thorntons also set out to refresh its product range, which had suffered from years of short-termism and poor management.

This strategy appears very sensible to us, as it acknowledges the changing habits of consumers and reduces the operational gearing in the business. The product refresh should revitalise this century old British brand and allow its ability to deliver affordable quality treats to shine through again. Margins should grow from the cost base reduction and more efficient production of a reduced product range. We share the view of some stakeholders that 8 per cent margins are within reach.

Three years into the new management's strategy, shop numbers are down to 260 and profit before tax has improved to £7.1 million (2013: £4.7 million). In 2014, results showed the volatility inherent in an FMCG (fast moving consumer goods) business with large orders. A fall in sales to third party retailers in the Easter quarter unsettled investors and adversely impacted the share price. We note that year on year, those sales are up by 8 per cent. Furthermore, Thorntons' investment in its commercial team, by recruitment, will take more than a year to mature. In our view a material reduction in the breadth of its product range remains necessary to lower production costs, and improve margins. On the retail front, management have trialled new formats but have not yet established one clear template to roll out across its estate.

Investment Manager's Report (continued)

Thorntons PLC ("Thorntons") (continued)

Since first investing in October 2012, and over the period, we have engaged with management and the board, other shareholders, suppliers and customers. We expressed our support for the stated strategy and urged management to take decisive action to deliver it.

We remain confident that operating margins can increase significantly above the 2014 5 per cent forecast and beyond analyst forecasts of 6.8 per cent for 2016. Additionally, international sales can boost top-line growth as the business benefits from its brand recognition, particularly in territories with expatriate consumers.

In our view the brand and the manufacturing site could be attractive to an overseas confectioner with limited UK presence. By reducing its stores and the associated operating leases, the business will become more attractive to other confectioners. However, in our view, to maximise shareholder value the company should remain independent while it delivers tangible improvements.

Juridica Investments Limited ("Juridica")

Juridica is a listed investment vehicle that provides capital for corporate claims in the US. In the US, corporates are faced with high costs of litigation. Shareholders, however, expect an efficient use of cash flows. To facilitate litigation without overburdening corporates, US law firms developed contingent fee litigation models, also known as 'no win, no fee'. Law firms take a case and assume their own costs over the legal process for a share in the proceeds of the settlement. In the process, law firms take considerable funding risk, as they need not only to cover their own high operating costs, but also the expenses incidental to the process. If defendants avoid early settlement, cases can continue beyond the expected timescale. Some law firms have failed as they entered a death spiral of low cash generation, a growing contingent claims book and turnover of key income generating partners.

Funding vehicles such as Juridica can contribute to paying for the case's expenses, reducing the financial risk to the law firm, without reducing the claim value. Litigation funders will acquire a share in the claim, similar to buying equity in a company. As the US legal system does not provide for adverse cost awards, in case of loss the litigant will not have to pay for the legal costs of the other side.

Juridica raised $210 million in two tranches in 2007 and 2009 to invest in what was then a developing asset class. It has since invested $189 million in 31 cases, and contrary to other listed vehicles, these are all in the US. Its defendants are mostly Fortune 500 companies, with deep pockets and likely to settle. The portfolio has generated gross cash proceeds of approximately $194 million before tax. $64.3 million has been returned to shareholders by way of dividends. Ten complete exits to date have generated a blended IRR of nearly 40 per cent.

Juridica looks for strong cases with potential for large damages, probability of settlement and case leadership in the hands of lawyers with good track records. The deal structure is also critical to the success of the investment. For example, Juridica structures a deal so that it will be the first party to be paid back from the claim proceeds, ahead of the law firm and the claimant, limiting its downside.

A typical case turns over in three to four years. Having invested substantially all of its initial funding proceeds by 2008, and the 2009 fundraising over that year, Juridica now has a maturing portfolio.

In our view, Juridica has succeeded in demonstrating the process and the potential for returns. As its portfolio of cases turns into cash, decisions need to be taken whether to reinvest the proceeds generated by the current vehicle or to restructure it. The Fund opened this position in December 2013 and we look forward to engaging with the company on those issues to maximize shareholder value.

Investment Manager's Report (continued)

API Group PLC ("API")

API manufactures and distributes laminates (52 per cent of group revenues), foils (42 per cent) and holographics (6 per cent) to printers and packaging manufacturers in the UK and US. These decorative finishes are used to enhance the visual appeal of branded consumer goods and are sold in the UK (20 per cent of revenues), the rest of Europe (58 per cent), Americas (15 per cent) and Asia Pacific (7 per cent). API's holographics and foil distribution businesses deal with a fragmented and regional supplier base. In contrast, API laminates is the main supplier in Europe, with an estimated 40 per cent market share, which is even higher in products such as tobacco, alcoholic drinks, and personal care. The company produces over 80,000km per year of laminated material, sufficient for approximately 38,000 consumer goods items in the average supermarket.

Due to their relatively low cost, decorative supplies normally become tied to the lifecycle of a brand's product: once the supply is approved and qualified, it tends to last for several years. The customer's focus on supplier reliability and quality creates moderate barriers to entry for large-scale imports. The holographics market is estimated to be over $1 billion in size, and growing at 7 per cent per year, with a fragmented and regional supply base. With laminates and holographics, API's challenge is to move from a component supplier to marketing its capabilities direct to clients such as brand owners of consumer goods. Similarly, in foils, API's strategy has been to increase direct sales to customers, acquiring or growing its own distribution hubs in local markets to capture their 20 per cent product margin.

The current management team arrived in 2007 and, following an £8 million fundraising, started a business turnaround. Since 2008, revenues have risen from £87 million to £114.7 million, and a £4 million annual loss has turned into a £6 million profit. Net debt, which in 2009 was £17 million, disappeared in 2014. The consolidation of the two API Foils Americas sites could release considerable value from the Rahway freehold property, and be significantly accretive to margins.

Activist issues have been prominent at API since February 2012, when its board received a request from its two largest shareholders to explore the sale of the business, and the Fund bought its stake. Steel Partners and Wynnefield Capital together hold 60 per cent of the equity and have board representation. The Fund supported the management's strategy and, at the end of September 2012, API initiated a sale process by inviting tenders. In February 2013, after the board announced that indicative bids were below 90p per share, we wrote to the chairman indicating that, in our opinion, an offer at that level would not reflect the value of the company. With management only part-way through its revival plan, we believe that more shareholder value will be released by allowing the benefits of this to become apparent. The board confirmed its agreement with our position and the sale process was terminated.

With the distraction of the sale process behind, the Fund held discussions with management around key issues including the reintroduction of a dividend, the composition of the board and the establishment of new strategic targets. Despite initial reluctance, the board has in 2014 reintroduced a dividend, and announced a review of the board composition that we expect will result in the appointment of a new chairman. We look forward to additional engagement on the selection of a new chairman, and the quantum of the dividend.

Over the 2014 fiscal year, API continued strengthening the business, and has now opened a new distribution site for foils near Manchester, which will allow its other site at Livingstone to focus on production. New SAP systems have been installed in the US foils business and are now being rolled out in the European distribution network. These will help API reduce its working capital and improve pricing. Together with these changes, API has experienced the inevitable turbulences that come with operational changes but the changes have resulted in a stronger business.

It is our belief that the reorganisation, investment and marketing initiatives combine to offer upside well in excess of 100p per share. We intend to continue our engagement with the board and management to ensure that full value is delivered.

Investment Manager's Report (continued)

TT Electronics PLC ("TT Electronics")

TT Electronics develops and manufactures sensors, components and electronic systems. Its key markets are passenger cars (40 per cent of group revenues), industrial applications (26 per cent) and defence and aerospace (13 per cent). Production sites in Germany, China, Romania and Mexico supply a similar global customer base. Customer domicile suggests a high exposure to Europe, as the company derives 69 per cent of revenue here, yet its end markets are more diversified. Its top European clients, such as premium automakers Volkswagen and Daimler, sell to global markets. For those clients, TT Electronics has developed pressure, position or temperature sensors, custom engineered to meet each platform's requirements. Once a product design is accepted, TT Electronics' module is expected to last for the remainder of the product's life. The high cost of product failure for the original equipment manufacturer (OEM) constitutes a barrier to entry for new suppliers. Increased safety requirements, emissions regulations and efficiency needs are behind estimates for electronic sensors and controls growth of 7 to 10 per cent per annum.

Since the change of management in 2008, TT Electronics has been turned from an industrial conglomerate to a business with fewer target markets. Its balance sheet has been strengthened, moving to a £26.9 million net cash position. Thanks to an extensive reorganisation, margins have increased but at 5.7 per cent in 2013 they are still more typical of lower value added electronics businesses. Management has produced a detailed action plan designed to raise them to 8 to 10 per cent. Changes include moving production to Mexico and Romania, where labour and suppliers are more flexible and less expensive. Exiting legacy loss-making contracts will also contribute to higher margins. Having sold its secure power division for £40 million, TT Electronics has released ample cash to invest in production reorganisation and acquire complementary technology to bolt on its global sales platform. The Fund supports this strategy and is interested to see whether it is in any way altered by the newly arrived chief executive.

For 2013, TT Electronics reported a 30 basis points margin deterioration as it invested in the operational improvement plans. The year before, TT Electronics had improved margins by 40 basis points despite a decline in sales, and in our view, the ability of TT Electronics to deliver margin progress against volume reductions points to the opportunity for profit growth when production picks up again.

Since initiating the investment in September 2011, we have engaged with its management and board, with competitors and other shareholders. Following discussions around the need to prioritise site consolidation above acquisitions which have greater inherent risk, we were pleased with the announcement in June 2013 that TT Electronics will invest £30 million to that effect. In our view, the scope for savings in production costs is considerable and would follow the path taken by its main competitor Sensata. Resulting savings should help TT Electronics move beyond its previous 10 per cent margin target.

A failure to execute this strategy and deliver margins corresponding to its technological strength would weaken management and make the company susceptible to a corporate action.

Over the year the Fund took profits on its TT Electronics holdings. However, in our view, the recovery in economic conditions should translate into a pick-up in volumes, and could facilitate the recovery in margins that is underpinned by the self-help measures.

Investment Manager's Report (continued)

NBNK Investments PLC ("NBNK")

NBNK listed in 2010 raising £50 million from a solid list of institutional investors. Its aim was to build, through acquisition, a new UK retail bank.

In 2011, in "Project Verde", NBNK competed against the Co-op Bank to acquire 631 Lloyds TSB, formerly Cheltenham & Gloucester, branches which Lloyds was obliged to sell on competition grounds. As has since become well known, the Co-op was undercapitalised and had serious operational failures, yet in July 2012 Lloyds agreed to sell those assets for £350 million upfront and up to an additional £400 million based on performance. The Co-op failed to complete due to its weaknesses and it withdrew in April 2013. To fulfil its obligation to dispose of the Project Verde assets, Lloyds went ahead with plans to float the business, culminating in the recent £1.5 billion IPO of TSB Bank.

Having been unsuccessful in its attempt to acquire banking assets, NBNK's directors initially decided in mid-2012 to take steps to wind up the company. However, during the second half of 2012, a proposition was made by funds within the WL Ross & Co Group to inject £8 million of new capital into the company, which would enable it to continue in existence as a cash shell, to take advantage of any further acquisition opportunities that might arise in the financial services sector. Net cash on the balance sheet stands at £20.1 million, or 37p per share. NBNK's operations have been scaled back and costs reduced to a minimum, and the cash burn is £200,000 per annum.

The Fund first invested in June 2013 and has engaged with the current Board of NBNK and with founding director and ex-chairman, Lord Levene, and is supportive of the Board. According to various media reports Lord Levene has said he was told by former Bank of England Governor Mervyn King that Lloyds' decision to sell the Project Verde assets to the Co-op was politically motivated. Lord Levene told Parliament's Treasury Select Committee that the Governor had informed him that NBNK's offer would not be accepted at a meeting in May 2012 – a month before the Co-op was identified by Lloyds as the preferred bidder. The Committee is now examining the sale to see whether there was undue political interference and whether NBNK was treated unfairly through the process, ultimately losing out to the £1.5 billion TSB float. NBNK is understood to have offered in the region of £630 million for the Project Verde assets, spending over £24 million in the bid process, or 45p per share.

The Fund obtained a 10.6 per cent stake in NBNK from an institutional investor in exchange for shares in the Fund. We have since continued to build the holding, which now has strategic value and stands at 27.9 per cent. The Fund's cost price per share is below NBNK's net cash and net assets per share.

The Fund continues to engage constructively with NBNK's Chairman, Wilbur Ross, and Director, Lord Brennan, as well as former board members of the company.

Other holdings

Plus500 Limited ("Plus500")

In July 2013, the Fund invested £1.5 million in the initial public offering of Plus500, the Contract for Difference (CFD) trading platform. This highly cash generative business had come to the stock market largely as a marketing strategy: it had already been able to pay $33 million in dividends to its founders and had $24 million net cash on its balance sheet. However, it sought the benefits from a listing, mainly the transparency of audited accounts, and greater corporate governance standards.

Increased consumer trust in Plus500 as a trading site contributed to the 76 per cent increase in average revenue per user, which Plus500 achieved with only a 3.6 per cent increase in average user acquisition costs. Plus500's listing took place in London instead of New York as CFDs are not available in the US.

Several upgrades to profit estimates together with payments of special dividends contributed to a total return of 327 per cent over the period. The Fund, having realised gains well in excess of its IPO investment, retains a holding in the company and is engaging with the board on complementary product offerings.

Investment Manager's Report (continued)

STV Group PLC ("STV")

STV operates the channel 3 TV license in Scotland. Under its current management, STV has focused on TV broadcasting, selling its radio assets and reducing costs.

As a result, the company has been able to reduce net debt by 34 per cent from 2011 levels, and reinstate a dividend. The current strategy is directed at becoming the leading media news source in Scotland, expanding its digital offerings and developing its own production capability. Management regularly publishes data which show steady progress to meet its declared objectives.

The Fund first invested in STV in March 2013, when the company was trading at a low single digit earnings multiple. Returns have been strong, at 163.7 per cent over the period, yet the Fund retains its stake as, in our view, STV is well placed to benefit from an improved environment for advertising, content distribution and production.

The Fund disclosed its stake in STV when it increased its position following the placing of ITV's shares in STV as disclosed in December 2013.

Cenkos Securities PLC ("Cenkos")

Cenkos is a leading UK mid market broker. It has benefited from an improved fundraising environment, with numerous IPOs and secondary placings of small and mid cap companies. Its strong balance sheet and dividend payment record has contributed to a significant share price rise. With the share price double that of the Fund's cost of investment, some profits have been taken.

Realisations

During the year, the Fund realised £17.1 million net gains. The holdings in Norcros PLC and Connect Group PLC (formerly known as Smith News PLC) were sold outright, realising gains of £3.9 million and £2.7 million respectively. Northgate PLC was sold as it reached our target price realising gains of £2.5 million; the position has subsequently been re-opened to take advantage of a dip in the share price. The holding in Plus500 has been reduced, realising £2.2 million gains.

The Fund's total realised gains since inception now amount to £56.3 million. Previous profitable exits include Pinewood Shepperton PLC, 3i Quoted Limited Private Equity, Delta PLC, Kentz Corporation Limited, Tate & Lyle PLC and Chloride Group PLC.

Outlook

Whilst economic conditions remain fragile and market valuations appear to be high, the outlook for the Fund is encouraging as it focuses on acting as a catalyst to correct perceived undervaluations in investee companies.

Though activism can be challenging, and the process of change can sometimes be frustrating, we are encouraged by the positive reception to our engagement efforts. The positive contribution that activist investors make to equity markets is becoming more widely understood, and the Fund's profile is increasingly well established.

Profits have been taken from successful investments and the portfolio has been replenished. The Fund's holdings include companies which have very attractive opportunities to deliver value and in which we believe an activist stance can make a difference. The Manager and Adviser are determined to realise full value for our shareholders.

Crystal Amber Asset Management (Guernsey) Limited

5 September 2014

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.

At the date of signing of these financial statements the investment strategy and investment restrictions which applied to the Company following Admission and after the passing of Resolution 1 at the EGM held on 15 August 2013, were as follows:

Investment strategy

The Fund focuses on investing in companies which it considers to be undervalued and will aim to promote measures to correct the undervaluation. In particular, it aims to focus on companies which the Company'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 target company's management in connection with such corrective measures as far as possible. Where a different ownership structure would enhance value, the Company will seek to initiate changes to capture such value. The Company 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 (including in money market instruments). 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 Company may (i) utilise leverage for the purpose of investment and enhancing returns to Shareholders and/or (ii) enter into derivative transactions, for example to provide portfolio protection against significant falls in the market or for the purposes of efficient portfolio management, in seeking to manage its exposure to interest rate and currency fluctuations through the use of currency and interest rate hedging arrangements, and to acquire exposure to target companies through contracts for difference.

Investing Policy (continued)

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 investment;
- pure technology based businesses; or
- unlisted companies or companies in pre-IPO situations.

It is expected that no single investment in any one company will represent more than 20 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, or where the Directors and the Advisers believe that an investment is particularly attractive.

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 realised 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 mostly 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 Securities Exchange ("CISE") on 17 June 2008. Following a Board decision the Company was delisted from the official list of the CISE on 1 July 2014.

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 pages 5 and 6 and the Investment Manager's Report on pages 7 to 20.

Results and dividend

The results for the year are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 32.

On 4 July 2013, the Company declared an interim dividend of £277,165, equating to 0.5p per Ordinary share, which was paid on 19 August 2013 to shareholders on record on the register on 19 July 2013.

Subsequent to the year end, on 16 July 2014, the Company declared an interim dividend of £382,609, equating to 0.5p per Ordinary share, which was paid on 15 August 2014 to shareholders on record on the register on 18 July 2014.

Going concern

As previously announced and bearing in mind that the Company's continuation vote is scheduled to take place in June 2015 and every two years thereafter, the Directors are confident 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 14 to the financial statements.

Report of the Directors (continued)

Directors

The Directors of the Company who served during the year and as at 30 June 2014 are shown on page 2. Biographies of the Directors holding office as at 30 June 2014 and at the date of signing these financial statements are shown on page 30.

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:

	2014		*2013*	
	Number of Ordinary Shares	*Total Voting Rights*	*Number of Ordinary Shares*	*Total Voting Rights*
William Collins	25,000	0.03%	25,000	0.05%
Sarah Evans	25,000	0.03%	25,000	0.05%
Total	50,000	0.06%	50,000	0.10%

Directors' remuneration

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

	2014	*2013*
	£	*£*
William Collins	30,288	30,000
Sarah Evans	25,288	25,000
Nigel Ward	20,288	20,000
David Warr *(Resigned 7 March 2014)*	13,615	9,445
Mark Huntley *(Resigned 12 October 2012)*	–	5,652
Total	89,479	90,097

Following a review of Directors' fees, which had not changed since launch in 2008, Directors' fees were increased by £5,000 per annum for each Director with effect from 10 June 2014.

Substantial interests

As at 13 August 2014, the Company has been notified of the following voting rights of 3 per cent or more of its total voting rights:

	Number of Ordinary Shares	*Total Voting Rights*
Invesco Perpetual Asset Management Limited	22,389,111	29.26%
Baring Asset Management Limited	13,031,667	17.03%
Wirral BC	10,140,786	13.25%
Aviva Investors	6,575,476	8.59%
Rathbones	4,237,840	5.54%
Credit Suisse	2,960,524	3.87%
Robert Keith	2,310,196	3.02%
Total	61,645,600	80.56%

Report of the Directors (continued)

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.

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 each 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, 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 and has been updated for periods beginning on or after 1 October 2012. 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 Code of Corporate Governance (the "AIC Code") and has decided to follow the AIC's Corporate Governance Guide for Investment Companies (the "AIC Guide") dated October 2010. The AIC Code and AIC Guide were updated in February 2013 to take into account the updated FRC Code, and the Company has used this revised AIC Code for the financial year ended 30 June 2014.

Report of the Directors (continued)

Corporate governance (continued)

The Guernsey Financial Services Commission ("GFSC") Finance Sector Code of Corporate Governance ("the 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, all of whom are considered to be independent of the Investment Manager and Investment Adviser and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Board appointments are considered by all members of the Board and have been made based on merit, against objective criteria.

The Board monitors developments in corporate governance to ensure the Board remains aligned with best practice especially with respect to the increased focus on diversity. The Board acknowledges the importance of diversity, including gender, for the effective functioning of the Board and commits to supporting diversity in the boardroom. It is the Board's ongoing aspiration to have a well diversified membership; in addition to gender diversity, the Board also values diversity of business skills and experience which bring a wide range of perspectives to the Company.

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 represented on the Board are appropriate to the requirements of the Company.

Internal evaluation of the Board, the Audit Committee and individual Directors is undertaken on an annual basis in the form of peer appraisal, questionnaires and discussions to determine the effectiveness and performance in various areas as well as the Directors' 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 fulfils the role of deputy chairman and takes the lead in the annual evaluation of the Chairman.

In view of the Board's non-executive nature and the requirement of the Articles of Incorporation that one third of Directors retire by rotation at least every three years, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by principle 3 of the AIC Code. At the forthcoming Annual General Meeting, William Collins will be retiring and offering himself for re-election. David Warr resigned as a Director of the Company on 7 March 2014. On 1 July 2014, Christopher Waldron was appointed as Director of the Company. Therefore, in accordance with the Company's Articles of Incorporation, Christopher Waldron will also be retiring and offering himself for re-election at the forthcoming Annual General Meeting of the Company.

Any Director who has held office with the Company, for a continuous period of nine years or more at the date of the Annual General Meeting, shall retire from office and may offer themself for re-appointment by the members.

However, the Company will consider whether there is any risk that such a Director might reasonably be deemed to have lost independence through such long service.

Report of the Directors (continued)

Corporate governance (continued)

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. Clearly documented contractual arrangements are in place with these firms which define the areas where the Board has delegated certain responsibilities to them, but the Board retains accountability for all delegated responsibilities.

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 are 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 GFSC, the London Stock Exchange and the CISE. Where necessary, in carrying out their duties, the Directors may seek independent professional advice at the expense of the Company.

The Company maintains appropriate directors' and officers' liability insurance in respect of legal action against its Directors on an ongoing basis. Investment Advisory services are provided to the Company by Crystal Amber Advisers (UK) LLP. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Adviser and Investment Manager 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 and its investments. Prior to each of its quarterly meetings, the Board receives reports from the Investment Adviser and Administrator 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 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 and conducts a formal review of them on an annual basis and confirm that such a review has taken place during the year.

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.

Report of the Directors (continued)

Corporate governance (continued)

Audit committee

Due to the size of the Board, all 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 and independence of the auditor. The Board considers KPMG Channel Islands Limited 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 is maintained, which safeguards the Company's assets. 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 full Board considers these matters.

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

Board meetings, Committee meetings and Directors' attendance

The number of scheduled meetings of the full Board and the Audit committee attended by each Director for the year ended 30 June 2014 is set out below.

	Board		*Audit Committee*	
	Held	*Attended*	*Held*	*Attended*
William Collins	4	4	2	2
Sarah Evans	4	4	2	2
Nigel Ward	4	4	2	2
David Warr *(Resigned 7 March 2014)*	3*	3	2	2

**Number of meetings held from 1 July 2013 to end of tenure*

There were 8 additional Board meetings and 2 Board committee meetings during the year.

Relations with shareholders

The Board welcomes the views of shareholders and places great importance on communication with them. 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.

Report of the Directors (continued)

Corporate governance (continued)

Relations with shareholders (continued)

All shareholders have the opportunity to put questions to the Company at the registered office 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.

AIFM Directive

The Directors have considered the impact of the EU Alternative Investment Fund Managers Directive (no. 2011/61/EU) ("AIFM Directive"), which became effective in the United Kingdom on 22 July 2013 with the transitional period ending in June 2014, on the Company and its operations. As at the date of this document, the Board has indicated its preference for appointing the Investment Manager as the AIFM. Registration would occur if and when marketing into the EU occurs. The AIFM Directive may result in increased costs for the Company, particularly in relation to any future fundraisings.

FATCA

Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013 and is being gradually implemented internationally. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US Tax compliance with respect to those assets. The Board is in discussion with the Company's advisers to ensure the Company will comply with the Act's requirements to the extent relevant to the Company. As at the date of this document, the Board has indicated its intention to register for FATCA.

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 20 November 2014 at the Registered Office of the Company, being Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey.

On behalf of the Board

William Collins	**Sarah Evans**
Chairman	*Director*
5 September 2014	5 September 2014

Directors

William Collins (aged 65), Guernsey Resident, Non-Executive Chairman

William Collins has over 40 years' experience in banking and investment. Since September 2007 he has been with Bank J. Safra Sarasin (formerly Bank Sarasin) in Guernsey as Director – Private Clients and prior to that he worked for Barings in Guernsey for over 18 years. In 1995 he was appointed a Director and from 2003 to August 2007 was Managing Director of Baring Asset Management (C.I.) Limited. Mr Collins is an associate of the Institute of Financial Services, a member of the Institute of Directors and holds other non-executive positions.

Sarah Evans (aged 59), 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 returned to 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.

Nigel Ward (aged 57), 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 CISE 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.

Christopher Waldron (aged 50), Guernsey Resident, Non-Executive Director

Christopher Waldron has more than 25 years' experience as an investment manager and until January 2013 was Chief Executive of the Edmond de Rothschild Group in Guernsey. He remains a consultant to the Edmond de Rothschild Group and is also a director of a number of Guernsey funds and investment management companies. Mr Waldron is a graduate of London and Cranfield Universities and a Fellow of the Chartered Institute for Securities and Investment. Mr Waldron was appointed to the Board on 1 July 2014.

In addition to their directorships of the Company, the Directors currently hold the following directorships of listed companies;

William Collins
Dexion Absolute Limited
Advance Developing Markets Fund Limited

Sarah Evans
HICL Infrastructure Company Limited
Harbourvest Senior Loans Europe Limited
CQS Diversified Fund Limited
JPMorgan Senior Secured Loan Fund Limited

Nigel Ward
Acorn Income Fund Limited
Braemar Group PCC Limited
Fair Oak Income Fund Limited

Christopher Waldron
BH Credit Catalysts Limited
JZ Capital Partners Limited

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 2014 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards 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 page 25, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of its result 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

20 New Street, St Peter Port, Guernsey, GY1 4AN

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 Revenue £	2014 Capital £	2014 **Total £**	2013 Revenue £	2013 Capital £	2013 **Total £**
Income							
Dividend income from listed investments		1,937,457	–	**1,937,457**	1,493,661	–	**1,493,661**
Director's fees received		–	–	**–**	9,835	–	**9,835**
Other income		98,797	–	**98,797**	–	–	**–**
Interest received		10,972	–	**10,972**	9,527	–	**9,527**
		2,047,226	–	**2,047,226**	1,513,023	–	**1,513,023**
Net gains on financial assets at fair value through profit or loss							
Equities							
Realised gains	9	–	17,126,575	**17,126,575**	–	864,867	**864,867**
Movement in unrealised gains	9	–	10,095,187	**10,095,187**	–	16,736,780	**16,736,780**
Debt Instruments							
Movement in unrealised gains	9	–	105,429	**105,429**	–	20,346	**20,346**
Money Market Investments							
Realised gains	9	–	39,092	**39,092**	–	7,411	**7,411**
Movement in unrealised (losses)/gains	9	–	(3,738)	**(3,738)**	–	7,928	**7,928**
Derivative Financial Instruments							
Realised losses	9	–	(3,548,460)	**(3,548,460)**	–	(2,142,230)	**(2,142,230)**
Movement in unrealised (losses)/gains	9	–	(1,168,850)	**(1,168,850)**	–	876,800	**876,800**
Total income		2,047,226	22,645,235	**24,692,461**	1,513,023	16,371,902	**17,884,925**
Expenses							
Transaction costs	4	–	705,060	**705,060**	–	318,295	**318,295**
Exchange movements on revaluation of investments		–	455,405	**455,405**	–	(161,474)	**(161,474)**
Management fees	15,17	1,957,422	–	**1,957,422**	1,325,531	–	**1,325,531**
Performance fees	15,17	–	1,747,285	**1,747,285**	–	–	**–**
Directors' remuneration	16	89,479	–	**89,479**	90,097	–	**90,097**
Administration fees		142,174	–	**142,174**	84,510	–	**84,510**
Custodian fees		58,955	–	**58,955**	35,318	–	**35,318**
Audit fees		18,634	–	**18,634**	18,125	–	**18,125**
Other expenses		278,081	–	**278,081**	191,132	–	**191,132**
		2,544,745	2,907,750	**5,452,495**	1,744,713	156,821	**1,901,534**
Return for the year		(497,519)	19,737,485	**19,239,966**	(231,690)	16,215,081	**15,983,391**
Basic and diluted earnings per share (pence)	5	(0.68)	26.93	**26.25**	(0.39)	27.56	**27.17**

All items in the above statement derive from continuing operations.

The total column of this statement represents the Company's Statement of Profit or Loss and Other Comprehensive Income prepared in accordance with International Financial Reporting Standards. The supplementary information on the allocation between income return and capital return is presented under guidance published by the Association of Investment Companies.

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

Statement of Financial Position
As at 30 June 2014

	Notes	*2014* £	*2013* £
ASSETS			
Cash and cash equivalents	7	5,222,171	1,363,484
Trade and other receivables	8	270,795	289,331
Financial assets designated at fair value through profit or loss	9	123,527,746	72,438,513
Total assets		129,020,712	74,091,328
LIABILITIES			
Trade and other payables	10	5,962,932	238,117
Total liabilities		5,962,932	238,117
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	11	782,297	600,000
Treasury shares	12	(2,483,196)	(5,186,651)
Distributable reserve		82,926,112	55,847,261
Retained earnings		41,832,567	22,592,601
Total equity		123,057,780	73,853,211
Total liabilities and equity		129,020,712	74,091,328
Net asset value per share (pence)	6	160.81	133.05

The financial statements were approved by a Committee of the Board of Directors and authorised for issue on 5 September 2014.

William Collins
Chairman

5 September 2014

Sarah Evans
Director

5 September 2014

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 2014

	Notes	Share Capital £	Treasury Shares £	Distributable Reserve £	Retained earnings Capital £	Retained earnings Revenue £	Retained earnings Total £	Total Equity £
Opening balance at 1 July 2013		600,000	(5,186,651)	55,847,261	21,511,791	1,080,810	22,592,601	73,853,211
Issue of Company shares	11	182,297	–	26,232,486	–	–	–	26,414,783
Share issue costs	11	–	–	(685,044)	–	–	–	(685,044)
Purchase of Company shares into Treasury	12	–	(4,047,797)	–	–	–	–	(4,047,797)
Sale of Company shares from Treasury	12	–	8,559,826	–	–	–	–	8,559,826
Premium on sale of Company shares from Treasury	12	–	(1,808,574)	1,808,574	–	–	–	–
Dividends paid in the year	13	–	–	(277,165)	–	–	–	(277,165)
Return for the year		–	–	–	19,737,485	(497,519)	19,239,966	19,239,966
Balance at 30 June 2014		782,297	(2,483,196)	82,926,112	41,249,276	583,291	41,832,567	123,057,780

For the year ended 30 June 2013

	Notes	Share Capital £	Treasury Shares £	Distributable Reserve £	Retained earnings Capital £	Retained earnings Revenue £	Retained earnings Total £	Total Equity £
Opening balance at 1 July 2012		600,000	–	56,147,261	5,296,710	1,312,500	6,609,210	63,356,471
Purchase of Company shares into Treasury	12	–	(5,186,651)	–	–	–	–	(5,186,651)
Dividends paid in the year		–	–	(300,000)	–	–	–	(300,000)
Return for the year		–	–	–	16,215,081	(231,690)	15,983,391	15,983,391
Balance at 30 June 2012		600,000	(5,186,651)	55,847,261	21,511,791	1,080,810	22,592,601	73,853,211

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

Statement of Cash Flows
For the year ended 30 June 2014

	Notes	*2014* £	*2013* £
Cashflows from operating activities			
Dividend income received from listed investments		2,133,152	1,537,438
Directors' fees received		–	6,447
Fixed deposit interest received		63	4,260
Bank interest received		8,453	7,934
Other income received		98,797	–
Management fees paid		(1,957,422)	(1,325,531)
Directors' fees paid		(93,616)	(90,097)
Other expenses paid		(479,212)	(320,394)
Net cash outflow from operating activities		(289,785)	(179,943)
Cashflows from financing activities			
Proceeds from issue of Company shares		26,414,783	–
Placing fees and issue costs		(685,044)	–
Purchase of Company shares into Treasury		(4,047,797)	(5,186,651)
Sale of Company shares from Treasury		8,559,826	–
Dividends paid		(277,165)	(300,000)
Net cash inflow/(outflow) from financing activities		29,964,603	(5,486,651)
Cashflows from investing activities			
Purchase of investments		(104,129,099)	(43,462,003)
Sale of investments		82,688,139	53,453,500
Purchase of derivative financial instruments		(3,670,111)	(2,678,280)
Sale of derivative financial instruments		–	75,650
Purchase of loan notes		–	(2,000,000)
Transaction charges on purchase and sale of investments		(705,060)	(318,295)
Net cash (outflow)/inflow from investing activities		(25,816,131)	5,070,572
Net increase/(decrease) in cash and cash equivalents during the year		3,858,687	(596,022)
Cash and cash equivalents at beginning of year		1,363,484	1,959,506
Cash and cash equivalents at end of year	7	5,222,171	1,363,484

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 2014

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 United Kingdom ("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 CISE on 17 June 2008. On 1 July 2014, the Company was delisted from the official list of the CISE. 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 International Accounting Standards Board ("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 and presentational 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.

Going concern

As previously announced and bearing in mind that the Company's continuation vote is scheduled to take place in June 2015 and every two years thereafter, the Directors are confident 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.

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.

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 mainly in UK equity instruments, and mainly in one geographical area, the UK, and therefore the Company has only a single operating segment.

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 ("NAV"), 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 Manager but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The investment decisions of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board. The Investment Manager 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 Manager 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 Manager. The Board therefore retains full responsibility as to the major allocations decisions made on an ongoing basis. The Investment Manager 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 20 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 24.

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 Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements

For the year ended 30 June 2014 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments comprise investment in equity, debt instruments, money market funds, 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 Profit or Loss and Other Comprehensive Income. Gains and losses arising from changes in fair value are presented in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Purchases and sales of investments are recognised using trade date accounting. Quoted investments are valued at the bid price on the reporting date or at the realisable value if the Company has entered into an irrevocable commitment to sell the investment prior to the reporting date. Where investments are listed on more than one securities market, the price on the most advantageous market is used, which is deemed to be the market on which the security was originally purchased. If the price is not available as at the accounting date, the last available price is used. The definition of fair value changed upon adoption of IFRS 13 during the year ended 30 June 2014 to reflect the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This has not changed the valuation method of quoted investments as such securities continue to be valued at bid price.

Loan notes are classified as debt instruments and recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loan notes are measured at fair value through profit and loss. The Board has concluded that fair value is approximate to cost plus accumulated interest. On 4 February 2014, the loan notes were converted into shares and classified as equity investments measured at fair value through profit and loss.

The Company's investments also include money market funds which are used to increase the yield on its cash reserves.

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 most advantageous market is used, which is deemed to be the market on which the security was originally purchased. If the price is not available as at the accounting date, the last available price is used. The change in the definition of fair value upon adoption IFRS 13 during the year ended 30 June 2014 has not changed the valuation method of quoted derivatives as such securities continue to be valued at bid price. Gains and losses arising from changes in fair value are presented in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition of financial instruments

The Company de-recognises 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 de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognised), and consideration received (including any new asset obtained less any new liability assumed) is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The Fund de-recognises a financial liability when its contractual obligations are discharged, cancelled or expire. Any gain or loss on de-recognition is recognised in the Statement of Profit or Loss and Other 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 distributable reserve.

Share capital

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

Income

Investment income and interest income have been accounted for on an accruals basis using the effective interest method. Dividends receivable are taken to the Statement of Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income. Withholding tax is recorded in 'Other expenses' in the Statement of Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income, all expenses have been presented as revenue items except as follows:

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

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

The Company has adopted the principles outlined in IAS 32 'Financial Instruments: Presentation' and has treated the consideration paid including directly attributable incremental cost for the repurchase of Company shares held in Treasury ("Treasury shares") as a deduction from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. No gain or loss is recognised in profit or loss in the purchase, sale, issue or cancellation of the Company's own equity investments.

Any consideration received, net of any directly attributable incremental transaction costs upon sale or reissue of such shares, is included in equity attributable to the Company's equity holders.

2. NEW STANDARDS AND INTERPRETATIONS

New standard adopted		Effective for periods beginning on or after
IFRS 13	Fair Value Measurement	1 January 2013

IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The guidance includes enhanced disclosures for reporting entities. These requirements are similar to those in IFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value. IFRS 13 was adopted for the first time for the year ended 30 June 2014 and will be applied prospectively, subject to certain transitional provisions.

The adoption of this standard has not had a material impact on the recognition and measurement of financial instruments, additional disclosures have been included under note 14 as required by IFRS 13.

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 – new general hedge accounting model, allow early adoption of fair value changes due to own credit on liabilities designated at fair value through profit or loss and removal of the 1 January 2015 effective date	No stated effective date*
IFRS 10	Consolidated Financial Statements – amendments for investment entities	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities – amendments for investment entities	1 January 2014

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Revised and amended standards		Effective for periods beginning on or after
IFRS 7	Financial Instruments : Disclosures – Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	No stated effective date**
IAS 27	Separate Financial Statements – amendments for investments entities	1 January 2014
IAS 32	Financial Instruments: Presentation – amendments relating to the offsetting of assets and liabilities	1 January 2014
IAS 36	Impairment of Assets – amendments relating to the recoverable amount disclosures for non-financial assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement – amendments for novations of derivatives and continuation of hedge accounting	1 January 2014

* *At the February 2014 meeting, the IASB tentatively decided that the mandatory effective date will be no earlier than for annual periods beginning on or after 1 January 2018. This is to be endorsed by the EU.*

** *Applies when IFRS 9 is applied.*

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 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:

	2014	*2013*
	£	*£*
Stamp duty	272,091	130,377
Commissions and custodian transaction charges:		
In respect of purchases	201,314	141,308
In respect of sales	231,655	46,610
	705,060	318,295

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

5. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is based on the following data:

	2014	*2013*
Return for the year	£19,239,966	£15,983,391
Weighted average number of issued Ordinary shares	73,304,572	58,825,775
Basic and diluted earnings per share (pence)	26.25	27.17

6. NET ASSET VALUE PER SHARE

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

	2014	*2013*
Net asset value per Statement of Financial Position	£123,057,780	£73,853,211
Total number of issued Ordinary shares (excluding Treasury shares) at 30 June	76,521,809	55,508,000
Net asset value per share (pence)	160.81	133.05

7. 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:

	2014	*2013*
	£	*£*
Cash available on demand	5,180,257	1,321,566
Cash on deposit with maturities of less than 90 days	41,914	41,918
	5,222,171	1,363,484

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 0.25 per cent per annum during the year.

8. TRADE AND OTHER RECEIVABLES

	2014	*2013*
	£	*£*
Trade receivables	254,906	274,056
Prepayments	15,889	15,275
	270,795	289,331

There are no past due or impaired receivable balances outstanding at the year end (2013: £nil).

Notes to the Financial Statements

For the year ended 30 June 2014 (continued)

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

	2014 £	*2013* £
Equity investments	121,690,117	65,068,693
Debt instruments	–	2,020,346
Money market investments	1,547,628	4,012,274
Derivative financial instruments	290,001	1,337,200
	123,527,746	72,438,513

	2014 £	*2013* £
Equity investments		
Cost brought forward	78,457,686	91,656,377
Purchases	85,217,295	29,386,877
Sales	(55,362,228)	(43,450,435)
Realised gain	17,126,575	864,867
Cost carried forward	125,439,328	78,457,686
Unrealised losses brought forward	(13,366,811)	(30,103,591)
Movement in unrealised gains	10,095,187	16,736,780
Unrealised losses carried forward	(3,271,624)	(13,366,811)
Effect of exchange rate movements	(477,587)	(22,182)
Fair value of equity instruments	**121,690,117**	**65,068,693**
Debt instruments		
Cost brought forward	2,000,000	–
Purchases	–	2,000,000
Cost carried forward	2,000,000	2,000,000
Unrealised gains brought forward	20,346	–
Movement in unrealised gains	105,429	20,346
Unrealised gains prior to conversion	125,775	20,346
Effect of exchange rate movements	–	–
Conversion of loan notes into shares	(2,125,775)	–
Fair value of debt instruments	–	2,020,346

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

9. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Money market investments		
Cost brought forward	4,004,346	–
Purchases	25,000,000	14,000,000
Sales	(27,500,000)	(10,003,065)
Realised gain	39,092	7,411
Cost carried forward	1,543,438	4,004,346
Unrealised gains brought forward	7,928	–
Movement in unrealised (losses)/gains	(3,738)	7,928
Unrealised gains carried forward	4,190	7,928
Effect of exchange rate movements	–	–
Fair value of money market investments	1,547,628	4,012,274
Derivative financial instruments		
Cost brought forward	460,400	–
Purchases	3,670,111	2,678,280
Sales	–	(75,650)
Realised losses	(3,548,460)	(2,142,230)
Cost carried forward	582,051	460,400
Unrealised gains brought forward	876,800	–
Movement in unrealised (losses)/gains	(1,168,850)	876,800
Unrealised gains carried forward	(292,050)	876,800
Effect of exchange rate movements	–	–
Fair value of derivative financial instruments	290,001	1,337,200
Total financial assets designated at fair value through profit or loss	123,527,746	72,438,513

On 18 April 2013, the Company purchased £2 million of convertible loan notes ("loan notes") from Hurricane Energy PLC. Interest on these loan notes was accrued at a rate equal to 5 per cent per annum, compounded monthly.

On 4 February 2014, the loan notes were converted into shares following the admission of Hurricane Energy PLC to AIM. At this date, loan notes worth £2 million plus £125,775 of accrued interest were converted into 7,062,377 shares at a conversion price of £0.301 per share, a 30 per cent discount of the admission price of £0.43 per share.

At the reporting date, these converted shares are classified as equity investments and measured at fair value through profit and loss. Before 4 February 2014, these loan notes were classified as debt instruments and measured at fair value through profit and loss.

At the reporting date the Company's derivative financial instruments consisted of 2 (2013: 3) FTSE 100 Index Put Option positions, purchased as protection against a significant market sell-off.

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

10. TRADE AND OTHER PAYABLES

	2014	*2013*
	£	£
Accruals	96,856	81,747
Unsettled trade purchases	4,118,791	156,370
Performance fee accrual	1,747,285	–
	5,962,932	238,117

The carrying amount of trade payables approximates to their fair value.

11. 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 the 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:

	2014		*2013*	
	Number	£	*Number*	£
Opening balance	60,000,000	600,000	60,000,000	600,000
Ordinary shares issued during the year	18,229,665	182,297	–	–
Allotted, called up and fully paid Ordinary shares of £0.01 each	78,229,665	782,297	60,000,000	600,000

On 21 August 2013, 18,229,665 new Ordinary shares were issued for a total gross consideration of £26,414,783. The gross proceeds net of issue costs and placing fees totalling £685,044 amounted to £25,729,739.

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

12. TREASURY SHARES

	2014		*2013*	
	Number	*£*	*Number*	*£*
Opening balance	4,492,000	5,186,651	–	–
Treasury shares purchased during the year	2,770,000	4,047,797	4,492,000	5,186,651
Treasury shares sold during the year	(5,554,144)	(8,559,826)	–	–
Premium transferred to distributable reserve	–	1,808,574	–	–
Closing balance	1,707,856	2,483,196	4,492,000	5,186,651

During the year ended 30 June 2014, 2,770,000 (2013: 4,492,000) Treasury shares were purchased at an average price of 146.13p per share (2013: 115.46p per share), and 5,554,144 (2013: nil) Treasury shares were sold at an average price of 154.12p per share. Since the year end, a further 100,000 shares have been repurchased at an average price of 142.00p per share and transferred to Treasury.

13. DIVIDENDS

On 4 July 2013, the Company declared an interim dividend of £277,165, equating to 0.5p per Ordinary share, which was paid on 19 August 2013 to shareholders on the register on 17 July 2013.

Subsequent to the year end, on 16 July 2014, the Company declared an interim dividend of £382,609, equating to 0.5p per Ordinary share, which was paid on 15 August 2014 to shareholders on record on the register on 18 July 2014.

14. 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 2014 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 2014. 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 2014 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Credit risk (continued)

The table below shows the cash balances at the Statement of Financial Position date and the Standard & Poor's credit rating for each counterparty.

	Location	*Rating*	*Carrying Amount 2014 £*	*Carrying Amount 2013 £*
ABN AMRO (Guernsey) Limited	Guernsey	A	5,168,336	1,310,034
HSBC Bank PLC – Guernsey Branch	Guernsey	AA–	51,914	51,918
Barclays Bank PLC – Isle of Man Branch	Isle of Man	A	1,921	1,532
			5,222,171	1,363,484

The credit ratings disclosed above are the credit ratings of the parent entities of each of the counterparties namely ABN AMRO Bank N.V., HSBC Bank PLC and Barclays Bank 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 2014 £126,858,454 (2013: £68,399,073) 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 be unable to meet 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.

Notes to the Financial Statements

For the year ended 30 June 2014 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Liquidity risk (continued)

The following tables detail the Company's expected maturity for its financial assets and liabilities:

2014	*Weighted average interest rate*	*Less than 1 year £*	*1-5 years £*	*5+ years £*	*Total £*
Assets					
Non-interest bearing	–	123,798,541	–	–	123,798,541
Variable interest rate instruments	0.25%	5,222,171	–	–	5,222,171
Liabilities					
Non-interest bearing	–	(5,962,932)	–	–	(5,962,932)
		123,057,780	–	–	123,057,780

2013	*Weighted average interest rate*	*Less than 1 year £*	*1-5 years £*	*5+ years £*	*Total £*
Assets					
Non-interest bearing	–	70,707,498	–	–	70,707,498
Variable interest rate instruments	0.25%	1,363,484	–	–	1,363,484
Fixed interest rate instruments	5.00%	2,020,346	–	–	2,020,346
Liabilities					
Non-interest bearing	–	(238,117)	–	–	(238,117)
		73,853,211	–	–	73,853,211

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.

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been based on the exposure to interest rates for financial assets held at the Statement of Financial Position date. An increase/decrease of 0.15 percentage points represents management's assessment of a possible change in interest rates. If interest rates had been 0.15 percentage points (2013: 0.15 percentage points) higher/lower and all other variables were held constant:

- the Company's return for the year ended 30 June 2014 would have increased/decreased by £6,608 (2013: £5,740);
- 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 20 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 2014 the Company entered into various index put derivative option contracts to protect the Company's value against a significant fall in the market. At 30 June 2014, £290,000 (2013: £1,337,200) of these contracts were outstanding.

The following tables detail the Company's positions in derivative financial instruments:

2014	*Nominal Amount*	*Value* £
Derivative financial instruments		
Puts on UKX P6250 *(Expiration: July 2014)*	2,000	50,000
Puts on UKX P6200 *(Expiration: August 2014)*	2,000	240,000
	4,000	290,000

2013	*Nominal Amount*	*Value* £
Derivative financial instruments		
Puts on UKX P6200 *(Expiration: July 2013)*	540	504,900
Puts on UKX P6200 *(Expiration: August 2013)*	280	448,000
Puts on UKX P6200 *(Expiration: September 2013)*	180	384,300
	1,000	1,337,200

Notes to the Financial Statements

For the year ended 30 June 2014 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Price risk (continued)

As at 30 June 2014, 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.

2014 *Equity Investments*	*Sector*	*Value* *£*	*Percentage of* *Gross Assets*
Sutton Harbour Holdings PLC	Transportation Services	8,846,516	7
Tribal Group PLC	Consulting Services	7,769,992	6
Aer Lingus Group PLC	Transportation Services	7,522,688	6
4imprint Group PLC	Consumer	7,505,943	6
Leaf Clean Energy Company	Financial Services	7,352,136	6
Thorntons PLC	Consumer	7,292,888	6
Juridica Investments Limited	Financial Services	6,810,300	5
API Group PLC	Basic Materials	6,391,785	5
TT Electronics PLC	Industrial	6,214,397	5
NBNK Investments PLC	Financial Services	6,154,397	5
STV Group PLC	Media	4,879,475	4
Hurricane Energy PLC	Oil and Gas	4,723,812	4
Johnston Press PLC	Media	4,445,883	3
Imperial Innovations Group PLC	Industrial	4,251,995	3
Hansard Global PLC	Insurance	4,039,107	3
Plus500 Limited	Financial Services	3,488,873	3
Other	Various	23,999,930	19
Total		121,690,117	96

Money Market Investments	*Sector*	*Value* *£*	*Percentage of* *Gross Assets*
ICS Institutional Sterling Liquidity Fund	Investment Management	1,547,628	1
Total		1,547,628	1

2013 *Equity Investments*	*Sector*	*Value* *£*	*Percentage of* *Gross Assets*
TT Electronics PLC	Industrial	7,347,750	10
Tribal Group PLC	Consulting Services	7,184,077	10
Norcros PLC	Industrial	7,048,670	10
API Group PLC	Basic Materials	6,242,660	8
Sutton Harbour Holdings PLC	Transportation Services	6,201,940	8
Devro PLC	Consumer	4,688,332	6
4imprint Group PLC	Consumer	4,385,536	6
Smiths News PLC	Communications	3,630,000	5
Northgate PLC	Transportation Services	3,073,525	4
Thorntons PLC	Consumer	2,601,620	4
Hansard Global PLC	Insurance	2,482,138	3
United Drug PLC	Consumer	1,976,055	3
Other	Various	8,206,390	11
Total		65,068,693	88

Notes to the Financial Statements

For the year ended 30 June 2014 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Price risk (continued)

Debt Instruments	*Sector*	*Value* *£*	*Percentage of Gross Assets*
Hurricane Energy PLC	Oil and Gas	2,020,346	3
Total		2,020,346	3

Money Market Investments	*Sector*	*Value* *£*	*Percentage of Gross Assets*
ICS Institutional Sterling Liquidity Fund	Investment Management	4,012,274	5
Total		4,012,274	5

At the Statement of Financial Position date and assuming all other variables are held constant:

- If market prices had been 25 per cent higher, the Company's profit and net assets for the year ended 30 June 2014 would have increased by £30,529,436 (2013: £15,956,642);
- If market prices had been 25 per cent lower, the Company's profit and net assets for the year ended 30 June 2014 would have increased by £16,340,564 (2013: decreased by £3,055,142), reflecting the effect of the derivative financial instruments held at the reporting date.
- There would have been no impact on the other equity reserves.

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will 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 and Australian Dollars.

The table below illustrates the Company's exposure to foreign exchange risk at 30 June 2014:

	2014 *£*	*2013* *£*
Financial assets designated at fair value through profit and loss:		
Listed equity securities denominated in Euros	11,709,174	–
Listed equity securities denominated in Australian Dollars	2,555,793	–
Total Assets	14,264,967	–

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 £1,170,917 (2013: £nil).

If the Australian Dollar 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 £255,579 (2013: £nil).

Notes to the Financial Statements

For the year ended 30 June 2014 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Fair value measurements

The Fund measures fair values using the following 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.

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 objective of the valuation techniques used is to arrive at a fair value measurement that reflects the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date.

Notes to the Financial Statements

For the year ended 30 June 2014 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Fair value measurements (continued)

The following tables analyse within the fair value hierarchy the Company's financial assets measured at fair value at 30 June 2014 and 30 June 2013:

2014	*Level 1* £	*Level 2* £	*Level 3* £	*Total* £
Financial assets designated at fair value through profit and loss:				
Equity investments – Listed equity securities	121,690,117	–	–	121,690,117
Money Market investments – Listed securities	1,547,628	–	–	1,547,628
Derivatives – Listed securities	290,001	–	–	290,001
	123,527,746	–	–	123,527,746

2013	*Level 1* £	*Level 2* £	*Level 3* £	*Total* £
Financial assets designated at fair value through profit and loss:				
Equity investments – Listed equity securities	65,068,693	–	–	65,068,693
Debt instruments – Loan notes	–	–	2,020,346	2,020,346
Money Market investments – Listed securities	4,012,274	–	–	4,012,274
Derivatives – Listed securities	1,337,200	–	–	1,337,200
	70,418,167	–	2,020,346	72,438,513

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

The loan notes held in the year ended 30 June 2013 were classified as Level 3 debt instruments as there was no observable market data. A reconciliation of opening and closing fair values on debt investments is provided in note 9. The convertible note of Hurricane Energy PLC is the only investment that was held in this category. On 4 February 2014, these loan notes were converted to shares following the admission of Hurricane Energy PLC to the AIM and are subsequently classified as equity investments.

There have been no transfers between levels during the year. For financial instruments not measured at fair value through profit or loss, the carrying amount is approximate to their fair value.

15. RELATED PARTIES

Richard Bernstein is a director and a member of the Investment Manager, a member of the Investment Adviser and a holder of 10,000 (2013: 610,000) Ordinary shares, representing 0.01 per cent (2013: 1.10 per cent) of the voting share capital of the Company at the year end.

During the year the Company incurred management fees of £1,957,422 (2013: £1,325,531) none of which was outstanding at the year end. The Company also accrued performance fees of £1,747,285 (2013: £nil) all of which was outstanding and is included in trade and other payables as at the year end.

As at 30 June 2014 the Investment Manager held 2,230,000 shares (2013: 1,630,000) of the Company, representing 2.91 per cent (2013: 2.94 per cent) of the voting share capital.

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

Notes to the Financial Statements
For the year ended 30 June 2014 (continued)

16. DIRECTORS' INTERESTS AND REMUNERATION

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:

	2014		*2013*	
	Number of Ordinary shares	*Total Voting Rights*	*Number of Ordinary shares*	*Total Voting Rights*
William Collins	25,000	0.03%	25,000	0.05%
Sarah Evans	25,000	0.03%	25,000	0.05%
Total	50,000	0.06%	50,000	0.10%

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

	2014	*2013*
	£	*£*
William Collins	30,288	30,000
Sarah Evans	25,288	25,000
Nigel Ward	20,288	20,000
David Warr *(Resigned 7 March 2014)*	13,615	9,445
Mark Huntley *(Resigned 12 October 2012)*	–	5,652
Total	89,479	90,097

With effect from 10 June 2014, the Company approved an amendment to the Letters of Appointment of the Directors in office at that date whereby the Directors' fees were increased by £5,000 per annum for each Director.

17. MATERIAL AGREEMENTS

The Company has entered into the following material agreements:

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

With effect from 1 April 2013, under the addendum to the management agreement, the Manager receives a management fee at the annual rate of 2 per cent of the NAV or the Market Capitalisation, whichever is lower. The management fee is payable quarterly in advance and calculated on the NAV or the Market Capitalisation on the relevant quarterly accounting date.

In addition, the Manager is entitled to a performance fee in certain circumstances. This fee is calculated 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

Notes to the Financial Statements

For the year ended 30 June 2014 (continued)

17. MATERIAL AGREEMENTS (continued)

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

2. the achievement of a "high watermark": the NAV per Ordinary share at the end of the relevant performance period must be higher than the highest previously reported NAV per Ordinary share at the end of a performance period in relation to which a performance fee, if any, was last earned. If no performance fee has been earned since admission, the NAV per Ordinary share must be higher than the placing price.

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

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

The above arrangements were in effect until 21 August 2013, when they were modified as set out below.

On 21 August 2013 the Company issued 18,229,665 new Ordinary shares on AIM and CISE. Following this issue, the basis of the calculation of the management fee was changed so that the rate of 2 per cent continues to apply to the Market Capitalisation of the Company at 30 June 2013 (£73.5 million) ("the Base Amount") and to the extent that an amount equal to the lower of the Company's NAV and Market Capitalisation, at the relevant time of calculation, exceeds the Base Amount ("the Excess Amount"), the applicable fee rate on the Excess Amount will be 1.5 per cent.

The conditions for the payment of the performance fee also changed following the issue. The hurdle condition has now increased from 7 per cent to 8 per cent for the period after issue to the end of the relevant performance period. Prior to issue, the performance fee was payable in cash, subsequent to the issue it depends on whether Ordinary shares are trading at a discount or premium to the Company's NAV per Ordinary share:

- If Ordinary shares are trading at a discount to the NAV per Ordinary share, the performance fee shall be payable in cash. Within a period of one calendar month after receipt of such cash payment, the Manager shall be required to purchase Ordinary shares in the market of a value equal to such cash payment.
- If Ordinary shares are trading at, or at a premium to, the NAV per Ordinary share, the performance fee shall be satisfied by the sale of Ordinary shares out of Treasury or by the issue of new fully paid Ordinary shares. The number of Ordinary shares that shall become payable shall be a number equal to the performance fee payable divided by the closing mid-market price per Ordinary share on the date on which such performance fee became payable.

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 is paid an annual fee of 0.12 per cent of that part of the NAV of the Company up to £150 million and 0.1 per cent of that part of the NAV over £150 million (subject to a minimum of £75,000 per annum).

Notes to the Financial Statements

For the year ended 30 June 2014 (continued)

17. MATERIAL AGREEMENTS (continued)

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 (2013: 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.

18. 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.

19. POST BALANCE SHEET EVENTS

The Company purchased 100,000 of their own Ordinary shares between the period 1 July 2014 and 5 September 2014. These shares are held as Treasury shares. Following these purchases, the total number of Ordinary shares held as Treasury shares by the Company is 1,807,856.

On 1 July 2014, Christopher Waldron was appointed as a Director of the Company.

On 16 July 2014, the Company declared an interim dividend of £382,609, equating to 0.5p per Ordinary share, which was paid on 15 August 2014 to shareholders on record on the register on 18 July 2014.

On 7 August 2014 the Company reported that its unaudited NAV at 31 July 2014 was 156.3p per share.

On 5 September 2014 the Company reported that its unaudited NAV at 31 August 2014 was 156.3p per share.

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