CRYSTAL AMBER

Crystal Amber Fund Limited

Annual Report and Audited Financial Statements

For the year ended 30 June 2017

Company No. 47213

Contents

Highlights

- NAV[1] per share increased by 32.9 per cent over the year to 204.37 pence (153.79 pence per share at 30 June 2016). Including the dividends paid during the period, NAV total return per share over the year ended 30 June 2017 was 36.1 per cent. This performance makes the Company the seventh best performing investment trust of Trustnet's 119 UK Investment Trusts, over the 12 months to 30 June 2017.
- Successful exits from investments in Grainger plc ("Grainger"), Pinewood Group plc ("Pinewood") and Restaurant Group plc ("Restaurant Group"), realised gains of £6.1 million, £5.3 million and £1.3 million respectively. £15.7 million profit was realised from Hurricane Energy plc ("Hurricane") sales. Total net realised gains for the year were £19.3 million, including realised losses on derivatives.
- The buy-back programme helped to limit the average discount to NAV of 5.7 per cent over the year, which compares to an average discount of 7.7 per cent for the Company's peer group[2]. Premium to NAV at 30 June 2017 was 3.5 per cent.
- New positions were initiated in NCC Group plc ("NCC") and Ocado Group plc ("Ocado"). The Company materially increased its position in GI Dynamics Inc ("GI Dynamics").

William Collins, Chairman of the Company, commented: "It has been an eventful year for global equity markets, which have faced a great deal of uncertainty in the wake of the Brexit vote and the beginnings of the Trump presidency. Despite this, the Company has achieved exceptional performance thanks to its focus on undervalued opportunities where it sees the potential to act as a catalyst for change. The NAV total return per share of 36.1 per cent over the year deepens our confidence in the Company's activist investment process. Going forward, the Company will continue to use its proven screening process to identify activist opportunities."

[1] All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 61 to 63 unless separately defined.

[2] AIC UK Smaller Companies Peer Group: Source: Thomson Reuters Datastream as at 30 June 2017.

Chairman's Statement

I hereby present the tenth Annual Report of the Company for the year ended 30 June 2017.

Despite last year's Brexit vote, the beginnings of the Trump presidency, and the subsequent uncertainty these events created, equity markets continued to push higher over the year to 30 June 2017.

Following the Brexit vote, the Bank of England cut interest rates from 0.5 to 0.25 per cent in August 2016, and announced further stimulus measures. In December 2016 and March 2017, the US Federal Reserve raised interest rates by 0.25 per cent to 1.00 per cent and further increased the range to 1.00 to 1.25 per cent in June 2017.

NAV at 30 June 2017 was £201.0 million, compared with an unaudited NAV of £214.5 million at 31 December 2016 and £151.5 million at 30 June 2016. NAV per share was 204.37 pence at 30 June 2017 compared with 218.02 pence at 31 December 2016 and 153.79 pence at 30 June 2016.

NAV per share increased 32.9 per cent over the year to 204.37 pence. Including the dividends paid during the year, NAV total return per share over the twelve months ended 30 June 2017 was 36.1 per cent. This performance makes the Company the seventh best performing investment trust of Trustnet's 119 UK Investment Trusts, over the 12 months to 30 June 2017.

During the year, the Company bought back 160,000 of its own shares at an average price of 157.70 pence as part of its programme to eliminate any material discount to NAV. Over the year, the shares traded at an average discount to NAV of 5.7 per cent. At the year end the shares traded at a premium to NAV of 3.5 per cent.

The Company declared interim dividends of 2.5 pence in both July 2016 and December 2016, in line with the dividend policy of 5.0 pence per year. Guernsey registered companies are not required to obtain shareholder approval in respect of interim dividends and this has been the Company's policy to date. However, the Board wishes to afford shareholders the ability to approve the interim dividends paid in this financial year and there will be an ordinary resolution proposed at the forthcoming AGM in this regard.

The Directors have specifically considered the implications of the continuation vote to be proposed at the 2017 AGM on the application of the going concern basis. The continuation vote is scheduled to occur every two years. The Directors have no reason to doubt that shareholders will vote for the Company to continue as constituted at the 2017 AGM, given the positive performance of the Company since the previous continuation vote at the 2015 AGM.

The Company remains cautious on the overall outlook for markets as uncertainty remains, not only about the implications of Brexit, but underlying issues still facing the global economy. However, we believe Brexit has created several activist opportunities: Sterling's weakness has made UK companies particularly attractive to overseas acquirers. The Company remains committed to its strategy of identifying opportunities in the market and working with companies to realise shareholder value.

Finally, having served as a Director and Chairman of the Company since 2008, I will be retiring from the Board at the AGM in November this year. Christopher Waldron, who was appointed as Director in July 2014, will succeed me as chairman and I wish him every success in the role. I would like to thank my fellow Directors for their support during the period of my chairmanship and wish the Adviser, the Manager and the Board continuing success in the future.

William Collins
Chairman

12 September 2017

Investment Manager's Report

Performance

The Fund's NAV per share increased 32.9 per cent over the year to 204.37 pence (153.79 pence at 30 June 2016, 218.02 pence at 31 December 2016). Including the 2.5 pence dividend paid in both July 2016 and December 2016, the total return per share for the year was 36.1 per cent. This compares to the FTSE 250 total return of 18.9 per cent and FTSE Small Cap total return of 24.9 per cent. Over the year, investments in equities represented an average 100.6 per cent of net assets. The purchase of FTSE put options in the year resulted in a net decrease in NAV of £10.8 million. Whilst impacting returns, the Fund's exposure to broad market risk was reduced.

The main performance contributors were Hurricane (19.5 per cent), FairFX Group plc ("FairFX") (5.1 per cent), Grainger (5.1 per cent) and Northgate plc ("Northgate") (4.3 per cent). The main performance detractors were Ocado (0.3 per cent), a recent investment, Hansard Global plc ("Hansard") (0.2 per cent) and Sutton Harbour Holdings plc ("Sutton Harbour") (0.2 per cent).

Portfolio

The table below lists the Fund's top ten holdings at 30 June 2017. It details the stake that those positions represent as a proportion of the Fund's NAV and their contribution to the Fund's NAV performance over the year.

Top ten holdings	*Pence per share*	*Percentage of NAV*	*Percentage of investee equity held*	*Contribution to NAV performance*
Hurricane Energy plc	49.6	24.3%	12.2%	19.5%
Northgate plc	29.5	14.4%	4.9%	4.3%
STV Group plc	25.7	12.6%	16.8%	2.0%
FairFX Group plc	16.0	7.8%	25.7%	5.1%
Leaf Clean Energy Co.	12.9	6.3%	29.9%	0.7%
NCC Group plc	11.6	5.7%	2.5%	2.3%
Ocado Group plc	9.6	4.7%	0.5%	(0.3%)
GI Dynamics Inc	9.4	4.6%	46.1%	3.0%
Sutton Harbour Holdings plc	7.5	3.7%	29.3%	(0.2%)
Johnston Press plc	3.3	1.6%	21.4%	0.0%
Total of ten largest holdings	175.1			
Other investments	26.8			
Cash and accruals	2.5			
Total NAV	**204.4**			

At the end of the year, the Fund's top ten positions represented 85.7 per cent of NAV, compared with 87.8 per cent at 30 June 2016. The Fund's total number of equity positions was 17 (2016: 20). The cash and accruals position at 1.2 per cent of NAV had increased from 0.3 per cent at 30 June 2016.

Six of the Fund's top ten positions at the end of the year, Hurricane, Northgate, STV Group plc ("STV"), FairFX, Leaf Clean Energy Co ("Leaf") and Sutton Harbour were within the top ten holdings at the beginning of the year. Over the year, the Fund added to its investments in GI Dynamics, Johnston Press plc ("Johnston Press"), Northgate and STV.

Over the year, the Fund increased its position in Northgate to 4.9 per cent of Northgate's share capital and in STV to 16.8 per cent of STV's share capital. The Fund also increased its stakes in FairFX to 25.7 per cent, in GI Dynamics to 46.1 per cent and in Johnston Press to 21.4 per cent. The Fund has continued to engage constructively with the management and board of each of these companies.

Investment Manager's Report (continued)

Portfolio (continued)

The Fund continued to build its position in Hurricane, investing a further £10.7 million at the company's placing of shares in October 2016 and taking the Fund's stake in Hurricane to 15.3 per cent. In April 2017, the Fund announced that it had reduced its position in Hurricane into demand to manage its exposure to this successful investment, realising gains of £15.7 million. In July 2017, Hurricane completed a placement of ordinary shares to raise $300 million at a price of 32 pence per share. The company also raised an additional $230 million via the placement of convertible bonds. The Fund invested $10 million in this raising ($3 million equity and $7 million convertible bonds).

The Fund exited its position in Grainger, realising a total profit of £6.1 million, (£7.1 million including dividends received to date). Following engagement, and as recommended by the Investment Adviser, Grainger undertook a strategic review, streamlined the business, reduced its administrative and other expenses from £42 million per year to £27.5 million per year and reduced its cost of debt from 5.3 per cent to 3.6 per cent. Following a significant share price re-rating, which saw its discount to net assets narrow from 17.1 per cent at 31 December 2016 to 8.5 per cent in June 2017, the Fund exited its position in Grainger, realising total sale proceeds of £37.3 million.

The Fund exited its position in Pinewood, realising a profit of £5.3 million. Following the completion of a strategic review, the Pinewood board received and recommended a takeover offer valuing the company at £320 million. The offer was made by a real estate fund, Aermont Capital, reinforcing the Fund's view that Pinewood's real estate portfolio was undervalued. Taking into account all realisations since the initial investment in July 2011, the total profit on the Fund's investment in Pinewood was £14.7 million.

The Fund also realised gains of £1.3 million on its holding in Restaurant Group and received the final payment following the closure of NBNK Investments plc ("NBNK"), realising a profit of £0.6 million.

In addition, over the year, the Fund exited its investments in Providence Resources ("Providence") and San Leon Energy plc ("San Leon"), realising losses of £0.6 million and £0.5 million respectively.

Strategy

The Fund remains focused on special situations where the Investment Manager believes value can be released regardless of the market direction.

The Fund held 20 positions at the start of the period and 17 positions at the period end. The top 10 positions represented 85.7 per cent of NAV. By its nature as an activist fund, and to ensure a sufficient stake so as to allow engagement as a major shareholder, the Fund is exposed to concentration risk. However, this is considered to be a necessary risk in order to provide returns through the investment strategy. Levels of investment in individual companies are monitored and parameters are set to ensure this risk is kept to an acceptable level.

Over the year to 30 June 2017, the weighted average market capitalisation of the Fund's investee companies has increased from £346 million to £430 million (30 June 2015: £372 million).

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 'as it could be' to maximise shareholder value.

Investment Manager's Report (continued)

Activist Investment Process (continued)

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, management and non-executive directors, as we build a network of knowledge around our holdings. Where appropriate, site visits are undertaken to deepen our research and independent research is commissioned. 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 recommendations has generally been encouraging. We remain determined to ensure that our investments deliver their full potential for all shareholders, and we 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.

Investee companies

Our comments on a number of our principal investments are as follows;

Hurricane

Hurricane is an oil exploration company targeting naturally fractured basement rock reservoirs in the West of Shetland. Hurricane controls 728 million barrels of certified resources, including 62 million barrels of reserves, in licences that are 100 per cent owned.

Since 2005, Hurricane has acquired and explored fractured basement rock formations. Hurricane's assets had, in the past, proven to be oil bearing but had been abandoned due to the view that those reservoirs were not commercial. According to GeoScience, a research services firm, basement reservoirs could hold as much as 20 per cent of the world's remaining oil and gas resources.

Naturally fractured rock with high permeability allows the oil to rise and collect under a thick layer of shale rock and clay. The fractures provide storage capacity and fluid pathways. This source of oil has been successfully developed in locations in countries such as Vietnam and Yemen, but not yet in the UK.

In our view, Hurricane's assets stand out due to the size of the resources. In comparison to Hurricane's resource size, the average North Sea exploration target in 2014 was just over 30 million barrels of oil equivalent (BOE), according to UK Oil and Gas. The Fund's previous annual reports include additional background information on this investment.

The Fund initially invested in Hurricane at a pre-IPO stage, helping the company secure an exploration rig to drill a horizontal producing well on its core Lancaster licence. The company listed in February 2014 with a valuation of £272 million. Despite the success of the 2014 Lancaster exploration campaign, the fall in oil prices from $109 at the time of the IPO to the sub-$50 prices of the last two years took a toll on the company's share price. The oil price fall also resulted in a dearth of capital for exploration.

Investment Manager's Report (continued)

Investee companies (continued)

Hurricane (continued)

Taking advantage of reduced exploration costs, in April 2016 the Fund and Kerogen Capital, an energy investor, participated in a £52.1 million fund raising. This allowed the company to drill two wells which increased the flow rate and resource estimates of Lancaster. To retain the exploration rig at its attractive rental rates the company raised £70 million in October 2016, with our support. The deal also included funds for long lead items necessary for an early production system for Lancaster. The early production system would target first oil production in 2019 and be the first step towards the full field development of Lancaster. It would contribute to the understanding of the reservoir and generate an attractive investment return.

Funds raised also allowed the company to begin drilling at a new licence, Halifax, which it was awarded in November 2016. In March 2017, Hurricane announced that oil at Halifax was of a similar quality to that encountered at Lancaster and was found at even greater depth, indicating that Lancaster and Halifax could form one large structure. The Greater Lancaster Area, which includes Lancaster and Halifax, is 30 kilometres long and, in our estimates, could hold 2 billion barrels of oil.

The Fund sold stock into demand between January and April 2017, and in the process realised gains of £15.7 million, whilst retaining a significant position.

In May 2017, Hurricane announced that it was granting 25 million warrants to its Broker, Stifel Nicolaus Europe Limited (SNEL). This had the effect of Hurricane selling its own shares through a market maker, rather than placing its shares with investors. The Fund remains baffled as to why Hurricane embarked on this course and in particular, despite regular dialogue and engagement with the Fund, which was and remains its largest independent shareholder, why on this occasion, it chose not to discuss or consult with the Fund. This, together with an interview given by the company's Finance Director mentioning that he intended to "pass the begging bowl" to raise funds for the early production system, led to retail investors reducing their holdings and a significant increase in "short interest" in Hurricane's shares.

Combined with the uncertainty created regarding future funding, Hurricane's share price fell by more than 50 per cent. In June 2017, the Fund released an announcement expressing its disappointment at Hurricane's poor handling of the warrant issue and comments made at its AGM earlier in that month.

On 29 June 2017, Hurricane announced a proposed placement of ordinary shares to raise $300 million at a price of 32 pence per share. The company also announced its intention to raise $220 million via the placement of convertible bonds. Proceeds of the placing are to be used to fund the early production system development of the Lancaster field. The early production system is expected to produce 17,000 barrels of oil per day and provide data required to plan a full field development of Lancaster. This project is currently scheduled to achieve first oil in the first half of 2019. The placing was approved at the company's AGM on 21 July 2017. The Fund invested $3 million in this raising, taking its stake in the company to 8 per cent.

The Fund's serious concerns regarding the fund raisings, associated comments by Hurricane's Finance Director and corporate governance weaknesses remain. The Fund also notes that despite an excellent exploration campaign over the last 18 months following the latest fund raise, Hurricane's enterprise value is less than the amount it has raised from investors since inception. The Fund is currently in dialogue with Hurricane regarding these concerns and will update shareholders accordingly.

Notwithstanding management issues, the Fund maintains the view that there remains a significant disconnect between the operational value of Hurricane and its strategic value. Drilling results over the 12 months to 30 June 2017 indicate that Hurricane holds a very large, quality asset, with a resource that the Fund believes could be in excess of 1.6 billion barrels of oil, significantly undervalued by the current market capitalisation. Indeed, a recent statement from the Chief Executive of BP, specifically mentioned "Hurricane Energy's big discovery opening the prospect of major new resources west of Shetland."

Investment Manager's Report (continued)

Investee companies (continued)

Northgate

Northgate is the leading light commercial vehicle hire business in the UK, Ireland and Spain. Its core product is flexible rental, offering van hire without a long-term commitment at a premium to the cost of fixed term contracts. The company has a fleet of over 93,000 commercial vehicles, available from more than 100 sites across the UK, Ireland and Spain. It currently generates a return on capital employed of 10.5 per cent on £510 million of net tangible assets.

Flexible rental is growing because customers can tailor their vehicle fleets to their requirements and have the flexibility to change vehicles as their needs evolve. Northgate primarily serves businesses which vary in size from owner operators to corporate customers. The company benefits from purchasing scale and service capabilities from its own network of garages. Northgate also has its own retail vehicle disposal channel, VanMonster, through which it sells vehicles at the end of their useful rental life.

The Fund first invested in Northgate in 2012, when Bob Mackenzie and Bob Contreras were chairman and CEO of the company, respectively. They were in advanced stages of turning around the company from its debt fuelled rollup strategy which resulted in a rights issue. The Fund supported a re-financing of Northgate's debt that cut its interest cost from 7 per cent to 2.8 per cent. Following a re-rating of the shares, the Fund had fully exited its position by 2015 and realised a £3.5 million profit. In 2016, it became apparent that Northgate's turnaround had gone awry in the UK: a planned roll-out into new sites was put on hold and turnover of the sales team reached 40 per cent. As subsequently became clear, Northgate was losing market share. Andrew Page, the new chairman, had to recruit a new Finance Director and, by the end of 2016, a new CEO as well.

The Fund re-invested in Northgate during 2016 in the belief that Northgate's share price failed to reflect the strategic value of the company's position at a time of growing industry consolidation. In June 2016, following a meeting with Northgate's then CEO, Bob Contreras, the Fund set out its assessment of the company's prospects with recommended actions, including a strategic review that could result in a sale of all or part of the business.

At 443 pence at 30 June 2017, Northgate's shares are trading at a modest premium to the company's net tangible asset value of 383 pence. The net tangible asset value is roughly the liquidation value of Northgate's fleet. Over the next three years, we expect the 4 per cent dividend and the return on capital to increase as its UK fleet returns to growth.

STV

STV owns the leading commercial channel in Scotland, where it broadcasts free to air TV through the Channel 3 licence. Following ITV plc's (ITV) acquisition of UTV Ireland in 2016, STV is the only Channel 3 business not owned by ITV. The channel's broadcast business generates 80 per cent of STV's £120 million revenues. Other revenue sources include digital advertising sales through the STV Player and third-party programme making through STV Productions.

The company has exclusive access to the ITV Network's content in Scotland in return for an affiliate fee that represents around 50 per cent of STV's cost base. While TV advertising revenues are cyclical, STV's content agreement with ITV cushions that impact on STV's margins. Over the last decade, and despite the rapid growth of digital advertising, TV's share of the advertising market has remained broadly stable at 40 per cent of total spend. Similarly, TV viewing has remained stable at an average of around four hours per day. STV's national airtime is sold by ITV and represents 85 per cent of its advertising revenues, with the balance being regional airtime. STV's peak time viewing figures have remained above ITV's for seven consecutive years, and this outperformance translates into higher advertising rates.

Investment Manager's Report (continued)

Investee companies (continued)

STV (continued)

The Fund initially invested in STV in 2013 when the company was completing its turnaround, having already exited non-core assets and brought net debt under control. During the Fund's investment period, management has avoided distractions and has delivered consistently on its strategy to deepen the company's reach within Scotland. Non-broadcast revenues have grown to 23 per cent in 2016, from 11 per cent in 2010. Digital products have been the key contributor to this, in particular "Video On Demand" revenues from STV Player, and they now generate £7.9 million of revenues, with a margin of 52 per cent. STV's digital products have captured data insights from 2.1 million Scottish viewers, a valuable resource for consumer services that the company is only starting to monetise. STV has struggled to grow external production revenues, and it is the consumer division that generates all of STV's £19.7 million operating profits.

In 2014 STV recommenced dividend payments and these have grown seven-fold. Over the Fund's holding period, net debt has halved and at £26.4 million represents one times' EBITDA. In 2016, the company reached an agreement with its pension scheme trustees over the future contributions to the scheme, clarifying the funding needs of the company.

STV's share price de-rated for a brief period following the Brexit referendum results and the resulting weakness of advertising markets. The Fund increased its stake over the period from 7.8 per cent to 16.8 per cent and engaged with management over the use of the company's surplus cash. After the period end, STV announced a buyback programme worth £10 million per annum, which the Fund welcomes. Trading at 9 times current year earnings, STV can retire substantial amounts of stock at an attractive price and accrue the most value to its shareholders.

In April 2017, the company also announced that its CEO, Rob Woodward, would step down within 12 months. In August 2017, the company announced that Simon Pitts will join the Board as CEO in January 2018. Simon will join from ITV where he is a member of the executive board, holding the position of Managing Director, Online, Pay TV, Interactive & Technology. Over a 17 year career at ITV, Simon has held a number of senior roles, was central to the company's recent transformation, and oversaw strong growth in ITV's digital businesses.

FairFX

FairFX has been offering international payment services to retail and corporate customers in the UK since 2007. Its payments platform enables low-cost multi-currency accounts and pre-paid cards in a market estimated to be worth £60 billion a year. FairFX can deliver better value to consumers than full-service banks burdened with regulation and legacy systems, or high street Bureaux de Change providers that carry the cost of retail estates.

Unlike most in the FinTech space, the company grew until 2014 by prudently re-investing profits in product and marketing investments. But like others, it sought to secure funds at a high valuation when it came to list in 2014. The IPO was however too small at £2.6 million, providing the company with insufficient growth capital in an increasingly competitive industry. Additional fund raisings were completed in December of the same year and in 2015, but were also in aggregate insufficient to tackle FairFX's opportunities.

In March 2016, the Fund engaged with the company's board to undertake a placing at 20 pence per share that would fund materially increased marketing expenditure for growth. In 2016, we saw a step change at FairFX. Transaction revenues are up 28 per cent and international payments turnover is up 49 per cent.

Investment Manager's Report (continued)

Investee companies (continued)

FairFX (continued)

The acquisition of Q Money's e-Money licence increased the capabilities of FairFX. Additionally, the growth of the executive team underpins FairFX's move towards general SME banking services. For corporates and SMEs, FairFX can deliver expense management platforms, banking capabilities and payment services in a low-cost environment. The opportunity there is compelling: banks are unattractive to SMEs and offer expensive payment solutions.

The acquisition of CardOne, announced in July 2017, brings a full service digital banking platform as a part of a £25 million fund raising which will also help with overseas expansion, marketing and IT.

Leaf

Leaf is an investment company focused on clean energy, largely in North America. As a consequence of the Fund's activism, Leaf has been in orderly realisation since July 2014. It currently owns four assets, the largest of which is an equity stake in Invenergy Wind that represents 97 per cent of Leaf's $102.2 million assets. The Fund's previous annual reports provide the background on our investment in Leaf and our engagement with the company's board.

Invenergy Wind is North America's largest independent privately held renewable energy provider. It has developed over 15,000 MW of generation capacity in over 100 projects. Leaf initially invested $40 million in convertible notes in 2008 and 2009. It elected to convert its interest into a 2.3 per cent equity stake in June 2015. In July 2015, TerraForm Power announced the signing of definitive agreements for a proposed purchase from Invenergy of 930 MW of contracted wind power generation facilities. On 16 December 2015, the transaction closed and on 21 December 2015, Leaf filed a complaint against Invenergy for breach of contract. The complaint alleges that Invenergy was required either to obtain Leaf's consent to the sale prior to its consummation or, in the absence of such consent, make a payment to Leaf upon the closing of the sale. Leaf did not consent to the sale and Invenergy made no payment to Leaf. The complaint sought payment of $126 million plus interest and the case will be heard in October 2017.

After the filing of the complaint, Invenergy Wind exercised its call option on Leaf's stake, and Leaf followed by exercising its put option. An appraisal process to determine the market value of the investment resulted in valuations of $73 million from Leaf's appraiser and $36 million from Invenergy Wind's. On 30 June 2016, in a partial judgement on the case, the court ruled that Invenergy Wind had breached the contract by not obtaining Leaf's consent to the transaction. Pending further proceedings, the court has not yet determined the amount of damages, which Leaf argues should be determined by applying the target rate of return of 23 per cent, as agreed between Invenergy Wind and Leaf. On 10 October 2016, the court rejected Invenergy Wind's argument that the exercise of a put option voided Leaf's claim for breach of contract.

Leaf is actively exploring its options to realise the value of its other investments in VREC, Lehigh and Energia Escalona.

The full value of Leaf's claim against Invenergy Wind, with interest but net of tax, is over 95 cents (72 pence) per share. This compares to Leaf's share price at 30 June 2017 of 37.5 pence and its latest available NAV per share at 31 December 2016, of 77.65 cents (58.8 pence).

The Fund remains confident in the value underpinning the Invenergy Wind investment and that Leaf will successfully realise it.

Investment Manager's Report (continued)

Investee companies (continued)

NCC

NCC is an IT support services business with two divisions, Assurance and Escrow, which generate revenues of £205 million and £37 million respectively. In NCC's Assurance division, 'ethical hackers' advise companies on their cybersecurity needs by undertaking penetration testing, systems monitoring and governance reviews. This breadth of capability is superior to most of its competitors, which include professional service firms such as Accenture and small niche players. In its Escrow division, NCC provides a legal and technical framework to facilitate its customers' business continuity, should their independent software vendors cease to exist. In the US, Escrow competes against safe record-keeping company, Iron Mountain, but in the UK, its main market, NCC's Escrow has a dominant position.

Operating in rapidly growing markets, NCC was able to grow revenues by over 25 per cent per annum over the last ten years. Earnings and the share price grew quickly until in 2016 the company issued a profit warning. Conflicts of interest at board level, together with the nature of certain payments made by the company that the CEO later agreed to reimburse, proved to be the tip of the iceberg, but this was sufficient to see the chairman stand down in January 2017. A month later, the company again warned on profits, cancelled a capital markets day due to take place the following day and initiated a strategic review. In February 2017, after three profit warnings, the share price plunged to value the equity at £243 million.

After the first profit warning, the Fund assessed the attractiveness of NCC's markets and the company's position. The investment was initiated after the February 2017 sell-off. We engaged with the company over the need to replace the CEO, who resigned in March 2017.

During its growth phase, NCC had failed to put in place adequate controls and procedures to monitor and forecast its performance, collect cash promptly and generate business. 2015's Assurance acquisitions had grown the cost base faster than revenues so that profits were down by 36 per cent in 2017.

After 30 June 2017, the Fund expressed its support for the strategic review's findings. This established the size of the Assurance division's addressable market at $38 billion and growing at double digits over the next five years.

The process changes underway to improve its performance require delicate management. However, they do not require cash investments or risky acquisitions. In our view, as the turnaround benefits accrue, Assurance margins should recover to the previous highs of 17 per cent. We believe that NCC's stock remains undervalued and the company can rebuild its investor reputation. Cyber security is an exceptionally attractive market, and NCC's position in it has a strategic value not reflected in its share price.

Ocado

Ocado is the world's largest dedicated online grocery retailer with over 580,000 active customers and £1.3 billion of sales. It was established in 2001 in the UK with a sourcing arrangement with Waitrose and commenced deliveries to customers. The company's objective is to provide customers with the best online shopping experience in terms of service, range and price. This has contributed to revenue growth of 14 per cent per annum since its 2010 IPO. Ocado's performance metrics are outstanding, examples being 99 per cent order accuracy and 95 per cent delivery punctuality. To achieve this, the company has had to tackle the most complex of consumer supply chains, one that mixes over 50,000 stock keeping units with different characteristics of temperature, freshness, product size and weight.

As online sales grew, the UK's main grocers developed a proposition utilising their stores. For example, Tesco's solution includes sourcing goods from its supermarkets and from its so-called "dark stores", which are not open to the public. This was an efficient strategy when online sales were in their infancy. However, we believe that it has prevented grocers such as Tesco from successfully tackling the internal changes needed to deliver the best customer proposition efficiently. Meanwhile, we believe that as sales continue to move online, the economics of maintaining a store estate from which to fulfil online orders are deteriorating.

Investment Manager's Report (continued)

Investee companies (continued)

Ocado (continued)

By 2013, Morrisons was the only big UK grocer without an online offering. Its management turned to Ocado to set up its entire service. Within six months, the first deliveries to customers started, with the same excellent customer service standards. With this deal, Ocado evolved its strategy: rather than launch sub-scale retail operations abroad, the company decided to monetise its expertise by becoming an enabler for other retailers such as Morrisons. This became the Ocado Smart Platform ("OSP"), an end-to-end operating solution for online grocery retail based on proprietary technology and intellectual property, suitable for operating its own business and those of commercial partners.

Judged solely on its price-earnings ratio, Ocado's shares are highly rated. However, the lack of free cash flows is the result of heavy investment in developing a deep expertise in efficient online grocery solutions. OSP has the potential to transform the economics and generate material free cash flows over the next decade. While the timing of partnerships is uncertain, the trajectory is visible and we believe the current risk/reward profile to be extremely favourable.

In June 2017, Ocado announced the signing of an agreement with a regional European retailer, a promising indicator. Just a month later, Amazon announced the purchase of Whole Foods, sending tremors through the grocery market. We believe that competing retailers are in a poor position to develop an in-house solution on their own. We expect this to be a game-changer, forcing incumbents to address their online capability.

GI Dynamics

GI Dynamics is the developer of EndoBarrier, a minimally invasive therapy for the treatment of Type 2 Diabetes and obesity. EndoBarrier is a temporary bypass sleeve that is endoscopically delivered to the duodenal intestine, offering similar effects to the surgical gastric bypass. It received the safety approval CE Mark in 2010, making it commercially available in Europe and several countries outside of the US.

Founded in 2003 and headquartered in Boston, GI Dynamics listed in September 2011 on the Australian Stock Exchange, with a share price of AU$1.10 and market capitalisation of AU$300 million. Following what the Fund considers to be several remarkable operational failures by previous management, including a terminated FDA trial, GI Dynamics' share price stood at 6.2 cents at 30 June 2017, valuing the company at AU$34.6 million, approximately £20.9 million. Shareholders since listing include Johnson & Johnson and Medtronic Inc.

Since launch, the EndoBarrier therapy has been used in over 3,700 patients worldwide. In 2017, a meta-analysis presented at the Digestive Disease Week meeting reviewed all clinical trials and confirmed its safety and efficacy in reducing weight, HbA1c (blood glucose) levels and the need for insulin and other prescribed medications. EndoBarrier stands as a minimally invasive alternative to bariatric surgery and pharmacotherapy, which have well documented side effects and safety issues. The prevalence of Type 2 Diabetes and obesity present a market opportunity expected to reach 355 million patients in 2030.

The Fund supports the current management's strategy to commercialise the device in Europe, initiate a new FDA trial and continue to gather clinical data. This would build on 2016's successes, including the 300 patient UK trials led by the Association of British Clinical Diabetologists (ABCD) and the data announced from the German registry, which included 243 patients. The company has achieved partial reimbursement in Germany (NUB status 1) and Israel and has received preliminary reimbursement codes in Holland and Switzerland. Regulatory issues from its mismanaged past haunt GI Dynamics: in May 2017, the company announced the suspension of its CE Mark due to administrative failures by the company. We believe that these issues are being corrected in a timely manner.

Investment Manager's Report (continued)

Investee companies (continued)

GI Dynamics (continued)

The Fund first invested in GI Dynamics in 2014 and increased its position in 2016. We have engaged with the company over the strengthening of the board and the departure from its haphazard strategy to focus on fewer, key objectives. We have also advocated listing in London to increase the company's investor profile in its main European markets. On 3 May 2017, GI Dynamics announced that it had selected Allenby Capital to explore this option. Over the year, the Fund continued to build its position in GI Dynamics and in June 2017, the Fund subscribed to a $5 million convertible note.

The Fund believes that GI Dynamics has a world-class technology, addressing an unmet clinical need, with its current share price a function of shareholder disillusionment resulting from past mismanagement. The Fund continues to work closely with the GI Dynamics' management and board to fully capitalise on what the Fund believes is GI Dynamics' highly scalable potential.

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 at Sutton Harbour is a 5 Gold Anchor rated facility, which can berth securely 523 vessels thanks to its tidal lock that shelters them from the elements. It is considered to be one of the best deep water harbours in the South West. Ideally located to explore the world-class cruising waters around the South West of England, the Marina remains a popular choice with both regular berth holders and visiting boat owners. In 2013, the company added capacity to its estate by opening the King Point Marina in the neighbouring Millbay site. King Point Marina now provides berthing for 171 boats. Sutton Harbour also holds the lease to Plymouth's 113-acre former airport site, entitling it to 25 per cent of any disposal proceeds. Since 2013, Sutton Harbour has remained focused on its waterfront assets, maintaining annuity revenues at its core marina and growing revenues at King Point. The Fund's previous annual reports provide further background to this investment.

Since 2016, the company has been exploring options to realise value from its assets, as part of a strategic review assisted by Rothschild & Co.

In June 2017, Sutton Harbour made a preliminary announcement of results for the year ended 31 March 2017. Highlights included a Heads of Terms signed with a major developer for the company's East Quays site and a record year for the Plymouth Fisheries Hub with £19.7 million of fish throughput. As at 30 June 2017, net assets were £40.1 million and the market cap of the company was £26.5 million, representing a 33.9 per cent discount to NAV.

Johnston Press

Johnston Press owns over 200 local newspapers and websites around the UK, including the Yorkshire Post and the Scotsman and a national publication, the i. The company grew by acquisition but got into financial difficulty after the financial crisis due to its heavy debt burden and the falling revenues from lower circulation and reduced printed press advertising.

The current CEO, Ashley Highfield, was appointed in 2011 and started transforming the production process to reduce cost and increase digital revenues. For example, all titles are now produced following the same layout, and more content is either reader-generated or used across titles (e.g. reviews).

In April 2016, Johnston Press purchased the i newspaper, a UK national daily newspaper providing concise quality editorial content. It has a 20 per cent market share of the newspaper "quality market" and was named National Newspaper of the Year in 2015 at the industry's News Awards.

Investment Manager's Report (continued)

Investee companies (continued)

Johnston Press (continued)

Investors' concerns over declining advertising and circulation revenues and questions over the company's ability to refinance in 2019 might be behind the de-rating of the stock. In our view, the measures put in place by management are slowing the fall in print revenues and growing digital revenues but a timely restructuring of the debt burden is essential and the earlier it is completed, the more value will be preserved for all stakeholders. The strategic review of financing options for the company is key at this stage and continues to progress.

After the period end, in August 2017, Johnston Press reported its results for the first half of the year, which were broadly in line with expectations: highlights included revenues up 4.6 per cent (excluding classifieds) compared to the same period last year, and a group EBITDA of £19.7 million. Performance continues to be driven by the i newspaper, which lifted earnings by 42 per cent, delivering revenues of £14.5 million and EBITDA of £3.7 million in the first half of the year and countering ongoing tough trading for regionals, particularly in classified advertising. Digital advertising also performed strongly with revenues (excluding classifieds) growing nearly 15 per cent in the six months to June.

The Fund maintains the view that Johnston Press has the potential to benefit from further industry consolidation.

Realisations

Over the year, net realised gains, after taking into account losses realised on put options purchased for portfolio insurance purposes, amounted to £19.3 million.

The Fund's total realised gains since inception now amount to £72.7 million. Previous profitable exits include Dart Group plc, Pinewood Group plc, 4imprint Group plc, Aer Lingus Group plc, Thorntons plc, Norcros plc, 3i Quoted Limited Private Equity, Delta plc, Kentz Corporation Limited, Tate & Lyle and Chloride Group plc.

Outlook

Despite continued political uncertainty, global equity markets have performed strongly over the year to 30 June 2017. However, the Fund remains cautious on the overall outlook for markets, as uncertainty remains not only about the implications of Brexit but as regards the underlying issues still facing the global economy.

Going forward, the Fund will continue to use its proven screening process to identify activist investment opportunities that it feels are less exposed to broader market conditions. With its focus on UK companies, the Fund believes that Brexit has created several activist opportunities with Sterling's weakness making UK companies particularly attractive to overseas acquirers.

The Fund continues to follow its policy of purchasing put options to provide some protection against a significant market sell-off.

Crystal Amber Asset Management (Guernsey) Limited

12 September 2017

Investing Policy

The Company is an activist fund which aims to identify and invest in undervalued companies and, where necessary, take steps to enhance their value. The Company aims to invest in a concentrated portfolio of undervalued companies which are expected to be predominantly, but not exclusively, listed or quoted on UK markets (usually the Official List or AIM) and which have a typical market capitalisation of between £100 million and £1,000 million. Following investment, the Company 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 objective of the Company is to provide its shareholders with an attractive total return, which is expected to comprise primarily capital growth but with the potential for distributions from realised distributable reserves, 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 Company focuses on investing in companies which it considers are 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; where analyst coverage is inadequate or where analysts have relied on traditional valuation techniques and/or not fully understood the underlying company. The Company 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 sale 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 Investment Manager believes that an investment is particularly attractive.

Dividend policy

With effect from 1 January 2015, the annual target dividend was increased to 5 pence per share. The Company's dividend policy is to distribute to shareholders, as a dividend, a proportion of the income received from the Company's portfolio holdings. In certain circumstances, the Company may make distribution payments out of realised investments if it is considered to be in the best interests of shareholders.

Due to the nature of the Company's investment objective and strategy, the timing and amount of investment income cannot be predicted and is dependent on the composition of the Company's portfolio. Before recommending any dividend, the Board will consider the capital and cash positions of the Company, and the impact on such capital and cash by virtue of paying that dividend, and will ensure that the Company will satisfy the solvency test, as prescribed by the Law, immediately after payment of any dividend. Therefore, there can be no guarantee as to the timing and amount of any distribution payable by the Company. The projected dividends set out above are intentions only and there can be no assurance that these intentions can, or will, be met.

Composition of the portfolio

The 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 Company'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 Company is not 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 the Company was admitted to trading on AIM 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 and distributions from accumulated retained earnings taking into consideration the unrealised gains and losses at that time. 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 became a member of the AIC on 26 March 2009.

Business review

A review of the business together with the likely future developments is contained in the Chairman's Statement on page 3 and the Investment Manager's Report on pages 4 to 14.

Results and dividend

The results for the year are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 35.

On 14 July 2016, the Company declared an interim dividend of £2,460,369, equating to 2.5 pence per Ordinary share, which was paid on 19 August 2016 to shareholders on the register on 22 July 2016.

On 14 December 2016, the Company declared an interim dividend of £2,459,120, equating to 2.5 pence per Ordinary share, which was paid on 19 January 2017 to shareholders on the register on 22 December 2016.

Subsequent to the year end, on 11 July 2017, the Company declared an interim dividend of £2,459,120, equating to 2.5 pence per Ordinary share, which was paid on 18 August 2017 to shareholders on the register on 21 July 2017.

Going concern

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.

Continuation vote

The Directors have specifically considered the implications of the continuation vote to be proposed at the 2017 AGM on the application of the going concern basis. The continuation vote is scheduled to occur every two years. The Directors have no reason to doubt that shareholders will vote for the Company to continue as constituted at the 2017 AGM, given the positive performance of the Company since the previous continuation vote at the 2015 AGM.

Report of the Directors (continued)

Long term viability

As further disclosed on page 18, the Company is a member of the AIC and complies with the AIC Code. In accordance with the AIC Code, the Directors have made a robust assessment of the prospects of the Company over the three year period ending 30 June 2020. The Directors consider that three years is an appropriate period to assess the viability of the Company given the average length of investment in each portfolio company and the time horizon over which investment decisions are made.

In considering the prospects of the Company, the Directors have considered the risks facing the Company, giving particular attention to the principal risks identified on pages 18 to 21, the effectiveness of controls over those risks, and have evaluated the sensitivities of the portfolio to market volatility.

The Directors have also considered the Company's income and expenditure projections over the three year period, the fact that the Company currently has no borrowings and that most of its investments comprise readily realisable securities which can be expected to be sold to meet funding requirements if necessary.

Based on the results of this analysis the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

Principal risks and uncertainties

The Company has a rigorous risk management framework including a comprehensive risk matrix that is reviewed and updated regularly. The Investment Manager has created a Risk Committee from which the Board receives quarterly reports. Nigel Ward, one of the Directors, liaises with the Risk Committee and attends its regular meetings, to offer an independent view and to enhance communication between the committee and the Board. The Directors have carried out a robust assessment of the principal risk areas relevant to the performance of the Company including those that would threaten its business model, future performance, solvency and liquidity and these are detailed below. As it is not possible to eliminate risks completely, the purpose of the Investment Manager's risk management policies and procedures is to reduce risk and to ensure that the Company is as adequately prepared as reasonably possible to respond to such risks and to minimise their impact should they occur.

Regulatory compliance risk

A breach of regulatory rules could lead to a suspension of the Company's stock exchange listing or financial penalties. The Company Secretary monitors the Company's compliance with the Listing Rules in conjunction with the Nominated Adviser and compliance with these rules is reviewed by the Directors at each Board meeting.

One of the most significant regulatory risks for an activist investor such as the Company is in relation to market abuse provisions. The FCA has published guidance that in general it would not consider an activist shareholder's conduct to amount to market abuse where the shareholder merely carried out acquisitions of the target company's securities on the basis of its intentions and knowledge of its strategy.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

Regulatory compliance risk (continued)

However, the FCA has stated that if, for example, other shareholders trade in the target's shares on the basis of another shareholder's strategy, they may view such conduct as amounting to market abuse. There is no guarantee that other shareholders will not follow the Company's strategy, and, in certain circumstances the Company may act with, or be dependent upon, the support of other shareholders to implement its strategies. There is also no guarantee that the FCA's guidance will not change. The Company and the Advisers operate in a highly regulated environment and whilst they will always seek to take appropriate professional advice, there is a risk of an inadvertent breach of securities laws or regulations, or allegations of such breach, taking place.

The following risks, whilst they may affect the performance of the Company, will not in themselves affect the ability of the Company to operate.

'Key Man' risk

The Investment Adviser and the Investment Manager rely heavily on the expertise, knowledge and network of Richard Bernstein when sourcing investment opportunities. He is a shareholder of the Company, a director and shareholder of the Investment Manager and a member of the Investment Adviser and the loss of him to these service providers could have an adverse effect on the Company's performance. In the absence of Richard Bernstein, the Board and Investment Manager have sufficient relevant experience to manage the Company's portfolio while considering the future of the Company. Key Man risk is covered in the Investment Adviser's continuity plan. The Board is aware of this risk and continues to discuss possible strategies to mitigate its impact.

Portfolio concentration risk

By its very nature as an activist fund, the Company is exposed to the risk that its portfolio of investee companies is not sufficiently diversified to absorb the impact of a major investment falling in value. As noted in the Investment Policy, the Company seeks to invest in companies and use activism to unlock value. An inherent consequence of this policy is a portfolio concentrated on a number of key investee companies. The Board is aware of this risk and feel it is a necessary risk to take in order to provide returns through the investment strategy. Levels of investment in individual companies are monitored and parameters are set to ensure that the risk is kept to an acceptable level, while also ensuring a sufficiently high level of stock is purchased to allow engagement as a major shareholder, if required.

Underlying investment performance risk

The Company invests in underlying investee companies, the securities of which are publicly traded or are offered to the public. The performance of these companies is likely to fluctuate due to a number of factors beyond the Company's control. The Investment Manager and Investment Adviser monitor investee company performance on a daily basis and investigate returns of more or less than 10 per cent based on weekly valuations prepared by the Administrator. The Investment Adviser engages with investee companies through regular meetings and reports to the Board. The Investment Manager and Investment Adviser also compare the Company's performance to the Numis Small Companies Index and investigate all underperformance and unrealised losses of the Company.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

Market risk

The Company's investments include investments in companies the securities of which are publicly traded or are offered to the public. The market prices and values of these securities may be volatile and are likely to fluctuate due to a number of factors beyond the Company's control. These include actual and anticipated fluctuations in the quarterly, half yearly and annual results of the companies in which investments are made and other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions, shortfalls in operating results from levels forecast by securities analysts, the general state of the securities markets and other material events, such as significant management changes, refinancings, acquisitions and disposals. Changes in the values of these investments may adversely affect the Company's NAV and cause the market price of the Company's shares to fluctuate. The Company hedges price risk by holding put options linked to the FTSE index to provide some protection against a significant market sell-off.

Shareholder concentration risk

A total of six investors with holdings of 3 per cent or more each of the shares of the Company hold a combined 79.98 per cent of the voting rights. A significant shareholder seeking liquidity could have a negative impact on the Company through movements in Company share price, through voting at an AGM, or by placing pressure on the Board to act to realise value in the portfolio at a time and value other than the optimum. To manage this risk the Investment Manager maintains regular contact with significant shareholders to discuss the performance of the Company and any views the shareholder may have.

Liquidity risk

The Company's ability to meet its obligations arising from financial liabilities could be reliant on its ability to reduce or exit investment holdings. This could be more difficult with the Company's less liquid portfolio holdings. To manage this risk, the cash and trade positions are monitored on a daily basis by the Investment Adviser and the Administrator. The liquidity of stocks is also considered at the point of recommendation by the Investment Adviser and prior to investment.

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. Companies with a market capitalisation of less than £100 million are in many cases considered to be higher risk and may also be less liquid than companies with a market capitalisation of more than £100 million. However, the Investment Adviser may, from time to time, identify exceptional investment opportunities with a market capitalisation of less than £100 million.

The Company's risk of investment in companies with market capitalisation of less than £100 million is mitigated as all investments are monitored by the Board on a quarterly basis. Any proposals to invest in companies below £100 million market capitalisation are considered in detail by the Investment Manager and are recommended in exceptional circumstances only.

Inside information risk

The Company may, from time to time, be exposed to insider information. A breach of insider trading rules could lead to a suspension of the Company's stock exchange listing or financial penalties. This risk is mitigated and managed through continual monitoring and policy setting, which ensures all employees of the Investment Adviser are clear on insider trading rules and that all procedures are adhered to.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

Implementation risk

The Company's ability to generate attractive returns for shareholders depends upon the Investment Adviser's ability to assess future values that can be realised in connection with investments. The ability to assess future values and the timing thereof, whether in connection with the making of an investment or exiting from an investment, may be particularly important in the case of investments over which the Company has little or no control on its own. The ability of the Company to exit certain investments on favourable terms will be dependent (inter alia) upon the successful implementation of the strategic plans for such investee company and, in particular, the ability to persuade management to adopt such strategic plans. It will also depend on the relative liquidity of the stock of the investee company at that time.

In summary, the above risks are mitigated and managed by the Board, the Investment Manager and Investment Adviser through continual review of the portfolio, policy setting and updating of the Company's risk matrix to ensure that procedures are in place to minimise the impact of the above mentioned risks.

Further detail on the Company's risk factors is set out in the Company's prospectus, available on the Company's website (www.crystalamber.com) and should be reviewed by shareholders.

Details about the financial risks associated with the Company's investment portfolio and the way they are managed are given in note 14 to the Financial Statements.

Ongoing charges

The ongoing charges ratio of the Company is 1.88 per cent (2016: 2.07 per cent) for the year ended 30 June 2017. The ongoing charges ratio has been calculated using the AIC recommended methodology.

Directors

The Directors of the Company who served during the year and up to the date of this report are shown on page 64. Biographies of the Directors holding office as at 30 June 2017 and at the date of signing these Financial Statements are shown on pages 30 and 31.

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:

	2017		*2016*	
	Number of Ordinary shares	*Total voting rights*	*Number of Ordinary shares*	*Total voting rights*
William Collins	25,000	0.03%	25,000	0.03%
Sarah Evans	25,000	0.03%	25,000	0.03%
Total	50,000	0.06%	50,000	0.06%

Report of the Directors (continued)

Directors' remuneration

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

	2017	*2016*
	£	*£*
William Collins[(1)]	35,000	35,000
Sarah Evans[(2)]	30,000	30,000
Nigel Ward	27,500	29,750
Christopher Waldron	25,000	25,000
Jane Le Maitre[(3)]	3,630	–
Total	121,130	119,750

[(1)] Chairman of the Company

[(2)] Senior Independent Director of the Company and Chairman of the Audit Committee

[(3)] Appointed as Director of the Company on 8 May 2017

During the year ended 30 June 2016, Nigel Ward received a one-off fee of £3,500 for services undertaken in respect of assisting the Investment Manager during 2015 to establish the Risk Committee with the appropriate terms of reference. With effect from 1 January 2016, Nigel Ward received an increase in remuneration of £2,500 to reflect additional services provided to the Company in respect of managing risk as detailed on page 18.

Substantial interests

As at 15 August 2017, 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	28,305,510	28.81%
Woodford Investment Management	15,764,788	16.04%
Wirral BC	12,938,214	13.17%
Baring Asset Management	10,969,839	11.16%
Aviva Investors	6,633,373	6.75%
Crystal Amber Asset Management (Guernsey)	3,976,509	4.05%
Total	78,588,233	79.98%

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

The Companies Law requires the Directors to prepare Financial Statements for each financial year. Under the Companies Law, they have elected to prepare the Financial Statements in accordance with IFRS 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;

Report of the Directors (continued)

Statement of Directors' responsibilities (continued)

- 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 Law. 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. The Directors are responsible for ensuring that the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.crystalamber.com) and for the preparation and dissemination of Financial Statements. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the Auditor

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 each aware, there is no relevant audit information of which the Company's auditor is unaware and that 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, the share capital of which is admitted to trading on AIM, the Company is not required to comply with the FRC Code. 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 17 June 2016. 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 considered the principles and recommendations of the AIC Code and decided to follow the AIC Guide. The AIC Code and AIC Guide were updated in July 2016 to take into account the updated FRC Code, and the Company has used this revised AIC Code and AIC Guide for the financial year ended 30 June 2017. The AIC Code and the AIC Guide are available on the AIC's website, www.theaic.co.uk. The FRC Code is available on the FRC's website, www.frc.org.uk.

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 Company adheres to a Stewardship Code adopted from 14 June 2016. The Company's Stewardship Code incorporates the principles of the UK Stewardship Code. A copy of the Stewardship Code is available through the Company's website www.crystalamber.com.

The Company is led and controlled by a Board of Directors, which is collectively responsible for the long-term success of the Company. The Company believes that the composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company. The current Board was selected, as their biographies illustrate, to bring a breadth of knowledge, skills and business experience to the Company.

Report of the Directors (continued)

Corporate governance (continued)

The Board comprises five Non-Executive Directors (2016: four), 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. Jane Le Maitre was appointed to the Board on 8 May 2017, following a comprehensive recruitment process conducted by the Board, in conjunction with an external search consultancy.

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 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 AGM, William Collins will be retiring after nine years as a Director and Chairman of the Company. At the same time, Sarah Evans and Nigel Ward will be retiring and offering themselves for re-election, having served on the Board for nine years. On 8 May 2017, Jane Le Maitre was appointed as a Director of the Company. In accordance with the Company's Articles, Jane Le Maitre will also be retiring and offering herself 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 themselves for re-appointment by the members. 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. The Board considers its composition and succession planning on an ongoing basis. As two Directors were appointed, and the Company commenced operations, over nine years ago, the nine year tenure point has been reached. We confirm that any Directors intending to continue after their nine year anniversary will put themselves forward for re-election then and annually thereafter if appropriate. Sarah Evans and Nigel Ward will therefore be retiring and offering themselves for re-election at the forthcoming Annual General Meeting and on an annual basis if appropriate.

Report of the Directors (continued)

Corporate governance (continued)

None of the Directors has a contract of service with the Company. The Company has no executive Directors and no employees. However, the Board has engaged external companies to undertake the investment management, administrative and custodial activities of the Company. Clearly documented contractual arrangements are in place with these companies 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 Investment 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 the Companies Law and applicable rules and regulations of the GFSC and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice at the expense of the Company.

The Company maintains appropriate directors' and officers' liability insurance in respect of legal action against its Directors on an ongoing basis. Investment Advisory services are provided to the Company by Crystal Amber Advisers (UK) LLP through the Investment Manager. The Board is responsible for setting the overall investment policy and has delegated day to day implementation of the Company's strategy to the Investment Manager but retains responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The Board 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 ensuring the effectiveness of the internal controls of the Company which are designed to ensure that: proper accounting records are maintained; the financial information on which business decisions are made and which is issued for publication is reliable; and 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 year under review. The Investment Manager has established a Risk Committee to monitor and manage risks faced by the Company, these committee meetings are attended by Nigel Ward as disclosed on page 18.

The Board meets at least four times a year for regular, scheduled meetings and should the nature of the Company require it, additional meetings may be held, some at short notice. 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 Investment Manager and other service providers. The Board also receives quarterly reports from the Risk Committee. 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.

Report of the Directors (continued)

Corporate governance (continued)

Board responsibilities (continued)

Between meetings there is regular contact with the Investment Manager and the Administrator, and the Board requires to be supplied in a timely manner with information by the Investment Manager, the Company Secretary and other advisers in a form and of a quality to enable it to discharge its duties.

The Board, through the Remuneration and Management Engagement Committee established on 27 March 2017, is responsible for the appointment and monitoring of all service providers, including the Investment Manager, and conducts a formal review of them on an annual basis and confirms 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.

New Directors receive an induction on joining the Board, and all Directors receive other relevant training as necessary. Directors have regular contact with the Investment Manager to ensure that the Board remains regularly updated on all issues. All members of the Board are members of professional bodies and serve on other Boards, which ensures they are kept abreast of the latest technical developments in their areas of expertise.

Audit committee

Due to the size of the Board, all Directors are members of the Audit Committee. Sarah Evans acts as Chairman of the Committee. The responsibilities of the Committee include reviewing: the Annual Report and Audited 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 Committee met twice in the year ended 30 June 2017. Matters considered at these meetings included but were not limited to:

- review of the accounting policies and format of the financial statements;
- review of the Annual Report and Audited Financial Statements for the year ended 30 June 2016;
- review of the Interim Report and Unaudited Interim Condensed Financial Statements for the six months ended 31 December 2016;
- review of the audit plan and timetable for the preparation of the Annual Report and Audited Financial Statements for the year ended 30 June 2017;
- discussions and approval of the fee for the external audit;
- assessment of the effectiveness of the external audit process as described below;
- review of the Company's significant risks and internal controls;
- review and consideration of the AIC Code, the GFSC Code and the Stewardship Code;
- detailed review of the 2017 Annual Report in relation to the AIC Code including the period of assessment and long term viability of the Company; and
- consideration of putting the Company's audit out to tender.

Report of the Directors (continued)

Corporate governance (continued)

Audit committee (continued)

The Committee considered the following significant issue in relation to these Financial Statements:

> *Valuation of assets*
>
> The Company's accounting policy is to value investments as designated at fair value through profit or loss or as derivatives held for trading, and to recognise sales and purchases of those investments using trade date accounting. The Committee has satisfied itself that the sources used for pricing the Company's investments are appropriate and reliable.

The Committee also reviews the objectivity and independence of the Auditor. The Board considers KPMG to be independent of the Company. The audit fees disclosed in the profit or loss section of the Statement of Profit or Loss and Other Comprehensive Income are in relation to the audit of the Financial Statements. During the year, KPMG did not receive any remuneration from the Company for non-audit services.

The Committee assessed the effectiveness of the audit process by considering KPMG's fulfilment of the agreed audit plan through the reporting presented to the Committee by KPMG and the discussions at the Committee meeting, which highlighted the major issues that arose during the course of the audit. In addition, the Committee also sought feedback from the Investment Manager and the Administrator on the effectiveness of the audit process. For this financial year, the Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good.

The external audit was put out to tender in 2008 when the Company's shares were listed and admitted to trading on AIM and KPMG was appointed. The lead audit partner was changed in 2010 and changed again by rotation in 2015. There are no obligations to restrict the Company's choice of external auditor.

The Company is committed to the highest standards of corporate governance and, whilst not mandatory, the Committee decided to put the audit out to tender during the year. The tender process commenced in the second half of the financial year with the identification of three suitably experienced audit firms, including the current incumbent, KPMG.

The three candidate firms were interviewed by members of the Audit Committee and asked to present detailed written proposals to the Committee. Following consideration of these proposals, the Committee concluded that the interests of the Company and its shareholders would be best served by retaining the services of KPMG.

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 control 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 Committee are available on the Company website www.crystalamber.com.

Other committees

Although the AIC Code recommends that companies appoint a Nomination Committee, the Board has not deemed this necessary, as being wholly comprised of non-executive Directors, the full Board considers these matters.

Report of the Directors (continued)

Corporate governance (continued)

Other committees (continued)

On 27 March 2017, the Board resolved to establish a Remuneration and Management Engagement Committee. Due to the size of the Board, all Directors are members of the Remuneration and Management Engagement Committee. Nigel Ward acts as Chairman of the committee. The Remuneration and Management Engagement Committee meets at least once year pursuant to its terms of reference. The Remuneration and Management Engagement Committee provides a formal mechanism for the review of the remuneration of the Chairman and Directors and the review of the performance and remuneration of the Investment Manager, Investment Adviser and other service providers. The Remuneration and Management Committee held its first meeting following the year end on 7 September 2017.

Remuneration policy

The Company aims to ensure remuneration is competitive, aligned with shareholder interests, relatively simple and transparent, and compatible with the aim of attracting, recruiting and retaining suitably qualified and experienced directors.

In addition, 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

One of the key criteria the Company uses when selecting Directors is their confirmation prior to their appointment that they will be able to allocate sufficient time to the Company to discharge their responsibilities in a timely and effective manner.

The Board formally met four times during the year and other ad hoc Board committee meetings were called in relation to specific events or to issue approvals, often at short notice and did not necessarily require full attendance. Directors are encouraged when they are unable to attend a meeting to give the Chairman their views and comments on matters to be discussed, in advance.

Attendance at the quarterly Board meetings is further set out below:

	Board		*Audit Committee*	
	Scheduled	*Attended*	*Scheduled*	*Attended*
William Collins	4	4	2	2
Sarah Evans	4	4	2	2
Nigel Ward	4	4	2	2
Christopher Waldron	4	4	2	2
Jane Le Maitre[1]	1	1	–	–

[1] Appointed as Director of the Company on 8 May 2017, at which point 3 Board meetings and 2 Audit Committee meetings had already taken place

In addition to the above, there were four additional ad hoc Board meetings and one additional Board committee meeting during the year.

Relations with shareholders

The Board welcomes the views of shareholders and places great importance on communication with its shareholders. Senior members of the Investment Adviser make themselves available 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 raise questions to the Company at its registered office. 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 Company is categorised as an externally managed non-EU AIF under the AIFM Directive. The Investment Manager of the Company is its non-EU AIFM. The Investment Manager as the AIFM has created a Risk Committee which meets at least quarterly to consider the risks faced by the Company and the investment process, consistent with the requirements of the AIFM Directive. The AIFM has adopted a remuneration policy which accords with the principles established by the AIFM Directive. The remuneration policy is in compliance with the requirements of the AIFM Directive and the guidance issued by the FCA. The Investment Manager as the AIFM does not have any employees. The Directors of the AIFM received total aggregate remuneration of £20,000 by way of a fixed fee for the year ended 30 June 2017. No variable fee elements of remuneration were paid to the Directors of the AIFM.

The AIFM Directive outlines the required information which has to be made available to investors in an AIF and directs that material changes to this information be disclosed in the Annual Report of the AIF. All information required to be disclosed under the AIFM Directive is either disclosed in this Annual Report or through the Company's website www.crystalamber.com.

AEOI Rules

Under AEOI Rules, the Company is registered under FATCA and continues to comply with both FATCA and CRS requirements to the extent relevant to the Company.

NMPI

The Board has been advised that the Company would satisfy the criteria for being an investment trust if it was resident in the UK. Accordingly, the Board has concluded that the Company's Ordinary shares are not non-mainstream pooled investments for the purposes of the FCA rules regarding the restrictions on the promotion to retail investors of unregulated collective investment schemes and close substitutes. This means that the restrictions on promotion imposed by the FCA rules do not apply to the Company. It is the Board's intention that the Company conducts its affairs so that these restrictions will continue to remain inapplicable.

Independent auditor

Following the conclusion of the audit tender process described above, KPMG has agreed to offer itself for re-appointment as Auditor of the Company and a resolution proposing re-appointment and authorising the Directors to determine remuneration will be presented at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held at 10.00am on 23 November 2017 at Lefebvre Place, Lefebvre Street, St. Peter Port, Guernsey.

On behalf of the Board

Sarah Evans
Director
12 September 2017

Nigel Ward
Director
12 September 2017

Directors

William Collins (aged 68), Guernsey Resident, Non-Executive Chairman (appointed 20 November 2007)

William Collins has over 40 years' experience in banking and investment. From September 2007 he was employed by Bank J. Safra Sarasin (formerly Bank Sarasin) in Guernsey as Director – Private Clients, retiring at the end of December 2014. 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 Chartered Member of the Chartered Institute for Securities and Investment, and a member of the Institute of Directors.

Sarah Evans (aged 62), Guernsey Resident, Senior Independent Director (appointed 22 June 2007*)

Sarah Evans is a chartered accountant and is a non-executive Director of several listed investment funds and the Association of Investment Companies. She is a member of the Institute of Directors and has been resident in Guernsey for over twelve years. Whilst in the UK she spent six years with the Barclays Group, firstly as a treasury director. From 1996 to 1998 she was finance director of Barclays Mercantile (a Barclays Bank subsidiary providing large and middle ticket leasing finance). 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 latterly as head of group finance.

Nigel Ward (aged 60), Guernsey Resident, Non-Executive Director (appointed 22 June 2007*)

Nigel Ward is currently an independent non-executive Director on the board of several offshore funds and companies, including London and TISE listings. Investment mandates include property, agricultural land, student accommodation, UK equities, European SME credit, and distressed debt. He has over 40 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 53), Guernsey Resident, Non-Executive Director (appointed 1 July 2014)

Christopher Waldron has over 30 years' experience as an investment manager, specialising in fixed income, hedging strategies and alternative investment mandates and until 2013 was Chief Executive of the Edmond de Rothschild Group in the Channel Islands. Prior to joining the Edmond de Rothschild Group in 1999, Mr Waldron held investment management positions with Bank of Bermuda, the Jardine Matheson Group and Fortis but he is now primarily an independent non-executive director of a number of listed funds and investment companies. He is also a member of the States of Guernsey's Policy and Resources Investment and Bond Sub-Committee. He is a Fellow of the Chartered Institute of Securities and Investment.

*Please refer to page 24 for clarification regarding tenure.

Directors (continued)

Jane Le Maitre (aged 57), Guernsey Resident, Non-Executive Director (appointed 8 May 2017)

Jane Le Maitre is a Fellow of the Institute of Chartered Accountants in England & Wales, a Chartered Tax Adviser and a member of the Institute of Directors. She started her career with Coopers & Lybrand in the UK and has been resident in Guernsey for more than 25 years. She joined KPMG (Channel Islands) in 1989 and became a Partner in 1995 where she remained until 2000 before becoming a director in the fiduciary division at Kleinwort Benson. After 5 years with Kleinwort Benson, she joined the Intertrust Group in Guernsey. She became Managing Director of Intertrust Reads Private Clients Limited in January 2007 before stepping down in 2013 to concentrate on client matters and continues to hold a number of executive positions in unlisted property and investment related entities.

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

William Collins
Aberdeen Emerging Markets Investment Company Limited

Sarah Evans
Apax Global Alpha Limited
NB Distressed Debt Investment Fund Limited
Real Estate Credit Investments PCC Limited
Ruffer Investment Company Limited

Nigel Ward
Acorn Income Fund Limited
Fair Oaks Income Fund Limited
Hadrian's Wall Secured Investments Limited

Christopher Waldron
JZ Capital Partners Limited
Ranger Direct Lending Fund plc
Ranger Direct Lending ZDP plc
UK Mortgages Limited

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

Our opinion is unmodified

We have audited the financial statements of Crystal Amber Fund Limited (the "Company"), which comprise the statement of financial position as at 30 June 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2017; and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, were as follows:

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

Key audit matters: our assessment of the risks of material misstatement (continued)

	The risk	Our response
Valuation of financial assets at fair value through profit or loss £202,370,814; (2016: £151,090,246) Refer to page 27 of the Report of the Directors, note 1 significant accounting policies and notes 9 and 14	**Basis:** The Company has invested 101% of its net assets as at 30 June 2017 into equity, debt and derivative financial instruments (collectively known as "the investments") The Company's listed or quoted equity and debt investments are valued based on market prices obtained from a third party pricing provider while its unlisted derivative financial instruments (3% of investments) are valued using a Black Scholes option valuation technique **Risk:** The valuation of the Company's investments, given that they represent the majority of the net assets of the Company is considered to be a significant area of our audit	Our audit procedures included, but were not limited to: **Use of KPMG specialists:** Our valuation specialist independently priced the listed equity and debt investments using a third party source and assessed the trading volumes of such prices For derivative financial instruments, our valuation specialist derived valuations using a Black Scholes Option model to evaluate against the valuation used by the Company **Assessing disclosures:** We also considered the Company's disclosures (see Note 1) in relation to the use of estimates and judgments regarding the valuation of investments and the Company's valuation policies adopted and fair value disclosures in Notes 9 and 14 for compliance with IFRS

Our application of materiality and an overview of the scope audit

Materiality for the financial statements as a whole was set at £6,030,000, determined with reference to a benchmark of the Company's Net Assets of £201,023,805, of which it represents approximately 3%.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £301,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

We have nothing to report on the other information in the Annual Report (continued)

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

We have nothing to report on other 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.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 22 and 23, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body.

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.

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Notes	2017 Revenue £	2017 Capital £	2017 Total £	2016 Revenue £	2016 Capital £	2016 Total £
Income							
Dividend income from listed investments		2,708,065	–	**2,708,065**	1,945,040	–	**1,945,040**
Other income		–	–	**–**	25,000	–	**25,000**
Interest received		253	–	**253**	18,306	–	**18,306**
		2,708,318	–	**2,708,318**	1,988,346	–	**1,988,346**
Net gains on financial assets designated at FVTPL and derivatives held for trading							
Equities							
Net realised gains/(losses)	9	–	29,991,758	**29,991,758**	–	(18,643,875)	**(18,643,875)**
Movement in unrealised gains	9	–	35,560,845	**35,560,845**	–	14,319,109	**14,319,109**
Debt instruments							
Movement in unrealised gains	9	–	290,017	**290,017**	–	–	–
Derivatives financial instruments							
Realised losses	9	–	(10,675,030)	**(10,675,030)**	–	(2,984,294)	**(2,984,294)**
Movement in unrealised gains/(losses)	9	–	4,095,788	**4,095,788**	–	(254,277)	**(254,277)**
		–	59,263,378	**59,263,378**	–	(7,563,337)	**(7,563,337)**
Total income		2,708,318	59,263,378	**61,971,696**	1,988,346	(7,563,337)	**(5,574,991)**
Expenses							
Transaction costs	4	–	597,327	**597,327**	–	544,681	**544,681**
Exchange movements on revaluation of investments		–	245,911	**245,911**	–	(653,049)	**(653,049)**
Management fees	15,17	3,232,888	–	**3,232,888**	2,617,425	–	**2,617,425**
Performance fees	15,17	–	2,354,752	**2,354,752**	–	–	**–**
Directors' remuneration	16	121,130	–	**121,130**	119,750	–	**119,750**
Administration fees	17	251,064	–	**251,064**	188,411	–	**188,411**
Custodian fees	17	107,604	–	**107,604**	77,868	–	**77,868**
Audit fees		22,683	–	**22,683**	19,826	–	**19,826**
Other expenses		366,792	–	**366,792**	277,888	–	**277,888**
		4,102,161	3,197,990	**7,300,151**	3,301,168	(108,368)	**3,192,800**
Return/(loss) for the year		(1,393,843)	56,065,388	**54,671,545**	(1,312,822)	(7,454,969)	**(8,767,791)**
Basic and diluted earnings/(loss) per share (pence)	5	(1.42)	56.99	**55.57**	(1.37)	(7.81)	**(9.18)**

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 IFRS. The supplementary information on the allocation between revenue return and capital return is presented under guidance published by the AIC.

The Notes to the Financial Statements on pages 39 to 60 form an integral part of these Financial Statements.

Statement of Financial Position
As at 30 June 2017

	Notes	*2017* £	*2016* £
Assets			
Cash and cash equivalents	7	7,957,943	1,317,389
Trade and other receivables	8	48,468	463,510
Financial assets designated at FVTPL and derivatives held for trading	9	202,370,814	151,090,246
Total assets		210,377,225	152,871,145
Liabilities			
Trade and other payables	10	9,353,420	1,347,074
Total liabilities		9,353,420	1,347,074
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	11	989,998	989,998
Treasury shares reserve	12	(972,800)	(720,478)
Distributable reserve		105,058,397	109,977,886
Retained earnings		95,948,210	41,276,665
Total equity		201,023,805	151,524,071
Total liabilities and equity		210,377,225	152,871,145
NAV per share (pence)	6	204.37	153.79

The Financial Statements were approved by the Board of Directors and authorised for issue on 12 September 2017.

Sarah Evans
Director

12 September 2017

Nigel Ward
Director

12 September 2017

The Notes to the Financial Statements on pages 39 to 60 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2017

	Notes	Share capital £	Treasury shares reserve £	Distributable reserve £	Retained earnings Capital £	Retained earnings Revenue £	Retained earnings Total £	Total equity £
Opening balance at 1 July 2016		989,998	(720,478)	109,977,886	42,151,632	(874,967)	41,276,665	151,524,071
Purchase of Ordinary shares into Treasury	12	–	(252,322)	–	–	–	–	(252,322)
Dividends paid in the year	13	–	–	(4,919,489)	–	–	–	(4,919,489)
Return for the year		–	–	–	56,065,388	(1,393,843)	54,671,545	54,671,545
Balance at 30 June 2017		989,998	(972,800)	105,058,397	98,217,020	(2,268,810)	95,948,210	201,023,805

For the year ended 30 June 2016

	Notes	Share capital £	Treasury shares reserve £	Distributable reserve £	Retained earnings Capital £	Retained earnings Revenue £	Retained earnings Total £	Total equity £
Opening balance at 1 July 2015		989,998	(9,009,985)	114,181,017	49,606,601	437,855	50,044,456	156,205,486
Purchase of Ordinary shares into Treasury	12	–	(1,113,539)	–	–	–	–	(1,113,539)
Sale of Ordinary shares from Treasury	12	–	9,989,766	–	–	–	–	9,989,766
Premium on sale of Ordinary shares from Treasury	12	–	(586,720)	586,720	–	–	–	–
Dividends paid in the year		–	–	(4,789,851)	–	–	–	(4,789,851)
Loss for the year		–	–	–	(7,454,969)	(1,312,822)	(8,767,791)	(8,767,791)
Balance at 30 June 2016		989,998	(720,478)	109,977,886	42,151,632	(874,967)	41,276,665	151,524,071

The Notes to the Financial Statements on pages 39 to 60 form an integral part of these Financial Statements.

Statement of Cash Flows
For the year ended 30 June 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Dividend income received from listed investments		3,121,215	1,585,052
Bank interest received		2,286	20,140
Other income received		–	25,000
Management fees paid		(3,232,888)	(2,617,425)
Performance fees paid		–	(653,962)
Directors' fees paid		(117,500)	(119,125)
Other expenses paid		(678,869)	(557,586)
Net cash outflow from operating activities		(905,756)	(2,317,906)
Cash flows from financing activities			
Purchase of Ordinary shares into Treasury		(252,322)	(1,113,539)
Sale of Ordinary shares from Treasury		–	9,989,766
Dividends paid		(4,919,489)	(4,789,851)
Net cash (outflow)/inflow from financing activities		(5,171,811)	4,086,376
Cash flows from investing activities			
Purchase of equity investments		(82,415,871)	(85,356,749)
Sale of equity investments		109,680,734	68,746,091
Purchase of debt instruments		(3,945,084)	–
Purchase of derivative financial instruments		(10,098,112)	(11,773,346)
Sale of derivative financial instruments		86,082	8,977,557
Transaction charges on purchase and sale of investments		(589,628)	(544,681)
Net cash inflow/(outflow) from investing activities		12,718,121	(19,951,128)
Net increase/(decrease) in cash and cash equivalents during the year		6,640,554	(18,182,658)
Cash and cash equivalents at beginning of year		1,317,389	19,500,047
Cash and cash equivalents at end of year	7	7,957,943	1,317,389

The Notes to the Financial Statements on pages 39 to 60 form an integral part of these Financial Statements.

Notes to the Financial Statements
For the year ended 30 June 2017

General information

Crystal Amber Fund Limited (the "Company") was incorporated and registered in Guernsey on 22 June 2007 and is governed under the provisions of the Companies Law. The registered office address is Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey, GYI 4HY. The Company was established to provide shareholders with an attractive total return which is expected to comprise primarily capital growth with the potential for distributions of up to 5 pence per share per annum following consideration of the accumulated retained earnings as well as the unrealised gains and losses at that time. The Company seeks to achieve this 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 have a typical market capitalisation of between £100 million and £1,000 million.

The Company's Ordinary shares were listed and admitted to trading on AIM, on 17 June 2008. The Company is also a member of the AIC.

All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 61 to 63 unless separately defined.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to those balances considered material to the Financial Statements throughout the current year, unless otherwise stated.

Basis of preparation

The Financial Statements give a true and fair view, are in accordance with IFRS and the SORP "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC in November 2014 and updated in January 2017 to the extent to which it is consistent with IFRS, and comply with the Companies Law. The Financial Statements are presented in Sterling, the Company's functional and presentational currency.

The Financial Statements have been prepared under the historic cost convention with the exception of financial assets designated at fair value through profit or loss ("FVTPL") and derivatives held for trading which are measured at fair value.

The Company has adopted the Investment Entity Amendments to IFRS 10, IFRS 12 and IAS 27 which define investment entities together with disclosure requirements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The Company meets the definition of an investment entity on the basis of the following criteria.

- The Company obtains funds from multiple investors for the purpose of providing those investors with investment management services;
- The Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- The Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

To determine that the Company meets the definition of an investment entity, further consideration is given to the characteristics of an investment entity that are demonstrated by the Company.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

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.

Continuation vote

The Directors have specifically considered the implications of the continuation vote to be proposed at the 2017 AGM on the application of the going concern basis. The continuation vote is scheduled to occur every two years. The Directors have no reason to doubt that shareholders will vote for the Company to continue as constituted at the AGM, scheduled for November 2017, given the positive performance of the Company since the previous continuation vote at the 2015 AGM.

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 determination that the Company as an investment entity is a critical judgement, as discussed above. 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. The Black Scholes option valuation technique has been utilised to value warrant instruments which uses certain assumptions related to risk-free interest rates, expected volatility, expected life and future dividends as disclosed below. The loan notes have been valued based on cost plus accrued interest which is approximate to fair value.

Segmental reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board as a whole. 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 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.

For management purposes, the Company is domiciled in Guernsey and is engaged in a single segment of business mainly in one geographical area, being investment mainly in UK equity instruments, and therefore the Company has only one single operating segment.

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 profit or loss section of the Statement of Profit or Loss and Other Comprehensive Income.

Financial instruments

Financial instruments comprise investments in equity, debt instruments, derivatives, trade and other receivables, cash and cash equivalents, and trade and other payables. Financial instruments are recognised initially at cost, which is deemed to be fair value. Subsequent to initial recognition financial instruments are measured as described below.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets designated at FVTPL and derivatives held for trading

All the Company's investments including debt instruments and derivative financial instruments are held at FVTPL. They are initially recognised at cost at acquisition, which is deemed to be their fair value. Transaction costs are expensed in the profit or loss section of the Statement of Profit or Loss and Other Comprehensive Income. Gains and losses arising from changes in fair value are presented in the profit or loss section of 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 prior to the reporting date to sell the investment. Where investments are listed on more than one securities market, the price used is that quoted on the most advantageous market, 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 valuation methodology adopted is in accordance with IFRS 13.

Debt instruments

Loan notes are classified as debt instruments and are recognised initially at cost incurred in their acquisition, which is deemed to be their fair value. Subsequent to initial recognition, loan notes are valued based on cost plus accrued interest outstanding at the year end. The Board has concluded that fair value is approximate to cost plus accrued interest.

Convertible bonds are classified as debt instruments and are recognised initially at cost incurred in their acquisition, which is deemed to be their fair value. Subsequent to initial recognition, quoted convertible bonds are valued at the bid price on the reporting date. If the price is not available as at the accounting date, the last available price is used.

Gains and losses arising from changes in fair value are presented in the profit or loss section of the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Derivatives held for trading

When considered appropriate the Company will enter into derivative contracts to manage its price risk and provide protection against the volatility of the market.

Quoted derivatives are valued at the bid price on the reporting date. Where derivatives are listed on more than one securities market, the price used is that quoted on the most advantageous market, 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. Gains and losses arising from changes in fair value are presented in the profit or loss section of the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Warrant instruments which are unlisted are valued at the reporting date using a Black Scholes option valuation technique, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life and future dividends. Gains and losses arising from changes in fair value are presented in the profit or loss section of 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 2017 (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 profit or loss section of the Statement of Profit or Loss and Other Comprehensive Income.

The Company 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 profit or loss section of 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 its own 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.

Dividends

Dividends paid during the year from distributable reserves are disclosed in the Statement of Changes in Equity. Dividends declared post year end are disclosed in the Notes to the Financial Statements.

Distributable reserves

Distributable reserves represent the amount transferred from the share premium account, approved by the Royal Court of Guernsey on 18 July 2008, and amounts transferred to distributable reserves in relation to the sale of Treasury shares above cost.

Income

Investment income and interest income have been accounted for on an accruals basis using the effective interest method. Dividends receivable are recognised in the profit or loss section of 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 profit or loss section of 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.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Accordingly the performance fee is charged to capital, reflecting the Directors' expected long-term view of the nature of the investment returns of the Company.

Treasury shares reserve

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 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 within the statement of Profit or Loss and Other Comprehensive Income on 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 re-issue of such shares, is included in equity attributable to the Company's equity holders.

2. NEW STANDARDS AND INTERPRETATIONS

In the preparation of these Financial Statements, the Company followed the same accounting policies and methods of computation as compared with those applied in the previous year.

None of the new standards or amendments to existing standards and interpretations, effective from 1 January 2016, had a material impact on the Company's Financial Statements. As disclosed in Note 1, the Company has adopted the Investment Entity Amendments to IFRS 10, IFRS 12 and IAS 27.

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	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018

The Company has not early adopted IFRS 9 and IFRS 15. The impact of these standards is not expected to be significant.

IFRS 9 – Financial Instruments: As the majority of the Company's financial assets are held at FVTPL, this treatment, and the related measurement methods, will not change after implementing IFRS 9. Accordingly, the Company does not expect that the implementation of IFRS 9 will have any material impact on its Financial Statements.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Amended standards and interpretations		Effective for periods beginning on or after
IFRS 1	First time Adoption of IFRS – Amendments as a result of Annual Improvements: 2014 – 2016 cycle	1 January 2018
IFRS 12	Disclosure of Interests in Other Entities – Amendments as a result of Annual Improvements: 2014 – 2016 cycle	1 January 2017
IAS 7	Statement of Cash Flows – Amendments as a result of the Disclosure Initiative – January 2016	1 January 2017
IAS 28	Investments in Associates and Joint Ventures – Amendments as a result of Annual Improvements: 2014 – 2016 cycle	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

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

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 £1,200 (2016: £1,200).

4. TRANSACTION COSTS

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

	2017 £	*2016* £
Stamp duty	262,933	201,631
Commissions and custodian transaction charges:		
In respect of purchases	245,825	133,937
In respect of sales	88,569	209,113
	597,327	544,681

5. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is based on the following data:

	2017	*2016*
Return/(loss) for the year	£54,671,545	(£8,767,791)
Weighted average number of issued Ordinary shares	98,380,022	95,504,794
Basic and diluted earnings/(loss) per share (pence)	55.57	(9.18)

Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

6. NAV PER SHARE

NAV per share is based on the following data:

	2017	*2016*
NAV per Statement of Financial Position	£201,023,805	£151,524,071
Total number of issued Ordinary shares (excluding Treasury shares) at 30 June	98,364,762	98,524,762
NAV per share (pence)	204.37	153.79

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Company available on demand. Cash and cash equivalents were as follows:

	2017	*2016*
	£	*£*
Cash available on demand	7,957,943	1,317,389
	7,957,943	1,317,389

8. TRADE AND OTHER RECEIVABLES

	2017	*2016*
	£	*£*
Current assets:		
Trade receivables	23,038	438,221
Prepayments	25,430	25,289
	48,468	463,510

There are no past due or impaired receivable balances outstanding at the year end (2016: £Nil).

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

9. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVES HELD FOR TRADING

	2017 £	*2016* £
Equity investments	186,431,885	148,086,522
Debt instruments	9,502,417	–
Financial assets designated at FVTPL	**195,934,302**	**211,706,765**
Derivative financial instruments held for trading	**6,436,512**	**3,003,724**
	202,370,814	**151,090,246**
Equity investments		
Cost brought forward	153,875,142	160,110,908
Purchases	82,612,821	81,096,969
Sales	(109,680,734)	(68,688,860)
Net realised gains/(losses)	29,991,758	(18,643,875)
Cost carried forward	156,798,987	153,875,142
Unrealised losses brought forward	(5,852,434)	(20,171,543)
Movement in unrealised gains/(losses)	35,560,845	14,319,109
Unrealised gains/(losses) carried forward	29,708,411	(5,852,434)
Effect of exchange rate movements	(75,513)	63,814
Fair value of equity investments	**186,431,885**	**148,086,522**
Debt instruments		
Cost brought forward	–	–
Purchases	9,318,984	–
Cost carried forward	9,318,984	–
Unrealised gains brought forward	–	–
Movement in unrealised gains	290,017	–
Unrealised gains carried forward	290,017	–
Effect of exchange rate movements	(106,584)	–
Fair value of debt instruments	**9,502,417**	**–**
Total financial assets designated at FVTPL	**202,370,814**	**151,090,246**
Derivative financial instruments held for trading		
Cost brought forward	1,023,001	1,078,000
Purchases	10,098,112	11,773,346
Sales	(86,082)	(8,844,051)
Net realised losses	(10,675,030)	(2,984,294)
Cost carried forward	360,001	1,023,001
Unrealised gains brought forward	1,980,723	2,235,000
Movement in unrealised gains	4,095,788	(254,277)
Unrealised gains carried forward	6,076,511	1,980,723
Fair value of derivatives held for trading	**6,436,512**	**3,003,724**
Total derivatives financial instruments held for trading	**6,436,512**	**3,003,724**
Total financial assets designated at FVTPL and derivatives held for trading	**202,370,814**	**151,090,246**

Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

9. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVES HELD FOR TRADING (continued)

Total realised gains and losses and unrealised gains and losses in the Company's equity, debt and derivatives are made up of the following gain and loss elements:

	2017 £	*2016* £
Realised gains	31,290,256	19,025,712
Realised losses	(11,973,528)	(40,653,881)
Net realised gains/(losses) in financial assets designated at FVTPL and derivatives held for trading	19,316,728	(21,628,169)
Movement in unrealised gains	32,274,263	(8,601,122)
Movement in unrealised losses	7,672,387	22,665,954
Net movement in unrealised gains in financial assets designated at FVTPL and derivatives held for trading	39,946,650	14,064,832

On 15 June 2017, the Company purchased $5 million of convertible loan notes from GI Dynamics. Interest on these loan notes is accrued at a rate equal to 5 per cent per annum, compounded annually. At the reporting date, the Company's loan notes were classified as debt instruments and measured at FVTPL.

On 30 June 2017, the Company purchased 7 million shares of quoted convertible bonds issued by Hurricane for $7 million. The convertible bonds have a coupon rate of 7.5 per cent per annum and mature on 24 July 2022. At the reporting date, the Company's convertible bond shares were classified as debt instruments and measured at FVTPL.

At the reporting date the Company's derivative financial instruments consisted of one (2016: two) FTSE 100 Index Put Option position, purchased as protection against a significant market sell-off and two warrant instruments in FairFX and Hurricane (2016: two) for the purchase of ordinary shares.

At the reporting date, the warrant instruments in FairFX and Hurricane were valued using a Black Scholes valuation technique.

The following table details the Company's positions in derivative financial instruments:

30 June 2017	*Nominal amount*	*Value* £
Derivative financial instruments		
Puts on UKX P7100 (expiry: July 2017)	1,000	290,000
FairFX warrant instrument	6,000,000	2,001,252
Hurricane warrant instrument	23,333,333	4,145,260
	29,334,333	6,436,512

30 June 2016	*Nominal amount*	*Value* £
Derivative financial instruments		
Puts on UKX P5800 (expiry: July 2016)	700	49,000
Puts on UKX P6000 (expiry: August 2016)	1,000	665,000
FairFX warrant instrument	7,500,000	734,370
Hurricane warrant instrument	23,333,333	1,555,354
	30,835,033	3,003,724

Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

10. TRADE AND OTHER PAYABLES

	2017 £	*2016* £
Current liabilities:		
Accruals	199,137	126,092
Unsettled trade purchases	6,799,531	1,220,982
Performance fee accrual	2,354,752	–
	9,353,420	1,347,074

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

11. SHARE CAPITAL AND RESERVES

The authorised share capital of the Company is £3,000,000 divided into 300 million Ordinary shares of £0.01 each.

The issued share capital of the Company, including Treasury shares, is comprised as follows:

	2017 Number	£	*2016* Number	£
Issued, called up and fully paid Ordinary shares of £0.01 each	98,999,762	989,998	98,999,762	989,998

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 Incorporation 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 Company may carry the returns of the Company to distributable reserve or use them for any purpose to which the returns of the Company may be properly applied and either employed in the business of the Company or be invested, in accordance with applicable law. The distributable reserve includes the amount transferred from the share premium account which was approved by the Royal Court of Guernsey on 18 July 2008.

During the year ended 30 June 2017, the Company paid dividends of £4,919,489 (2016: £4,789,851) from distributable reserves, as disclosed in Note 13, and transferred the premium of £Nil (2016: £586,720) received on the sale of Treasury shares to distributable reserves, as disclosed in Note 12.

Externally imposed capital requirement

There are no capital requirements imposed on the Company.

Rights attaching to shares

The Ordinary shares carry the right to vote at general meetings and the entitlement to receive any dividends and surplus assets of the Company on a winding up.

Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

12. TREASURY SHARES RESERVE

	2017		*2016*	
	Number	*£*	*Number*	*£*
Opening balance	(475,000)	(720,478)	(6,163,486)	(9,009,985)
Treasury shares purchased during the year	(160,000)	(252,322)	(725,000)	(1,113,539)
Treasury shares sold during the year	–	–	6,413,486	9,989,766
Premium transferred to distributable reserve	–	–	–	(586,720)
Closing balance	(635,000)	(972,800)	(475,000)	(720,478)

During the year ended 30 June 2017, 160,000 (2016: 725,000) Treasury shares were purchased at an average price of 157.70 pence per share (2016: 153.59 pence per share), representing an average discount to NAV at the time of purchase of 4.5 per cent (2016: 3.4 per cent). During the year ended 30 June 2017, Nil (2016: 6,413,486) Treasury shares were sold, representing a premium above cost of £Nil (2016: £586,720). The Company purchased 290,000 of its own Ordinary shares during the period between 1 July 2017 and 12 September 2017, which were held as Treasury shares. Following these purchases, the total number of Ordinary shares held as Treasury shares by the Company was 925,000.

13. DIVIDENDS

On 14 July 2016, the Company declared an interim dividend of £2,460,369, equating to 2.5 pence per Ordinary share, which was paid on 19 August 2016 to shareholders on the register on 22 July 2016.

On 14 December 2016, the Company declared an interim dividend of £2,459,120, equating to 2.5 pence per Ordinary share, which was paid on 19 January 2017 to shareholders on the register on 22 December 2016.

Subsequent to the year end, on 11 July 2017, the Company declared an interim dividend of £2,459,120, equating to 2.5 pence per Ordinary share, which was paid on 18 August 2017 to shareholders on the register on 21 July 2017.

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial risk management objectives

The Investment Manager, Crystal Amber Asset Management (Guernsey) Limited and the Administrator, Heritage International Fund Managers Limited 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 Investment 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 foreign currency risk. The Board has considered the sensitivity of the Company's financial assets and monitors the range of reasonably possible changes in the significant observable inputs on a regular basis and has deemed no changes are required from prior years.

Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its contractual obligations that it has with the Company resulting in financial loss to the Company. At 30 June 2017 the major financial assets which were exposed to credit risk included financial assets designated at FVTPL and derivatives held for trading and cash and cash equivalents.

The carrying amounts of financial assets best represent the maximum credit risk exposure at 30 June 2017. The Company's credit risk on liquid funds is minimised because the counterparties are banks with high credit ratings assigned by an international credit-rating agency.

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

	Location	*Rating*	*Cash Balance 2017 £*	*Cash Balance 2016 £*
ABN AMRO (Guernsey) Limited	Guernsey	A	7,895,397	867,364
Barclays Bank plc – Isle of Man Branch	Isle of Man	A–	62,546	450,025
			7,957,943	1,317,389

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

The Company's credit risk on financial assets designated at FVTPL and derivatives held for trading is considered minimal as these assets consist mainly of 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. There are no available credit ratings for the debt instruments held by the Company. At 30 June 2017 £199,983,312 (2016: £148,953,886) 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 an S&P credit rating of A (2016: A). The remaining balance of £10,393,913 (2016: £3,917,259) includes £6,146,512 (2016: £2,289,724) warrant instruments, £3,846,387 (2016: £Nil) loan notes held directly with GI Dynamics Inc, £290,000 (2016: £714,000) put derivative options held with the option broker, £62,546 (2016: £450,025) cash held with Barclays Bank plc and the remaining £48,468 (2016: £463,510) held as trade receivables.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

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 Level 1 investments are listed and are subject to a settlement period of three days.

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

2017	*Weighted average interest rate*	*Less than 1 year £*	*1-5 years £*	*5+ years £*	*Total £*
Assets					
Non-interest bearing		192,979,411	–	–	192,979,411
Variable interest rate instruments	0.01%	7,895,397	–	–	7,895,397
Fixed interest rate instruments	5.00%	–	3,846,387	–	3,846,387
Fixed interest rate instruments	7.50%	5,656,030	–	–	5,656,030
Liabilities					
Non-interest bearing		(9,353,420)	–	–	(9,353,420)
		197,177,418	3,846,387	–	201,023,805

2016	*Weighted average interest rate*	*Less than 1 year £*	*1-5 years £*	*5+ years £*	*Total £*
Assets					
Non-interest bearing		151,553,756	–	–	151,553,756
Variable interest rate instruments	0.23%	1,317,389	–	–	1,317,389
Liabilities					
Non-interest bearing		(1,347,074)	–	–	(1,347,074)
		151,524,071	–	–	151,524,071

Market risk

The Company 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 current account balances with variable interest rates. The Company's exposure to interest rates is detailed in the liquidity risk section of this note. Interest rate repricing dates are consistent with the maturities stated in the liquidity risk section of this note.

The Investment 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 2017 (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 0.01 percentage points (2016: 0.15 percentage points) represents management's assessment of the effect of a possible change in interest rates due to the weighted average interest rate for variable interest rate instruments decreasing from 0.23 per cent to 0.01 per cent for the year ended 30 June 2017. If interest rates had been 0.01 percentage points (2016: 0.15 percentage points) higher/lower and all other variables were held constant:

- the Company's return for the year ended 30 June 2017 would have increased by £659 (2016: £6,238);
- the Company's return for the year ended 30 June 2017 would have decreased by £Nil (2016: £6,238);
- there would have been no impact on equity reserves other than retained earnings.

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 2017 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 2017, £290,000 (2016: £714,000) of these contracts were outstanding.

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

2017 Derivative financial instruments *Options*	*Nominal Amount*	*Value* *£*
Puts on UKX P7100 (Expiry: July 2017)	1,000	290,000
	1,000	290,000

Warrant instruments	*No. of warrants*	*Value* *£*
FairFX plc (Expiry: May 2019)	6,000,000	2,001,252
Hurricane Energy plc (Expiry: March 2019)	23,333,333	4,145,260
	29,333,333	6,146,512

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Price risk (continued)

2016 Derivative financial instruments *Options*	*Nominal Amount*	*Value* *£*
Puts on UKX P5800 (expiry: July 2016)	700	49,000
Puts on UKX P6000 (expiry: August 2016)	1,000	665,000
	1,700	714,000

Warrant instruments	*No. of warrants*	*Value* *£*
FairFX plc (Expiry: May 2019)	7,500,000	734,370
Hurricane Energy plc (Expiry: March 2019)	23,333,333	1,555,354
	30,833,333	2,289,724

As at 30 June 2017, the following tables detail the Company's equity investments.

2017 *Equity Investments*	*Sector*	*Value* *£*	*Percentage of Company's Gross Assets*
Hurricane Energy plc	Oil and Gas	48,750,000	23
Northgate plc	Transportation Services	28,999,626	14
STV Group plc	Media	25,279,105	12
FairFX Group plc	Financial Services	15,762,816	7
Leaf Clean Energy Company	Financial Services	12,717,526	6
NCC Group plc	Technology	11,426,577	5
Ocado Group plc	Retail	9,402,233	4
GI Dynamics Inc	Medical Technology	9,250,854	4
Sutton Harbour Holdings plc	Transportation Services	7,327,886	3
Other	Various	17,515,262	8
Total		186,431,885	86

2016 *Equity Investments*	*Sector*	*Value* *£*	*Percentage of Company's Gross Assets*
Grainger plc	Property	30,061,400	20
Hurricane Energy plc	Oil and Gas	25,967,783	17
Pinewood Group plc	Media	16,881,800	11
Northgate plc	Transportation Services	13,000,000	9
Leaf Clean Energy Company	Renewable Energy	11,657,732	8
STV Group plc	Media	9,342,455	6
FairFX Group plc	Financial Services	7,701,900	5
Sutton Harbour Holdings plc	Transportation Services	7,609,728	5
Restaurant Group plc	Food and Beverage	6,218,801	4
Hansard Global plc	Financial Services	4,688,716	3
NBNK Investments plc	Financial Services	4,600,631	3
Coats Group plc	Textiles	3,977,180	3
Other	Various	6,378,396	4
Total		148,086,522	98

Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Price risk (continued)

The following tables detail the investments in which the Company holds a greater than 20 per cent holding in the underlying entities. These have been recognised at fair value as the Company is regarded as an investment entity as referred to in Note 1.

2017 *Equity Investments*	*Place of Business*	*Place of Incorporation*	*Percentage Ownership Interest*
GI Dynamics Inc	United States	United States	46.1
Leaf Clean Energy Company	United States	Cayman Islands	29.9
Sutton Harbour Holdings plc	United Kingdom	United Kingdom	29.3
FairFX Group plc	United Kingdom	United Kingdom	25.7
Johnston Press plc	United Kingdom	United Kingdom	21.4

2016 *Equity Investments*	*Place of Business*	*Place of Incorporation*	*Percentage Ownership Interest*
Leaf Clean Energy Company	United States	Cayman Islands	29.9
Sutton Harbour Holdings plc	United Kingdom	United Kingdom	29.3
FairFX Group plc	United Kingdom	United Kingdom	24.9
NBNK Investments plc	United Kingdom	United Kingdom	28.5

At the year end and assuming all other variables are held constant:

- If market prices of listed equity, debt and derivative financial instruments had been 25 per cent higher (2016: 25 per cent higher), the Company's return and net assets for the year ended 30 June 2017 would have increased by £47,731,979 (2016: £36,309,140);
- If market prices of listed equity, debt and derivative financial instruments had been 25 per cent lower (2016: 25 per cent lower), the Company's return and net assets for the year ended 30 June 2017 would have decreased by £32,161,979 (2016: £19,519,031), 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 and debt investments held in Australian Dollars, Euro and US Dollars (2016: Australian Dollars and New Zealand Dollars).

Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Foreign exchange risk (continued)

The table below illustrates the Company's exposure to foreign exchange risk at 30 June 2017:

	2017	*2016*
	£	*£*
Financial assets designated at FVTPL:		
Listed equity investments denominated in Australian Dollars	9,250,855	804,878
Listed equity investments denominated in Euro	189,383	–
Listed equity investments denominated in US Dollars	3,039,519	–
Debt instruments denominated in US Dollars	9,502,417	–
Total assets	21,982,174	804,878

If the Australian Dollar weakened/strengthened by 10 per cent (2016: 10 per cent) against Sterling with all other variables held constant, the fair value of equity investments would increase/decrease by £925,086 (2016: £80,488).

If the Euro weakened/strengthened by 10 per cent (2016: 10 per cent) against Sterling with all other variables held constant, the fair value of equity investments would increase/decrease by £18,938 (2016: £Nil).

If the US Dollar weakened/strengthened by 10 per cent (2016: 10 per cent) against Sterling with all other variables held constant, the fair value of equity investments would increase/decrease by £303,952 (2016: £Nil) and the fair value of debt instruments would increase/decrease by £950,242 (2016: £Nil).

Fair value measurements

The Company 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 13 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.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Fair value measurements (continued)

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. 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.

The following tables analyse within the fair value hierarchy the Company's financial assets measured at fair value at 30 June 2017 and 30 June 2016:

2017	*Level 1* £	*Level 2* £	*Level 3* £	*Total* £
Financial assets designated at FVTPL and derivatives held for trading:				
Equities – listed equity investments	186,431,885	–	–	186,431,885
Debt – listed debt instruments	–	5,656,030	–	5,656,030
Debt – loan notes	–	–	3,846,387	3,846,387
Derivatives – listed derivative instruments	290,000	–	–	290,000
Derivatives – warrant instruments	–	6,146,512	–	6,146,512
	186,721,885	11,802,542	3,846,387	202,370,814

2016	*Level 1* £	*Level 2* £	*Level 3* £	*Total* £
Financial assets designated at FVTPL and derivatives held for trading:				
Equities – listed equity investments	143,406,419	–	4,680,103	148,086,522
Derivatives – listed derivative instruments	714,000	–	–	714,000
Derivatives – warrant instruments	–	2,289,724	–	2,289,724
	144,120,419	2,289,724	4,680,103	151,090,246

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

The Level 2 derivative investments were valued using a Black Scholes valuation technique. The listed debt instruments were valued with reference to the last available bid price of the convertible bond on the reporting date, which are considered to be Level 2 investments due to the level of trading activity of the bond.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Fair value measurements (continued)

The Level 3 equity investments were valued by reference to the last available price of the shares in each investee company on the reporting date. The loan notes were classified as Level 3 debt instruments as there was no observable market data. The Board has concluded that fair value is approximate to cost plus accumulated interest.

For financial instruments not measured at FVTPL, the carrying amount is approximate to their fair value.

Fair value hierarchy – Level 3

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	2017 £	*2016* £
Opening balance at 1 July	4,680,103	–
San Leon Energy plc – Transfer to Level 3 on 21 January 2016	–	79,471
NBNK Investments plc – Transfer to Level 3 on 20 June 2016	–	4,600,632
Purchases	3,945,084	–
Movement in unrealised gain	912,103	–
Sales	(5,607,825)	–
Net realised gain	23,506	–
Effect of exchange rate movements	(106,584)	–
Closing balance at 30 June	3,846,387	4,680,103

The Company recognises transfers between levels of the fair value hierarchy on the date of the event of change in circumstances that caused the transfer.

The investment in San Leon Energy plc was transferred from Level 1 to Level 3 on 21 January 2016, when its shares were suspended from trading on the LSE. As no quoted price was available at 30 June 2016, the valuation was determined using unobservable inputs. During the year ended 30 June 2017, the Company sold its entire holding in San Leon Energy plc, realising a loss of £549,193.

The investment in NBNK Investments plc was transferred from Level 1 to Level 3 on 20 June 2016, when its shares were de-listed from trading on the LSE. As no quoted price was available at 30 June 2016, the valuation was determined using unobservable inputs. During the year ended 30 June 2017, the Company received two distributions totalling £5.5 million with respect to its entire holding in NBNK, realising a gain of £572,699.

At the year end and assuming all other variables are held constant:

- If unobservable inputs in Level 3 investments had been 5 per cent higher/lower (2016: 5 per cent higher/lower), the Company's return and net assets for the year ended 30 June 2017 would have increased/decreased by £192,319 (2016: £234,005); and
- There would have been no impact on the other equity reserves.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

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 (2016: 10,000) Ordinary shares in the Company, representing 0.01 per cent (2016: 0.01 per cent) of the voting share capital of the Company at the year end.

During the year the Company incurred management fees of £3,232,888 (2016: £2,617,425) none of which were outstanding at the year end. The Company also accrued performance fees of £2,354,752 (2016: £Nil) all of which were outstanding and are included in trade and other payables as at 30 June 2017 (2016: £Nil). A further £983,000 performance fee is payable in respect of the year ended 30 June 2017 and has been accrued and recognised in the August 2017 NAV.

As at 30 June 2017 the Investment Manager held 4,015,606 Ordinary shares (2016: 4,015,606) of the Company, representing 4.08 per cent (2016: 4.08 per cent) of the voting share capital. Subsequent to the year end, the Investment Manager held 3,976,509 Ordinary shares of the Company, following a transfer of 39,097 Ordinary shares of the Company to an employee of the Investment Adviser on 10 July 2017.

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:

	2017		*2016*	
	Number of Ordinary shares	*Total voting rights*	*Number of Ordinary shares*	*Total voting rights*
William Collins	25,000	0.03%	25,000	0.03%
Sarah Evans	25,000	0.03%	25,000	0.03%
Total	50,000	0.06%	50,000	0.06%

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

	2017	*2016*
	£	*£*
William Collins[1]	35,000	35,000
Sarah Evans[2]	30,000	30,000
Nigel Ward	27,500	29,750
Christopher Waldron	25,000	25,000
Jane Le Maitre[3]	3,630	–
Total	121,130	119,750

[1] Chairman of the Company

[2] Senior Independent Director of the Company and Chairman of the Audit Committee

[3] Appointed as Director of the Company on 8 May 2017

At 30 June 2017, directors' fees of £33,005 (2016: £29,375) were accrued within trade and other payables.

During the year ended 30 June 2016, Nigel Ward received a one-off fee of £3,500 for services undertaken in respect of assisting the Investment Manager during 2015 to establish the Risk Committee with the appropriate terms of reference. With effect from 1 January 2016, Nigel Ward received an increase in remuneration of £2,500 to reflect additional services provided to the Company in respect of managing risk as detailed on page 18.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

17. MATERIAL AGREEMENTS

The Company has entered into the following material agreements:

Crystal Amber Asset Management (Guernsey) Limited

With effect from 27 January 2015, under the addendum to the management agreement, the Investment Manager receives a management fee of 2 per cent applied to the Market Capitalisation of the Company at 30 June 2013 (£73.5 million) (the "Base Amount"). 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.

In addition, the Investment 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 (adding back for this purpose the aggregate amount of any dividends per share paid to shareholders since payment of the last performance fee) must exceed an amount equal to the placing price, increased at a rate of; (i) 7 per cent per annum on an annual compounding basis in respect of that part of the performance period which falls from (and including) the date of Admission up to (but not including) the date of the 2013 Admission; (ii) 8 per cent per annum on an annual compounding basis in respect of that part of the performance period which falls from (and including) the date of the 2013 Admission up to (but not including) the date of the 2015 Admission; and (iii) 10 per cent per annum on an annual compounding basis in respect of that part of the performance period which falls from (and including) the date of the 2015 Admission up to the end of the relevant performance period ("the Basic Performance Hurdle"); and

2. the achievement of a "high watermark": the NAV per Ordinary share at the end of the relevant performance period must be higher than the highest previously reported NAV per Ordinary share at the end of a performance period in relation to which a performance fee, if any, was last earned.

If 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.

Depending on whether the Ordinary shares are trading at a discount or a premium to the Company's NAV per share when the performance fee becomes payable, the performance fee will be either payable in cash (subject to the restrictions set out below) or satisfied by the sale of Ordinary shares out of Treasury or by the issue of new fully paid Ordinary shares (the number of which shall be calculated as set out below):

- If Ordinary shares are trading at a discount to the NAV per Ordinary share when the performance fee becomes payable, the performance fee shall be payable in cash. Within a period of one calendar month after receipt of such cash payment, the Investment 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 when the performance fee becomes payable, 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.

Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

17. MATERIAL AGREEMENTS (continued)

Crystal Amber Asset Management (Guernsey) Limited (continued)

Performance fee for year ended 30 June 2017

At 30 June 2017, the Basic Performance Hurdle was 194.79 pence (2016: 176.62 pence) and the NAV per share before any accrual for any performance fee payable in respect of the year then ended was 206.76 pence (2016: 153.79 pence). Accordingly, a performance fee was payable equating to 20 per cent of the excess NAV per share and is adjusted for dividends declared since payment of the last performance fee, over the respective Basic Performance Hurdle multiplied by the weighted average number of shares. The performance fee for the year ended 30 June 2017 amounted, in aggregate, to £3,338,552 of which £2,354,752 was accrued at 30 June 2017 (2016: £Nil). The remaining £983,800 has been accrued and recognised in the August 2017 NAV.

Heritage International Fund Managers Limited

The Administrator provides administration and company secretarial services to the Company. For these services, the Administrator is paid an annual fee of 0.12 per cent (2016: 0.12 per cent) of that part of the NAV of the Company up to £150 million and 0.1 per cent (2016: 0.1 per cent) of that part of the NAV over £150 million (subject to a minimum of £75,000 per annum).

ABN AMRO (Guernsey) Limited

Under the custodian agreement, the Custodian receives a fee, calculated and payable quarterly in arrears at the annual rate of 0.05 per cent (2016: 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

On 10 July 2017, the Investment Manager transferred 39,097 Ordinary shares of the Company to an employee of the Investment Adviser. Following the transfer, the Investment Manager held 3,976,509 Ordinary shares of the Company.

On 11 July 2017, the Company declared an interim dividend of £2,459,120, equating to 2.5 pence per Ordinary share, which was paid on 18 August 2017 to shareholders on the register on 21 July 2017.

The Company purchased 290,000 of its own Ordinary shares during the period between 1 July 2017 and 12 September 2017, which were held as Treasury shares. Following these purchases, the total number of Ordinary shares held as Treasury shares by the Company is 925,000.

On 4 August 2017, the Company reported that its unaudited NAV at 31 July 2017 was 196.71 pence per share.

On 8 September 2017, the Company reported that its unaudited NAV at 31 August 2017 was 191.79 pence per share.

Glossary of Capitalised Defined Terms

"**Admission**" means admission, on 17 June 2008, to the Official List and/or admission to trading on the Alternative Investment Market of the London Stock Exchange, as the context may require, of the Ordinary shares;

"**AEOI Rules**" means the Automatic Exchange of Information Rules;

"**AGM**" or "**Annual General Meeting**" means the annual general meeting of the Company;

"**AIF**" means Alternative Investment Funds;

"**AIFM**" means AIF Manager;

"**AIFM Directive**" means the EU Alternative Investment Fund Managers Directive (no. 2011/61/EU);

"**AIC**" means the Association of Investment Companies;

"**AIC Code**" means the AIC Code of Corporate Governance;

"**AIC Guide**" means the AIC's Corporate Governance Guide for Investment Companies, dated July 2016;

"**AIM**" means the Alternative Investment Market of the London Stock Exchange;

"**Annual Report**" means the annual publication of the Company to the shareholders to describe their operations and financial conditions, together with the Company's financial statements;

"**Articles of Incorporation**" or "**Articles**" means the articles of incorporation of the Company;

"**Audited Financial Statements**" or "**Financial Statements**" means the audited annual financial statements of the Company, including 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 associated notes;

"**Australian Stock Exchange**" means the Australian Stock Exchange Ltd;

"**Bank of England**" means the Bank of England, the central bank of the UK;

"**Black Scholes**" means the Black Scholes model, a mathematical model of a financial market containing derivative instruments;

"**Board**" or "**Directors**" or "**Board of Directors**" means the directors of the Company;

"**Brexit**" means the departure of the UK from the European Union;

"**Committee**" means the Audit Committee of the Company;

"**Company**" or "**Fund**" means Crystal Amber Fund Limited;

"**Companies Law**" means the Companies (Guernsey) Law, 2008, (as amended);

"**CRS**" means Common Reporting Standard;

"**EBITDA**" means earnings before interest, taxes, depreciation and amortisation;

"**EGM**" or "**Extraordinary General Meeting**" means an extraordinary general meeting of the Company;

"**FATCA**" means Foreign Account Tax Compliance Act;

"**FCA**" means the Financial Conduct Authority;

Glossary of Capitalised Defined Terms (continued)

"**FRC**" means the Financial Reporting Council;

"**FRC Code**" means the UK Corporate Governance Code published by the FRC;

"**FTSE**" means the Financial Times Stock Exchange;

"**FVTPL**" means Fair Value Through Profit or Loss;

"**GFSC**" means the Guernsey Financial Services Commission;

"**GFSC Code**" means the GFSC Finance Sector Code of Corporate Governance;

"**Gross Asset Value**" means the value of the assets of the Company, before deducting its liabilities, and is expressed in Pounds Sterling;

"**IAS**" means international accounting standards as issued by the Board of the International Accounting Standards Committee;

"**IASB**" means the International Accounting Standards Board;

"**IFRIC**" means the IFRS Interpretations Committee, formerly the International Financial Reporting Interpretations Committee, which issues IFRIC interpretations following approval by the IASB;

"**IFRS**" means the International Financial Reporting Standards, being the principles-based accounting standards, interpretations and the framework by that name issued by the International Accounting Standards Board;

"**Interim Financial Statements**" means the unaudited condensed interim financial statements of the Company, including the Condensed Statement of Profit or Loss and Other Comprehensive Income, the Condensed Statement of Financial Position, the Condensed Statement of Changes in Equity, the Condensed Statement of Cash Flows and associated notes;

"**Interim Report**" means the Company's interim report and unaudited condensed financial statements for the period ended 31 December;

"**Investment Management Agreement**" means the agreement between the Company and the Investment Manager, dated 16 June 2008, as amended on 21 August 2013 and further amended on 27 January 2015;

"**Kay Review**" means the Kay Review of UK equity markets and long-term decision making as published by the UK Government's Department for Business, Innovation and Skills;

"**KPMG**" means KPMG Channel Islands Limited;

"**LSE**" or "**London Stock Exchange**" means the London Stock Exchange plc;

"**Market Capitalisation**" means the total number of Ordinary shares of the Company multiplied by the closing share price;

"**MW**" means megawatt;

"**NAV**" or "**Net Asset Value**" means the value of the assets of the Company less its liabilities as calculated in accordance with the Company's valuation policies and expressed in Pounds Sterling;

"**NAV per share**" means the Net Asset Value per Ordinary share of the Company and is expressed in pence;

"**NMPI**" means Non-Mainstream Pooled Investments;

Glossary of Capitalised Defined Terms (continued)

"**Official List**" is the list maintained by the Financial Conduct Authority (acting in its capacity as the UK Listing Authority) in accordance with Section 74(1) of the Financial Services and Markets Act 2000;

"**Ordinary share**" means an allotted, called up and fully paid Ordinary share of the Company of £0.01 each;

"**Risk Committee**" means the Risk Committee of the Investment Manager;

"**S&P**" means Standard & Poor's Credit Market Services Europe Limited, a credit rating agency registered in accordance with Regulation (EC) No 1060/2009 with effect from 31 October 2011;

"**SME**" means small and medium sized enterprises;

"**SORP**" means Statement of Recommended Practice;

"**Stewardship Code**" means the Stewardship Code of the Company adopted from 14 June 2016, as published on the Company's website www.crystalamber.com;

"**TISE**" means The International Stock Exchange, formerly the Channel Islands Securities Exchange;

"**Treasury**" means the reserve of Ordinary shares that have been repurchased by the Company;

"**Treasury shares**" means Ordinary shares in the Company that have been repurchased by the Company and are held as Treasury shares;

"**UK**" or "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland;

"**UK Stewardship Code**" means the UK Stewardship Code published by the FRC in July 2010 and revised in September 2012;

"**US**" means the means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"**US Federal Reserve**" means the Federal Reserve System, the central banking system of the US; and

"**£**" or "**Pounds Sterling**" or "**Sterling**" means British pound sterling and "**pence**" means British pence.

Directors and General Information

Directors
William Collins *(Chairman)*
Sarah Evans *(Senior Independent Director)*
Nigel Ward
Christopher Waldron
Jane Le Maitre *(Appointed 8 May 2017)*

Investment Adviser
Crystal Amber Advisers (UK) LLP
17c Curzon Street
London W1J 5HU

Administrator and Secretary
Heritage International Fund Managers Limited
Heritage Hall
Le Marchant Street
St. Peter Port
Guernsey GY1 4HY

Broker
Pre 09/09/2016:
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Post 09/09/2016:
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London EC4R 2GA

Independent Auditor
KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
St. Peter Port
Guernsey GY1 1WR

Identifiers
ISIN: GG00B1Z2SL48
Sedol: B1Z2SL4
Ticker: CRS
Website: www.crystalamber.com

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

Nominated Adviser
Allenby Capital Limited
5 St. Helen's Place
London EC3A 6AB

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

CRYSTAL AMBER

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