CRYSTAL AMBER

Crystal Amber Fund Limited

Annual Report and Audited Financial Statements

For the year ended 30 June 2018

Company No. 47213

Contents

Highlights

- Good performance over the year with Net Asset Value ("NAV")[1] per share rising 19.7 per cent to 244.62p per share (204.37p at 30 June 2017, 190.69p at 31 December 2017). NAV total return for the year was 22.8 per cent, including reinvested dividends. Over the last three years, the Fund has delivered a 16.6 per cent annualised total NAV return.
- Successful investment in Ocado Group plc ("Ocado") exited with a profit of £8.3 million. Additional realised gains of £7.6 million on Hurricane Energy plc ("Hurricane") and £3.8 million on NCC Group plc ("NCC"). Total realised gains of £26.6 million (£26.1 million after FX losses) for the year.
- Important contributions to NAV performance from FairFX Group plc ("FairFX") and STV Group plc ("STV").
- Acquired significant positions in De La Rue plc ("De la Rue"), Woodford Patient Capital Trust plc ("WPCT") and Cenkos plc ("Cenkos").
- Share buy-back programme maintained, with average discount to month end NAV through the year of 3.0 per cent.
- In February, equity market declines and increased volatility resulted in gains from the Fund's put options. Over the year, these contributed £2.7 million to NAV growth.

Christopher Waldron, Chairman of the Fund, commented: "In my first annual report as Chairman, I am pleased to report good performance with gains from a number of our holdings. Our active engagement with investee companies continues and we are confident that this will yield further positive results in the coming year."

[1] All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 63 to 65 unless separately defined.

Chairman's Statement

I hereby present the eleventh annual report of Crystal Amber Fund Limited ("the Fund"), for the year to 30 June 2018.

For equity markets, this was a period of two halves. The last six months of 2017 saw rising global markets, benefiting from an improving outlook in major economies and US tax cuts. By contrast, the first six months of 2018 saw increased volatility, with a sell-off in February as investors re-visited their upbeat economic assessments. US growth continued to gather momentum throughout the period, and the Federal Reserve raised rates three times, closing the period at 2 per cent. Against a normalising monetary policy environment in the US and Europe, UK investors continued to be surrounded by the uncertainties of Brexit.

NAV at 30 June 2018 was £238.1 million, compared with an unaudited NAV of £186.3 million at 31 December 2017 and £201.0 million at 30 June 2017. NAV per share was 244.62 pence at 30 June 2018 compared with 190.69 pence at 31 December 2017 and 204.37 pence at 30 June 2017.

NAV per share increased 19.7 per cent over the year. With dividends reinvested, NAV total return was 22.8 per cent. Over the last three years, the Fund has delivered an excellent annualised 16.6 per cent NAV total return, and 15.1 per cent over five years. Much of this return can be attributed to the Fund's activist approach and, the Fund has played important roles at several investee companies during the year. This has resulted in positive change at companies including Hurricane, Ocado, FairFX and Sutton Harbour and in the coming months we hope to see similar improvements to other portfolio companies as this engagement continues.

As the NAV per share at 30 June 2018 substantially exceeded the performance hurdles, a performance fee of £10.96 million is payable to the Investment Manager in respect of the year ended 30 June 2018, in accordance with the Investment Management agreement. Although the fees will be paid in cash because the Fund continues to trade at a discount, the fee will be used to purchase shares in the Fund.

During the year, the Fund bought back 1,163,982 of its own shares at an average price of 192.41 pence as part of its strategy to limit any substantial discount of the Fund's share price to NAV. Over the year, the Fund's shares traded at an average month-end discount to NAV of 3.0 per cent. At the year end, the shares traded at a 10.5 per cent discount to NAV. The share buyback programme contributed 0.2 per cent to NAV per share growth during the year.

The Fund declared interim dividends of 2.5 pence in July 2017 and in December 2017, in line with the dividend policy of paying 5.0 pence per year. At the 2017 AGM, interim dividends previously paid were ratified by shareholders.

Finally, following the authority granted at the Fund's Annual General Meeting in November 2017, the Fund created and issued 125,000 ordinary shares to five separate charitable organisations in March 2018. After the year end, the Fund created and issued a further 125,000 shares to a further five separate charitable organisations. This brought the value of share gifts to £0.5 million. The Fund is pleased to support so many worthy causes including Cancer Research UK, UNICEF and the World Wildlife Fund. The Fund always seeks to make a positive difference and I believe that these donations do just that.

Christopher Waldron
Chairman

6 September 2018

Investment Manager's Report

Performance

The Fund's NAV per share increased by 19.7 per cent over the year. With dividends reinvested, total returns per share for the year were 22.8 per cent. This compares to the Numis Small and Mid-cap Companies Index of 8.2 per cent.

Key performance contributors were Hurricane (12.8 per cent contribution), FairFX (9.5 per cent), Ocado (4.4 per cent), STV Group (2.9 per cent) and NCC (1.5 per cent). The detractors were GI Dynamics (2.3 per cent), Leaf Clean Energy Co ("Leaf", 2 per cent), Johnston Press plc (0.6 per cent) and Northgate plc ("Northgate", 0.1 per cent).

The Fund's performance is calculated after portfolio protection through the purchase of FTSE put options. The Fund benefited from strong protection going into the February equity market sell-off and was able to realise a profit of £6.8 million in that month. Over the year, FTSE put options contributed positively to NAV growth, adding 1.3 per cent or £2.7 million.

Portfolio and Strategy

At 30 June 2018, the Fund held equity investments in 16 companies (2017: 17 companies), including one unlisted company. The Fund also holds warrants and debt instruments in some of these companies, as disclosed in the accounts.

Taking account of all investment instruments, the Fund's exposure to its top ten investee companies amounted for 90.7 per cent of NAV at 30 June 2018 (2017: 85.7 per cent). Over the period, the Fund's average net cash and accruals position was zero: it was fully invested.

The Fund remains focused on a limited number of special situations where value can be realised regardless of the market direction.

By its very nature as an activist fund, it is vital to hold sufficiently large stakes to facilitate engagement as a significant shareholder. As a consequence, the Fund is exposed to concentration risk. This is a necessary risk to enable returns to be achieved via the Fund's investment strategy. Levels of investment in individual companies are monitored and parameters are set to ensure this risk is kept to an appropriate level.

Over the year to 30 June 2018, the weighted average market capitalisation of the Fund's investee companies has increased from £430 million to £491 million.

Investment Manager's Report (continued)

Portfolio and Strategy (continued)

The table below lists the Fund's top ten shareholdings, the equity stake that those positions represent in the investee company and their percentage contribution to NAV performance over the year.

Top ten holdings	*Pence per share*	*Percentage of NAV*	*Percentage of investee equity held*	*Contribution to NAV performance*[(1)]
Hurricane Energy plc	62.1	25.0%	6.5%	11.4%
Northgate plc	35.3	14.0%	6.3%	(0.1%)
Fair FX Group plc	34.9	14.0%	19.2%	7.8%
STV Group plc	32.1	13.0%	18.2%	2.9%
De La Rue plc	18.8	8.0%	3.2%	1.0%
Woodford PCT plc	15.9	7.0%	2.3%	0.5%
Leaf Clean Energy Co.	8.9	4.0%	29.9%	(2.0%)
NCC Group plc	5.6	2.0%	1.0%	1.5%
GI Dynamics Inc	4.3	2.0%	48.3%	(2.9%)
Cenkos plc	3.9	2.0%	6.8%	0.0%
Total of ten largest holdings	221.8			
Other investments	34.2			
Cash and accruals	(11.4)			
Total NAV	**244.6**			

(1) Percentage contribution stated for equity holdings only. Other instruments such as warrants or debt are included in the performance contribution calculation of the prior section of this report.

Seven of the Fund's top ten positions at 30 June 2018 were amongst the top ten at 30 June 2017. Hurricane was and remained the Fund's largest holding. Its strong share performance allowed the Fund to realise a £7 million profit as it reduced its stake to 6.5 per cent. The position in Northgate was increased to 6.3 per cent of the company. FairFX's increased liquidity following its August 2017 fundraising allowed the Fund to bank a £3.2 million profit as the benefits of FairFX's acquisitions began to be reflected in its share price. The Fund added to its holding in STV and is currently its largest shareholder. NCC's holding was reduced as its share price recovered. The position in GI Dynamics Inc ("GI Dynamics") was increased as the Fund participated in an equity raise in January 2018. In May 2018, the Fund purchased a $1.75 million loan note and warrants instrument in the company. Cenkos was an investee company of the Fund at the beginning of the period and the position has since been increased. Investments in De La Rue and WPCT were initiated in the period under review. The top ten holdings are reviewed in more detail in the following section.

Of the other three positions that were top ten holdings a year ago, Ocado has been sold and there have been partial sales of the investments in Sutton Harbour Holdings plc ("Sutton Harbour") and Johnston Press plc ("Johnston Press").

Investment Manager's Report (continued)

Ocado

The Fund began building a stake in Ocado in May 2017. This was a contrarian view, particularly against a backdrop where around 20 per cent of the company's share capital was being shorted. At that time, we felt that the business was wrongly perceived as a British online food retailer. In our opinion, the replacement value of Ocado's market leading capabilities and know-how was well above its market valuation.

In private engagement with the company, we suggested that it should focus on highlighting the growth prospects and scalability of the Ocado Smart Platform ("OSP") to technology analysts rather than to food retail analysts. We welcomed the decision to separate out the OSP business in segmental reporting.

A year after making our investment, the company closed four deals commercialising its OSP, most significantly with The Kroger Co. With those deals, Ocado's partners believe that they will be able to leapfrog the competition in terms of capability and service levels. We consider that market participants now recognise the value of this scarce asset, sought after by grocers facing the threat posed by Amazon.

After the Ocado share price rerated substantially, the Fund sold this position realising a profit of £8.3 million.

Sutton Harbour

In December 2017, Sutton Harbour announced a recommended cash offer from FB Investors LLP ("FB") for up to 70 per cent of its capital at 29.5 pence per share. FB also agreed to subscribe for £2.8 million worth of new shares at the same price to strengthen the company's balance sheet and bring Sutton Harbour's Sugar House development in house.

The Fund engaged with FB prior to the announcement of the deal. We were impressed by chairman Philip Beinhaker's vision for the company and his track record of urban regeneration projects. The Fund agreed to tender its holding in full, as that was a prerequisite for the offer. Since the offer was oversubscribed, the Fund's tender was scaled-back. With the tender, the Fund booked a £0.9 million gain and has subsequently purchased further shares.

The Fund is pleased that because of its engagement with the company, Sutton Harbour can now benefit from strengthened leadership with ambitious plans to unlock value for the company and the city of Plymouth.

Activist Investment Process

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

Investments are normally made after an initial engagement, which in some cases may have been preceded by the purchase of a modest position in the company, to allow the Investment Adviser to meet the company as a shareholder. Engagement includes dialogue with the company chairman, 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' strategies. 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.

Investment Manager's Report (continued)

Activist Investment Process (continued)

Most of the Fund's activism takes place in private, but we are prepared 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 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.

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 reservoirs in the West of Shetland. It controls 2.6 billion Barrels of Oil Equivalent ("BOE") certified resources and reserves. The Fund's previous annual reports include additional background information on this investment.

This was an eventful year for Hurricane. In July 2017, it completed the largest ever oil fundraising on AIM. It raised US$530 million to fully fund an Early Production System ("EPS") on its Lancaster field. The EPS's production rates will contribute to a better understanding of the asset. The data generated over the first six months of production will help model the economics of a full field development and inform farm-out discussions with potential partners. Additionally, at an oil price of US$60 per barrel, the EPS is expected to generate over US$200 million in operating cash flow per annum.

Unfortunately, the EPS fundraising created a significant disconnect between the share price and the asset value. The dilutive nature of the US$300 million equity raise was compounded by the large size of the US$230 million convertible loan note. Shares only recovered above the placing price in 2018, as the good news-flow of the EPS's progress gathered momentum.

In the aftermath of the fundraising, corporate governance shortcomings at the company became apparent. In November 2017, Robert Arnott resigned as chairman with immediate effect, criticising the company's corporate governance standards. These concerns were publicly shared by the Fund. The company instituted a board committee to address these issues and bring its internal procedures in line with its current size and complexity. As the largest independent shareholder, the Fund engaged intensely with the board over the existing issues and in connection with the recruitment of the new chairman. Steven McTiernan's appointment as chairman was announced in April. He brings a wealth of experience and having met him before his appointment, we are confident that he will oversee high standards of corporate governance. His M&A experience should help management along the path of asset monetisation. We are pleased that the Fund's concerns regarding the need to improve corporate governance and standards were not only recognised by the company but are being addressed. We look forward to additional independent directors joining the board.

In December 2017, Hurricane published a Competent Person's Report ("CPR"), increasing its combined resource estimate to 2.6 billion BOE. Together with the previously published CPR for Lancaster, Hurricane now has an updated assessment of its licences. The CPRs incorporate the results of all exploration campaigns undertaken since Hurricane's initial public offering in 2014.

Investment Manager's Report (continued)

Investee companies (continued)

Hurricane (continued)

Hurricane shares re-rated over the year as the time for first oil from the EPS draws closer. The Fund reduced its holding into demand and realised a profit of £7.6 million, which brings total realised gains in Hurricane to date to £23.6 million.

In September 2018, Hurricane announced a farm-in deal with Spirit Energy Limited ("Spirit Energy"). This covers the Greater Warwick Area, an asset at an early stage of exploration and appraisal to which little value had been assigned by market participants. In return for a 50 per cent stake, Spirit Energy will contribute with up to $387 million to Hurricane's share of capital expenditure covering a three-year work plan. The deal accelerates the conversion of resources to reserves and critically validates the attractiveness of UK fractured basement reservoirs to other industry participants.

The Fund is a longstanding supporter of Hurricane. It has funded its exploration efforts since 2013 and its EPS strategy since 2016, when long lead items that are only now being installed were first purchased. The execution of the EPS to date has been excellent. Milestones have been achieved ahead of target, and the company is working towards first oil early in 2019.

Northgate

Northgate is the leading light commercial vehicle flexible hire business in the UK, Spain and Ireland. The company is also expanding its term hire offering to address a broader scope of its customers' needs and to accelerate switching away from vehicle ownership. Northgate has a fleet of around 105,000 vehicles and operates from more than 100 sites.

The Fund first invested in Northgate in 2012 and subsequently supported a refinancing of the company's debt that cut its interest cost from 7 per cent to 2.8 per cent. Following a rerating of the shares the Fund fully exited its position in 2015 and realised a profit of £3.5 million.

In 2016, it became apparent that Northgate's turnaround had gone awry in the UK: against the backdrop of a growing market, the number of vehicles it had on hire began to shrink, turnover of the sales team reached 40 per cent and a planned roll-out of new sites was put on hold. The Fund reinvested, in the belief that Northgate's share price failed to reflect the strategic value of the company at a time of increasing industry consolidation.

The company appointed Kevin Bradshaw as CEO in January 2017, who made several senior hires for the UK business. In October 2017, he laid out in considerable detail his strategy to return the UK business to growth, including three-year growth and margin expectations for the UK and Spain. Subsequently, management has also overhauled Northgate's fleet strategy, with a plan to increase vehicle holding periods to achieve higher returns on capital.

Northgate's well-managed Spanish business, which generates over half of the group's rental profit and underlying operating profit, is the clear leader in its market with a strong brand, good geographic coverage and attractive return on assets. Vehicles-on-hire growth in Spain comfortably exceeded initial guidance in the year to April 2018 and is expected to achieve at least 10 per cent annualised growth over the next two years, together with a consequent improvement in margins.

The Fund believes that the considerable value of Northgate's large Spanish business is not reflected in its share price and that the company should therefore explore all options to demonstrate and at least partially realise the value of this asset. This should include methods that could preserve any procurement synergies with the UK, e.g. a partial listing in Spain. The Fund disagrees with the view held by Northgate's board that no stake in a strongly performing asset should be sold, regardless of the valuation achievable.

Investment Manager's Report (continued)

Investee companies (continued)

Northgate (continued)

The Fund is supportive of management's efforts to arrest market share losses in the UK and whilst it takes some comfort from the progress made to date in returning vehicle-on-hire numbers to growth, the Fund is disappointed that rental margin guidance set last October has already been pushed back.

The Fund is concerned by the lack of strategic leadership and the communication from Northgate's Chairman, Andrew Page. In his introductory remarks to the full year results presentation in June, Mr Page referred to Northgate's 29 per cent fall in earnings as "slightly depressed". We consider that he has failed to take responsibility for the under-delivery of the company, both operationally and for shareholders during his tenure.

Despite enjoying the tailwind of a growth market, Northgate's number of UK vehicles on hire has fallen 11 per cent since autumn 2015, when Mr Page was appointed Chairman. The company's total shareholder return over this period has been -4 per cent, whilst UK equities have delivered over 30 per cent. The Fund notes that the company's website continues to highlight its total shareholder returns to the end of April 2017 when the share price was 540p, being 45 per cent higher than at the end of April 2018 and more than 25 per cent higher than the price at the time of writing.

At 406.8 pence as of 30 June 2018, Northgate's shares traded at a minimal premium to the company's reported net tangible asset value of 398 pence per share as at 30 April 2018, which is roughly equivalent to the liquidation value of Northgate's fleet.

We expect rental margins, returns on capital and the dividend (4 per cent current yield) to grow, driven predominantly by further fleet growth and consequent scale benefits in all geographies. The Fund would have welcomed Northgate's directors purchasing shares following the full year results announcement, as a demonstration of their belief in the company's prospects and undervaluation.

The Fund remains keen for the company to properly consider all available options that might release value.

FairFX

FairFX is a leading international payment services provider to the retail and corporate segments of the UK market, which are estimated to be worth £60 billion a year. The company has a cloud-based peer-to-peer payments platform that enables personal and business customers to make low-cost multicurrency payments in a broad range of currencies and across a range of FX products, all via one integrated system. The FairFX platform facilitates payments either direct to bank accounts or at 30 million merchants and over 1 million ATMs globally via mobile apps, the Internet, SMS, wire transfer and Mastercard/VISA debit cards.

FairFX had a stellar year with the share price doubling. The company has prospered since March 2016 when the Fund engaged with the company to undertake a placing at 20 pence per share. The Fund has provided strategic advice to help FairFX develop a broader customer proposition and has supported the CEO's work to enhance its operational capabilities. FairFX now has a stronger leadership team which has the functional expertise to deliver against the large market opportunity.

FairFX completed the acquisition of CardOne in August 2017 and CityForex in Spring 2018. FairFx was granted full membership status by Mastercard which enables cost savings and process simplification. FairFX began business lending through a collaboration with Alternative Business Funding.

With FairFX offering a more comprehensive solution to personal and SME clients, we see ample scope for the company to take business from traditional banks. The CEO expressed "great confidence for the prospects for 2018 and beyond" in the most recent trading update in July. We are pleased with the company's progress and remain engaged to support future strategic partnerships.

Investment Manager's Report (continued)

Investee companies (continued)

STV Group

STV broadcasts free to air TV in Scotland through the Channel 3 licence. Following ITV plc's ("ITV") acquisition of UTV Ireland in 2016, STV is the only franchise in that channel not owned by the ITV network. 95 per cent of STV's broadcast content is produced by ITV and purchased by STV through long term agreements. These agreements have a revenue share component that distinguishes STV's business model from that of other broadcasters. STV's programming costs fluctuate with its advertising revenues, limiting its operational gearing. The Fund's previous Annual Reports contain additional background on the company.

The Fund has been an investor in STV since 2013. At that time, the company was in the latter stages of its turnaround. Debt was coming down from its 2011 peak of 3.1x EBITDA, and in 2014 it was able to pay a dividend. Over the Fund's holding period, STV has reinvested its profits in several growth initiatives. Some, like the development of its own on-line player for Video-on-Demand, now contribute about a quarter of the group's profits. Others, such as the development of City TV, and latterly STV2, have failed to meet consumer demand, and have held back earnings growth. Similarly, £10.1 million has been invested to launch a charitable lottery. Some of these strategic initiatives, together with the impact of Brexit fears on business confidence, have held back earnings before tax to £19 million in 2017, from £20.3 million in 2015. This trajectory of earnings has contributed towards some investors' worries about the changing media landscape. Despite the protection afforded by its licence, STV remains a modestly rated stock.

As STV has reduced its debt, the Fund has engaged over its capital allocation. Firstly, the board's growth plans have had to be funded. A sound pension recovery plan had to be put in place, a goal achieved by the end of 2016. In the aftermath of Brexit, the Fund advocated share buybacks believing that a quick increase in the dividend would not be an efficient return of capital to long term investors. Despite our counsel, in March 2017 the company announced a 50 per cent increase in the dividend, an incremental pay-out that had no effect on the share price. With the share price trading well below our view of fair value, the Fund argued that it was in the long-term interest of the company to retire shares. In September 2017, STV quantified its capital surplus for the next 18 months at £10 million and announced a share buyback. A tender exercise remains an option after the strategic review initiated by the new CEO.

STV's new CEO Simon Pitts presented his strategic review in May 2018. The company will increase its investment in content production by £5 million and digital by £1 million. This will be funded by an operational restructuring, the closure of STV2 and a £3 million reduction in shareholder capital return. ITV's own strategic refresh, presented in July 2018, similarly highlights the value of the integrated "producer broadcaster" business model.

In the context of rapid growth of social media and internet video, STV, like ITV, emphasises that its TV audiences are stable. TV remains the most cost-effective means of advertising to large audiences, indeed TV accounts for 95 per cent of video advertisement viewing time. Professionally produced content is now consumed in different platforms, such as mobile devices or catch up services. Within those new digital channels, TV is increasingly able to offer audience targeting, while avoiding the brand safety issues of other digital platforms. Industry convergence is also on the horizon in Britain, as public service broadcasters work on ways to reach their audiences more efficiently.

The Fund remains supportive of STV and is now its largest investor. We welcome the renewed focus on delivering great content to consumers and large audiences to advertisers. While STV's privileged position remains under-appreciated for investors, we continue to advocate allocating capital to buying back shares cheaply.

Investment Manager's Report (continued)

Investee companies (continued)

De La Rue

De La Rue designs and prints banknotes and produces various related components, including individual security features and the polymer substrate that forms the basis for "plastic" notes. The company also produces individual identity documents and supports the related issuance infrastructure, as well as manufacturing tax stamps, and products and software to authenticate and track individual products throughout their supply chains. De La Rue is the incumbent provider of passports to the UK, under a long-term contract that expires in late 2019.

CEO Martin Sutherland joined De La Rue in 2014, with a mandate to improve the group's commercial performance. The company is now three years into his five-year plan and has sold its loss-making banknote processing machines business and more recently its two papermills, which were adjudged to be operating in a volatile commoditised market. The company's remaining activities generate higher returns on capital and should present better opportunities to deliver consistent growth. De La Rue has significantly deleveraged over the last year, following the sale of its paper business and a reduction in its pension liabilities.

In March 2018, De La Rue's share price dropped significantly upon the joint announcement of a minor profit warning and the CFO's unexpected departure, followed two days later by news of the company's failure to secure renewal of the UK passport contract. Having analysed the company closely over preceding months, we assessed the price fall to be an overreaction and initiated an investment. At a group level the profit lost upon expiry of the UK passport contract should be offset to a significant extent by the expected £4 million operating cost savings following the paper business disposal.

The banknote industry has high barriers to entry due to the critical nature of the product and a relatively conservative base of central banks customers. Although the penetration of electronic payments is increasing rapidly in many countries, the volume of banknotes issued globally is experiencing modest growth. Furthermore, De La Rue has an attractive mix of long-term customer relationships in geographies with relatively high population growth, including various African and Asian countries. The integration of security features into ever more banknote denominations is also raising the average production value of new notes.

Despite the trends beneficial to revenues from banknote security features, and the market tailwinds enjoyed by its identity and product authentication divisions, De La Rue has not delivered underlying earnings growth over the last three years. The primary explanations for this are the loss of a large security features contract towards the end of 2015 and the significant increase in expenditure on both R&D and sales and marketing efforts, with annual spending on each having grown by around £7 million by 2018 compared to their levels in 2015.

The Fund believes that De La Rue enjoys a combination of strong competitive positions in high return businesses and attractive growth opportunities backed by a capacity for both significant organic investment and the acquisition of further technological competencies. The company also has obvious strategic value, as evidenced by the takeover approach from its competitor Oberthur in late 2010, and the early 2018 acquisition of another banknote producer, Crane Currency, by the US-listed conglomerate Crane Co.

Near term challenges for De La Rue's management and board include determining how best to redeploy the £56 million cash proceeds from the papermill disposals consistent with a strategic vision for the technologies required to maximise the group's long-term growth, as well as the ongoing strategy for the identity solutions division, which will be materially smaller without the UK passport contract.

Investment Manager's Report (continued)

Investee companies (continued)

De La Rue (continued)

The Fund notes that De La Rue's shares now trade at half the price offered in 2010 by Oberthur when De La Rue's management rejected a cash bid. More recently, results have been unacceptable as demonstrated by earnings per share which at March 2014 were 47.3p, flatlined three years later at 47.2p and declined to 42.9p a share by March 2018. Moreover, market forecasts for 2019 are for unchanged earnings, placing the shares on a PE multiple of 11. Despite management speak of a growth strategy, the stock market lacks any evidence as to how growth in earnings per share is achievable. The Fund has concluded that now is the time for change and is currently engaging with management to assist in solving these fundamental issues.

Woodford PCT plc

WPCT is a closed end investment fund specialising in early stage companies.

It listed in the spring of 2015 and the share price promptly traded at a 15 per cent premium to NAV. With hindsight, this was perhaps the peak of inflated expectations, given the long-term nature of returns of its investments.

At the time of the Fund's investment in WPCT, not only had the premium eroded, but the shares were trading on a double-digit discount. The Fund believes that the share price represented the trough of disillusionment and was more a reflection of some setbacks within the portfolio of Woodford's Equity Income Fund.

The Fund has been tracking WPCT for some time. The $150 million cash injection in March 2018 into Prothena by Celgene, the world's largest haematology biopharma company, represented a major endorsement. The Fund commenced purchasing shares immediately following this news flow.

In June, WPCT shares faced selling pressure as a result of leaving the FTSE 250 Index. The Fund took advantage of this index related selling and significantly increased its shareholding. Since then, positive portfolio developments including the listing of Autolus, have contributed to an increase in net asset value to 91.9p at the end of the quarter. The Fund continues to believe that the current share price represents an attractive entry level to access a growth portfolio of highly scalable businesses.

At the period end, the Fund owned 2.3 per cent of WPCT's issued share capital at an average cost of 78.2p per share.

Leaf Clean Energy Co.

Leaf is an investment company focused on clean energy, largely in North America. Because of the Fund's activism, Leaf has been in orderly realisation since July 2014. It currently owns three assets, the largest of which is an equity stake in Invenergy Wind ("Invenergy") that accounted for substantially all of Leaf's NAV at 31 December 2017. The Fund's previous annual reports provide the background on our investment in Leaf and our engagement with the company.

In September 2017, the Fund provided a commitment of up to US$2.5 million in an issue of up to US$5 million of loan notes by Leaf. US$1 million was drawn down from the Fund by Leaf. This facility supported the company's ongoing litigation with Invenergy.

In April, Leaf received the Court decision regarding its litigation against Invenergy. The Chancery Court found that Invenergy had breached its contractual obligations, but surprisingly held that Leaf was only entitled to nominal damages. Following legal advice, Leaf has lodged an appeal at the Delaware Supreme Court against this judgement. This is expected to be decided before March 2019.

Investment Manager's Report (continued)

Investee companies (continued)

Leaf Clean Energy Co. (continued)

The Chancery Court's final order set a value of US$50.7 million for Leaf's stake in Invenergy. A payment of US$36.4 million was received by Leaf, with US$15.3 million paid by Invenergy into an escrow account pending the result of the appeal. At the end of June, the company announced a cash return to shareholders worth £19.5 million. In July, the Fund received £5.8 million for its redeemed shares and £0.8 million as loan note repayment.

Following the redemption, Leaf has £3.1 million (equivalent to 6p a share) in uncommitted cash resources to fund its legal and corporate costs. Leaf's market capitalisation is approximately £10 million, reflecting the value of the US$15.3 million (equivalent to 22p a share) held in escrow. Leaf continues to hold that it is entitled to damages from Invenergy's proven contractual breaches. Damages and interest would represent an additional payment of US$85.8 million (equivalent to 123p a share).

The Fund remains committed to seeing through the appeals process and is strongly supportive of Leaf's board.

GI Dynamics Inc

GI Dynamics is the developer of the 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. It offers similar effects to the surgical gastric bypass, without the risks of a major surgical procedure. The Fund's previous annual reports contain the background to the company and the Fund's investment.

The last twelve months were a challenging period for GI Dynamics. In October 2017, the company was audited by SGS SA ("SGS") to assess its compliance with CE Mark requirements and quality management. Despite the favourable result of those inspections, SGS decided to withdraw the CE Mark certification. The decision was based on a negative scientific assessment of the EndoBarrier's patient risks and benefits. It was an unexpected conclusion: since SGS had certified CE Mark compliance in 2010, over 3,700 patients have been treated around the world, and this patient population has contributed to a strong body of evidence of EndoBarrier's effectiveness and safety. 17 published EndoBarrier studies were reviewed in a May 2018 article in the highly-rated Diabetes Care Journal. This meta-analysis piece reached favourable conclusions in relation to the therapy's safety and efficacy. The Association of British Clinical Diabetologists presented data from its global patient registry in July, showing the same conclusions.

Unfortunately, SGS's CE Mark investigation absorbed the company's limited resources for the first half of the period. Following this disappointing outcome, GI Dynamics undertook a thorough cost-reduction exercise. It focused exclusively on its engagement with the US Food and Drugs Administration ("FDA") and in August 2018 it obtained permission for a new US clinical trial. This is expected to cost $28 million and to launch by the end of the year.

Throughout the period, the Fund remained supportive of the company. In June 2017, when the CE Mark certification was under review, the Fund purchased a US$5 million convertible loan note. In January 2018, with the company solely focused on its FDA discussions, the Fund participated in a US$1.6 million fundraising. In May, the Fund purchased an additional US$1.75 million convertible loan note with warrants attached.

Scientific research continues to support the view that EndoBarrier is an effective and safe treatment for an unmet clinical need. The Fund continues to work closely with GI Dynamics to fully capitalise on that opportunity.

Investment Manager's Report (continued)

Investee companies (continued)

Cenkos

Cenkos is a corporate broker, a financial sponsor and a nominated adviser that focuses on raising equity capital for UK companies and investment funds. Since its founding in 2004 the company has raised over £15bn for clients, and it has a proven ability to handle large transactions, with its most significant deal to date amounting to £1.4bn.

Cenkos has an entrepreneurial culture and an ability to "punch above its weight" in securing deals such as the IPOs of AA plc, BCA Marketplace and Eddie Stobart Logistics. It also has a long track record of returning excess cash to shareholders via dividends and share buybacks. However, it has struggled to grow corporate client numbers and therefore recurring revenues and earnings, given competition from larger players such as Numis.

CEO Anthony Hotson was appointed in August 2017, having served as a non-executive director since May 2012. Philip Anderson was appointed as Finance Director and Head of Compliance in September 2017. Together they have a mandate to grow the base of recurring revenues by pursuing key hires and building a more consistent corporate culture.

The Fund has been a shareholder in Cenkos since late 2010 and increased its holding significantly during January 2018 at a share price which we believe ascribes little probability to the company being able to secure any further exceptionally large deals. Given the pressing need to deal with forthcoming retirement/succession issues relating to a number of Cenkos's founders and the evident strategic interest in this sector (2017 takeover of Panmure Gordon and 2016 Kuwaiti investment in WH Ireland), we have now proposed to the board that it undertakes a strategic review of the company.

Realisations

Over the year, net realised gains, including gains realised on put options purchased for portfolio insurance purposes, amounted to £26.6 million.

The Fund's total realised gains since inception now amount to £99.4 million.

Outlook

The Fund remains cautious on the outlook for markets. Trade tensions have increased and for British investors these are compounded by increased Brexit uncertainties. In the coming year, the Fund may opportunistically increase its cash balances and will continue to focus on activist opportunities that can generate attractive returns regardless of broader market conditions.

Crystal Amber Asset Management (Guernsey) Limited

6 September 2018

Investment 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 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 business. 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 the sale of certain businesses or assets 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 (including money market instruments) which are considered to be reasonably liquid in order to ensure that its funds are appropriately deployed. The Company may, in certain circumstances, acquire stakes in target companies from investors in exchange for shares in the Company.

Where it considers it to be appropriate the 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.

Investment 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 Companies 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 unrealised gains and losses at that time. This will be achieved through investment in a concentrated portfolio of companies that are considered to be undervalued and 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 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 11 July 2017, the Company declared an interim dividend of £2,456,619, equating to 2.5 pence per Ordinary share, which was paid on 18 August 2017 to shareholders on the register on 21 July 2017.

On 12 December 2017, the Company declared an interim dividend of £2,445,619, equating to 2.5 pence per Ordinary share, which was paid on 18 January 2018 to shareholders on the register on 22 December 2017.

Subsequent to the year end, on 6 July 2018, the Company declared an interim dividend of £2,433,145, equating to 2.5 pence per Ordinary share, which was paid on 17 August 2018 to shareholders on the register on 20 July 2018.

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 Company is subject to a continuation vote scheduled to occur every two years. The next continuation vote will be proposed at the 2019 AGM.

Report of the Directors (continued)

Long term viability

As further disclosed on page 22, the Company is a member of the AIC and complies with the AIC Code. In accordance with the AIC Code and assuming that the resolution for the Company to continue in 2019 is passed, the Directors have made a robust assessment of the prospects of the Company over the three year period ending 30 June 2021. 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 implemented 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 stating 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 a target company's securities on the basis of its intentions and knowledge of its strategy.

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 its 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.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

Regulatory compliance risk (continued)

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.

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 feels 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.

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.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

Shareholder concentration risk

A total of 6 investors with holdings of 3 per cent or more each of the shares of the Company hold a combined 79.95 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 clearly understand insider trading rules and adhere to all relevant procedures.

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.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

Implementation risk (continued)

Further detail on the Company's risk factors is set out in the Company's admission document, 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 2.00 per cent (2017: 1.94 per cent) for the year ended 30 June 2018. 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 66. Biographies of the Directors holding office as at 30 June 2018 and at the date of signing these Financial Statements are shown on pages 29 to 30.

Directors' interests

The interests of the Directors in the share capital of the Company at the year end are disclosed in Note 16 on page 59.

Directors' remuneration

The remuneration of the Directors during the year is disclosed in Note 16 on page 59.

Substantial interests

As at 23 August 2018, the Company had 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	29.05%
Woodford Investment Management	16,564,788	17.00%
Wirral BC	12,938,214	13.28%
Baring Asset Management	10,969,839	11.26%
Aviva Investors	5,640,344	5.79%
Crystal Amber Asset Management (Guernsey)	3,475,010	3.57%
Total	77,893,705	79.95%

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards, as issued by the IASB, and applicable law.

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

Report of the Directors (continued)

Statement of Directors' responsibilities (continued)

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for 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, and 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 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. 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 2018. 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.

Report of the Directors (continued)

Corporate governance (continued)

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.

The Board comprises four Non-Executive Directors (2017: five), 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. Fred Hervouet was appointed to the Board on 6 December 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 Christopher Waldron, with effect from 23 November 2017, following the retirement of William Collins after nine years as a Director and Chairman of the Company. 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 Waldron 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 questionnaires, peer appraisal, and discussions to determine effectiveness and performance in various areas as well as the Directors' continued independence.

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. In accordance with the Company's Articles, Fred Hervouet will be retiring and offering himself for election at the forthcoming AGM having been appointed as a Director of the Company on 6 December 2017. Currently, Mr. Ward is the only Director who has served for more than 9 years. It is intended that Mr. Ward will step down, as originally intended, in 2019 when a suitable replacement has been identified.

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 one Director was appointed, and the Company commenced operations, over nine years ago, the nine year tenure point has been reached. Any Directors intending to continue after their nine year anniversary will put themselves forward for re-election then and annually thereafter 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 Estera International Fund Managers (Guernsey) Limited (formerly 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.

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.

Report of the Directors (continued)

Corporate governance (continued)

Board responsibilities (continued)

The Board, through the Remuneration and Management Engagement Committee, 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. The Chairman of the Audit Committee with effect from 4 January 2018 is Jane Le Maitre, following the retirement of Sarah Evans who had served on the Board of the Company since its launch in 2008. 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 2018. 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 2017;
- review of the Interim Report and Unaudited Interim Condensed Financial Statements for the six months ended 31 December 2017;
- review of the audit plan and timetable for the preparation of the Annual Report and Audited Financial Statements for the year ended 30 June 2018;
- 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; and
- detailed review of the 2018 Annual Report in relation to the AIC Code including the period of assessment and long term viability of the Company.

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

Valuation of Investments

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. This is significant as the Company's investments and derivatives amount to 104.6 per cent of the NAV. The Committee has satisfied itself that the sources used for pricing the Company's investments are appropriate and reliable.

Report of the Directors (continued)

Corporate governance (continued)

Valuation of Investments (continued)

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. 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 initially 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 external audit was also put out to tender in 2017. Following a robust competitive tender process, the Committee concluded that the interests of the Company and its shareholders would be best served by retaining the services of KPMG to provide a consistent audit approach.

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's 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.

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 a 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.

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. As detailed on pages 59 to 60, during the year the Board conducted a review of the Directors' fees and concluded that the fees should be increased with effect from 1 September 2017.

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.

Report of the Directors (continued)

Corporate governance (continued)

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*		*Remuneration and Management Engagement Committee*	
	Scheduled	*Attended*	*Scheduled*	*Attended*	*Scheduled*	*Attended*
William Collins[(1)]	1	1	1	1	1	1
Sarah Evans[(2)]	2	2	1	1	1	1
Nigel Ward	4	4	2	2	1	1
Christopher Waldron	4	4	2	2	1	1
Jane Le Maitre	4	4	2	2	1	1
Fred Hervouet[(3)]	3	3	1	1	–	–

[(1)] Resigned 23 November 2017
[(2)] Resigned 4 January 2018
[(3)] Appointed as Director of the Company on 6 December 2017, at which point 1 Board meeting, 1 Audit Committee meeting and 1 Remuneration and Management Engagement Committee meeting had already taken place

In addition to the above, there were two additional Board committee meetings during the year. One Board committee meeting has been held since the year end.

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.

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.

Report of the Directors (continued)

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 2018. 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

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 2018 at Lefebvre Place, Lefebvre Street, St. Peter Port, Guernsey.

On behalf of the Board

Christopher Waldron
Chairman
6 September 2018

Jane Le Maitre
Director
6 September 2018

Directors

**Christopher Waldron, Guernsey Resident, (appointed 1 July 2014)
Non-Executive Chairman (with effect from 23 November 2017)**

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.

**Nigel Ward, 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.

*Please refer to page 23 for clarification regarding tenure.

**Jane Le Maitre, 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 qualified with Coopers & Lybrand in the UK and joined KPMG (Channel Islands) in 1989. She 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 becoming Managing Director of Intertrust Reads Private Clients Limited for a period of 6 years. She continues to hold a number of executive positions in unlisted property and investment holding entities.

Directors (continued)

Fred Hervouet, Guernsey Resident, Non-Executive Director (appointed 6 December 2017)

Fred Hervouet has 20 years' experience of working in different areas of the Financial Markets and Asset Management Industry. His experience includes Fixed Income and Derivatives Markets, Structured Finance/Project Finance, Structured Products, and Commodity Markets, Hedge Funds, Trading and Risk Management. Prior to moving to Guernsey in December 2013, he was Managing Director and Head of Commodity Derivatives Asia for BNP Paribas including Trading, Structuring and Sales. He holds a number of non-executive director positions including Funding Circle SME Income Fund Limited, and Chenavari Toro Income Fund Limited, where he is chairman. He holds a Master Degree in Financial Markets, Commodity Markets and Risk Management from University Paris Dauphine and an MSc in Applied Mathematics and International Finance. He is a member of the UK Institute of Directors, of the UK Association of Investment Companies, of the Guernsey Chamber of Commerce and of the Guernsey Investment Fund Association.

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

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

Christopher Waldron
JZ Capital Partners Limited
UK Mortgages Limited

Fred Hervouet
Chenavari Toro Income Fund Limited
Funding Circle SME Income Fund 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 2018, 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 2018, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards ("IFRS"); 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 matter, was 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 designated at fair value through profit or loss and derivatives held for trading £249,009,853; (2017: £202,370,814) Refer to pages 25 to 26 of the Report of the Directors and note 1 for the Significant Accounting Policies and notes 9 and 14 for the Disclosures	**Basis:** The Company has invested 105% of its net assets as at 30 June 2018 into equity investments, debt investments and derivative financial instruments (together, the "investments") The Company's listed or quoted equities are valued based on market prices obtained from a third party pricing provider while the Company's unlisted derivative financial instruments are valued using a Black Scholes option valuation technique. The Company's unlisted debt investments are valued by reference to the market price of the issuer's equity had the debt investments been converted to equity and valued at the closing bid price on the reporting date. **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. Of the Company's investments, the holdings in listed or quoted investments and derivatives represent 96%, and those which are subject to estimation risk because they are unlisted represent 4%.	Our audit procedures included, but were not limited to: **Internal controls:** Testing the design and implementation of controls over the valuation of investments **Use of KPMG specialists:** Our valuation specialist independently priced the listed equity investments to a third party pricing source. For derivative financial instruments, our valuation specialist derived valuations using a Black Scholes Option model to evaluate against the valuations used by the Company. For unlisted debt investments, our valuation specialist derived independent valuations using discounted cash flow models to evaluate against the valuations 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.

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

Our application of materiality and an overview of the scope audit

Materiality for the financial statements as a whole was set at £7,142,000, determined with reference to a benchmark of the Company's Net Assets of £238,077,484, of which it represents approximately 3% (2017: 3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £357,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

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.

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 21 to 22, 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.

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

Respective responsibilities (continued)

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

6 September 2018

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018

	Notes	2018 Revenue £	2018 Capital £	2018 Total £	2017 Revenue £	2017 Capital £	2017 Total £
Income							
Dividend income from listed investments		3,064,520	–	**3,064,520**	2,708,065	–	**2,708,065**
Interest income from listed debt instruments		184,727	–	**184,727**	–	–	**–**
Arrangement fee received from debt instruments		46,531	–	**46,531**	–	–	**–**
Interest received		5,941	–	**5,941**	253	–	**253**
		3,301,719	–	**3,301,719**	2,708,318	–	**2,708,318**
Net gains on financial assets designated at FVTPL and derivatives held for trading							
Equities							
Net realised gains	9	–	20,374,879	**20,374,879**	–	29,991,758	**29,991,758**
Movement in unrealised gains	9	–	27,608,248	**27,608,248**	–	35,560,845	**35,560,845**
Debt instruments							
Net realised gains	9	–	917,152	**917,152**	–	–	**–**
Movement in unrealised (losses)/gains	9	–	(86,784)	**(86,784)**	–	290,017	**290,017**
Derivative financial instruments							
Net realised gains/(losses)	9	–	5,402,504	**5,402,504**	–	(10,675,030)	**(10,675,030)**
Movement in unrealised gains	9	–	4,042,406	**4,042,406**	–	4,095,788	**4,095,788**
		–	58,258,405	**58,258,405**	–	59,263,378	**59,263,378**
Total income		3,301,719	58,258,405	**61,560,124**	2,708,318	59,263,378	**61,971,696**
Expenses							
Transaction costs	4	–	555,047	**555,047**	–	597,327	**597,327**
Exchange movements on revaluation of investments and working capital		96,087	547,884	**643,971**	–	245,911	**245,911**
Management fees	15,17	3,249,247	–	**3,249,247**	3,232,888	–	**3,232,888**
Performance fees	15,17	–	12,095,146	**12,095,146**	–	2,354,752	**2,354,752**
Directors' remuneration	16	155,157	–	**155,157**	121,130	–	**121,130**
Administration fees	17	234,486	–	**234,486**	251,064	–	**251,064**
Custodian fees	17	98,666	–	**98,666**	107,604	–	**107,604**
Audit fees		23,270	–	**23,270**	22,683	–	**22,683**
Other expenses		310,819	–	**310,819**	366,792	–	**366,792**
		4,167,732	13,198,077	**17,365,809**	4,102,161	3,197,990	**7,300,151**
Return for the year		(866,013)	45,060,328	**44,194,315**	(1,393,843)	56,065,388	**54,671,545**
Basic and diluted (loss)/earnings per share (pence)	5	(0.88)	46.04	**45.15**	(1.42)	56.99	**55.57**

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 62 form an integral part of these Financial Statements.

Statement of Financial Position
As at 30 June 2018

	Notes	*2018* £	*2017* £
Assets			
Cash and cash equivalents	7	1,168,729	7,957,943
Trade and other receivables	8	57,873	48,468
Financial assets designated at FVTPL and derivatives held for trading	9	249,009,853	202,370,814
Total assets		250,236,455	210,377,225
Liabilities			
Trade and other payables	10	12,158,971	9,353,420
Total liabilities		12,158,971	9,353,420
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	11	991,248	989,998
Treasury shares reserve	12	(3,212,448)	(972,800)
Distributable reserve		100,156,159	105,058,397
Retained earnings		140,142,525	95,948,210
Total equity		238,077,484	201,023,805
Total liabilities and equity		250,236,455	210,377,225
NAV per share (pence)	6	**244.62**	**204.37**

The Financial Statements were approved by the Board of Directors and authorised for issue on 6 September 2018.

Christopher Waldron
Chairman

6 September 2018

Jane Le Maitre
Director

6 September 2018

The Notes to the Financial Statements on pages 39 to 62 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	*Share capital* £	*Treasury shares reserve* £	*Distributable reserve* £	*Retained earnings Capital* £	*Retained earnings Revenue* £	*Retained earnings Total* £	*Total equity* £
Opening balance at 1 July 2017		989,998	(972,800)	105,058,397	98,217,020	(2,268,810)	95,948,210	201,023,805
Issue of Ordinary shares		1,250	–	–	–	–	–	1,250
Purchase of Ordinary shares into Treasury	12	–	(2,239,648)	–	–	–	–	(2,239,648)
Dividends paid in the year	13	–	–	(4,902,238)	–	–	–	(4,902,238)
Return for the year		–	–	–	45,060,328	(866,013)	44,194,315	44,194,315
Balance at 30 June 2018		991,248	(3,212,448)	100,156,159	143,277,348	(3,134,823)	140,142,525	238,077,484

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

The Notes to the Financial Statements on pages 39 to 62 form an integral part of these Financial Statements.

Statement of Cash Flows
For the year ended 30 June 2018

	Notes	*2018* £	*2017* £
Cash flows from operating activities			
Dividend income received from listed investments		3,063,793	3,121,215
Bank interest received		3,615	2,286
Interest income from listed debt instruments		184,727	–
Arrangement fee received from debt instruments		46,531	–
Management fees paid		(3,249,247)	(3,232,888)
Performance fees paid		(3,485,158)	–
Directors' fees paid		(151,912)	(117,500)
Other expenses paid		(662,788)	(678,869)
Net cash outflow from operating activities		(4,250,439)	(905,756)
Cash flows from investing activities			
Purchase of equity investments		(69,638,065)	(82,415,871)
Sale of equity investments		73,610,743	109,680,734
Purchase of debt instruments		(7,440,542)	(3,945,084)
Sale of debt investments		6,755,428	–
Purchase of derivative financial instruments		(18,079,220)	(10,098,112)
Sale of derivative financial instruments		19,953,704	86,082
Transaction charges on purchase and sale of investments		(560,187)	(589,628)
Net cash inflow from investing activities		4,601,861	12,718,121
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		1,250	–
Purchase of Ordinary shares into Treasury		(2,239,648)	(252,322)
Dividends paid		(4,902,238)	(4,919,489)
Net cash outflow from financing activities		(7,140,636)	(5,171,811)
Net (decrease)/increase in cash and cash equivalents during the year		(6,789,214)	6,640,554
Cash and cash equivalents at beginning of year		7,957,943	1,317,389
Cash and cash equivalents at end of year	7	1,168,729	7,957,943

The Notes to the Financial Statements on pages 39 to 62 form an integral part of these Financial Statements.

Notes to the Financial Statements
For the year ended 30 June 2018

General information

Crystal Amber Fund Limited (the "Company") was incorporated and registered in Guernsey on 22 June 2007 and is governed in accordance with 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 63 to 65 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 2018 (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 Company is subject to a continuation vote scheduled to occur every two years. The next continuation vote will be proposed at the 2019 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 is 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 and uses certain assumptions related to risk-free interest rates, expected volatility, expected life and future dividends as disclosed below. The unquoted equity and debt securities have been valued based on unobservable inputs (see Note 14).

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 2018 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets designated at FVTPL

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.

Loan notes are classified as debt instruments and are recognised initially at cost incurred in their acquisition. Subsequent to initial recognition, loan notes are valued at fair value.

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.

In the absence of an active market, the Company determines fair value of its unquoted investments by taking into account the International Private Equity and Venture Capital ("IPEV") guidelines. The holding in Board Intelligence was valued at the cost of investment as it was acquired only 3 months prior to year-end.

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 2018 (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.

Notes to the Financial Statements
For the year ended 30 June 2018 (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 2017, had a material impact on the Company's Financial Statements.

At the date of authorisation of these Financial Statements, the following standards and interpretations, which have not been applied in these Financial Statements, had been issued but were 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 2018 (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
IAS 12	Income Taxes – Amendments resulting from Annual Improvements 2015–2017 cycle	1 January 2019
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
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

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 (2017: £1,200).

4. TRANSACTION COSTS

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

	2018 £	*2017* £
Stamp duty	234,290	262,933
Commissions and custodian transaction charges:		
In respect of purchases	208,436	245,825
In respect of sales	112,321	88,569
	555,047	597,327

5. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is based on the following data:

	2018	*2017*
Return for the year	£44,194,315	£54,671,545
Weighted average number of issued Ordinary shares	97,875,863	98,380,022
Basic and diluted earnings per share (pence)	45.15	55.57

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

6. NAV PER SHARE

NAV per share is based on the following data:

	2018	*2017*
NAV per Statement of Financial Position	£238,077,484	£201,023,805
Total number of issued Ordinary shares (excluding Treasury shares) at 30 June	97,325,780	98,364,762
NAV per share (pence)	244.62	204.37

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:

	2018 £	*2017* £
Cash available on demand	1,168,729	7,957,943
	1,168,729	7,957,943

8. TRADE AND OTHER RECEIVABLES

	2018 £	*2017* £
Current assets:		
Trade receivables	26,091	23,038
Prepayments	31,782	25,430
	57,873	48,468

There are no past due or impaired receivable balances outstanding at the year end (2017: £Nil).

Notes to the Financial Statements
For the year ended 30 June 2018 (continued)

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

	2018	*2017*
	£	£
Equity investments	229,682,729	186,431,885
Debt instruments	5,320,186	9,502,417
Financial assets designated at FVTPL	**235,002,915**	**195,934,302**
Derivative financial instruments held for trading	**14,006,938**	**6,436,512**
Total financial assets designated at FVTPL and derivatives held for trading	**249,009,853**	**202,370,814**
Equity investments		
Cost brought forward	156,798,987	153,875,142
Purchases	69,198,617	82,612,821
Sales	(73,610,743)	(109,680,734)
Net realised gains	20,374,879	29,991,758
Cost carried forward	172,761,740	156,798,987
Unrealised gains/(losses) brought forward	29,708,411	(5,852,434)
Movement in unrealised gains	27,608,248	35,560,845
Unrealised gains carried forward	57,316,659	29,708,411
Effect of exchange rate movements on revaluation	(395,670)	(75,513)
Fair value of equity investments	**229,682,729**	**186,431,885**
Debt instruments		
Cost brought forward	9,318,984	–
Purchases	2,066,642	9,318,984
Sales	(6,755,428)	–
Net realised gains	917,152	–
Cost carried forward	5,547,350	9,318,984
Unrealised gains brought forward	290,017	–
Movement in unrealised (losses)/gains	(86,784)	290,017
Unrealised gains carried forward	203,233	290,017
Effect of exchange rate movements on revaluation	(430,397)	(106,584)
Fair value of debt instruments	**5,320,186**	**9,502,417**
Total financial assets designated at FVTPL	**235,002,915**	**202,370,814**
Derivative financial instruments held for trading		
Cost brought forward	360,001	1,023,001
Purchases	18,079,220	10,098,112
Sales	(19,953,704)	(86,082)
Net realised gains/(losses)	5,402,504	(10,675,030)
Cost carried forward	3,888,021	360,001
Unrealised gains brought forward	6,076,511	1,980,723
Movement in unrealised gains	4,042,406	4,095,788
Unrealised gains carried forward	10,118,917	6,076,511
Fair value of derivatives held for trading	**14,006,938**	**6,436,512**
Total derivative financial instruments held for trading	**14,006,938**	**6,436,512**
Total financial assets designated at FVTPL and derivatives held for trading	**249,009,853**	**202,370,814**

Notes to the Financial Statements

For the year ended 30 June 2018 (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:

	2018 £	*2017* £
Realised gains	36,636,873	31,290,256
Realised losses	(9,942,338)	(11,973,528)
Net realised gains in financial assets designated at FVTPL and derivatives held for trading	26,694,535	19,316,728
Movement in unrealised gains	37,869,919	32,274,263
Movement in unrealised losses	(6,306,049)	7,672,387
Net movement in unrealised gains in financial assets designated at FVTPL and derivatives held for trading	31,563,870	39,946,650

On 15 June 2017, the Company purchased US$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.

On 20 September 2017, the Company entered into a US$5 million loan facility with Leaf Clean Energy Company which drew US$1 million of loan notes. The Company received an arrangement fee of US$62,500, which was deducted from the advance of US$1 million to Leaf Clean Energy Company. Leaf Clean Energy Company repaid the loan notes on 25 June 2018, including accrued interest of US$91,726. Interest on these loan notes was accrued at a rate equal to 12 per cent per annum, compounded annually.

On 30 May 2018, the Company purchased US$1.75 million of convertible loan notes from GI Dynamics. Interest on these loans is accrued at a rate equal to 10 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 had a coupon rate of 7.5 per cent per annum and had a maturity date of 24 July 2022. The Company sold the quoted convertible bonds during the year.

At the reporting date the Company's derivative financial instruments consisted of two (2017: one) FTSE 100 Index Put Option positions, purchased as protection against a significant market sell-off and three warrant instruments in FairFX, GI Dynamics and Hurricane (2017: two) for the purchase of ordinary shares.

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

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

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

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

30 June 2018	*Nominal amount*	*Value* £
Derivative financial instruments		
Puts on FTSE100 Index 7200 (expiry: July 2018)	2,000	180,000
Puts on FTSE100 Index 7400 (expiry: July 2018)	4,000	900,000
FairFX warrant instrument	6,000,000	5,259,942
Hurricane warrant instrument	23,333,333	6,511,213
GI Dynamics warrant instrument	97,222,200	1,155,783
	126,561,533	14,006,938

30 June 2017	*Nominal amount*	*Value* £
Derivative financial instruments		
Puts on FTSE100 Index 7100 (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

10. TRADE AND OTHER PAYABLES

	2018 £	*2017* £
Current liabilities:		
Accruals	213,188	199,137
Unsettled trade purchases	981,043	6,799,531
Performance fee accrual	10,964,740	2,354,752
	12,158,971	9,353,420

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

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

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:

	2018		*2017*	
	Number	*£*	*Number*	*£*
Opening balance	98,999,762	989,998	98,999,762	989,998
Ordinary shares issued during the year	125,000	1,250	–	–
Issued, called up and fully paid Ordinary shares of £0.01 each	99,124,762	991,248	98,999,762	989,998

During the year, the Company issued 125,000 Ordinary shares of £0.01 divided equally amongst five charitable organisations, the nominal value of which has been paid by Richard Bernstein, who is a shareholder of the Company, a director and shareholder of the Investment Manager and a member of the Investment Adviser.

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 the distributable reserve shown in the Company's Statement of Financial Position at the year end.

The Company may carry the returns of the Company to the 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 2018, the Company paid dividends of £4,902,238 (2017: £4,919,489) from distributable reserves, as disclosed in Note 13.

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 2018 (continued)

12. TREASURY SHARES RESERVE

	2018		2017	
	Number	*£*	*Number*	*£*
Opening balance	(635,000)	(972,800)	(475,000)	(720,478)
Treasury shares purchased during the year	(1,163,982)	(2,239,648)	(160,000)	(252,322)
Closing balance	(1,798,982)	(3,212,448)	(635,000)	(972,800)

During the year ended 30 June 2018, 1,163,982 (2017: 160,000) Treasury shares were purchased at an average price of 192.41 pence per share (2017: 157.70 pence per share), representing an average discount to NAV at the time of purchase of 3.7 per cent (2017: 4.5 per cent).

13. DIVIDENDS

On 11 July 2017, the Company declared an interim dividend of £2,456,619, equating to 2.5 pence per Ordinary share, which was paid on 18 August 2017 to shareholders on the register on 21 July 2017.

On 12 December 2017, the Company declared an interim dividend of £2,445,619, equating to 2.5 pence per Ordinary share, which was paid on 18 January 2018 to shareholders on the register on 22 December 2017.

Subsequent to the year end, on 6 July 2018, the Company declared an interim dividend of £2,433,145, equating to 2.5 pence per Ordinary share, which was paid on 17 August 2018 to shareholders on the register on 20 July 2018.

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial risk management objectives

The Investment Manager, Crystal Amber Asset Management (Guernsey) Limited and the Administrator, Estera International Fund Managers (Guernsey) Limited (formerly 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 2018 (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 2018 the major financial assets which were exposed to credit risk included financial assets designated at FVTPL, 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 2018. 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 credit rating for each counterparty at that date.

	Location	*Rating*	*Cash Balance 2018 £*	*Cash Balance 2017 £*
ABN AMRO (Guernsey) Limited	Guernsey	A	965,789	7,895,397
Barclays Bank plc – Isle of Man Branch	Isle of Man	A	202,940	62,546
			1,168,729	7,957,943

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 acceptable as these assets consist mainly of quoted equities or are linked to quoted equities. The Company is also exposed to credit risk on 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 2018 £230,648,518 (2017: £199,983,312) 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 (2017: A). The remaining balance of £19,587,937 (2017: £10,393,913) includes £12,926,938 (2017: £6,146,512) warrant instruments, £5,320,186 (2017: £3,846,387) loan notes held directly with GI Dynamics Inc, £1,080,000 (2017: £290,000) put derivative options held with the option broker, £202,940 (2017: £62,546) cash held with Barclays Bank plc and the remaining £57,873 (2017: £48,468) held as trade receivables.

Notes to the Financial Statements
For the year ended 30 June 2018 (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:

2018	*Weighted average interest rate*	*Less than 1 year £*	*1-5 years £*	*5+ years £*	*Total £*
Assets					
Non-interest bearing		243,950,480	–	–	243,950,480
Variable interest rate instruments	0.19%	965,789	–	–	965,789
Fixed interest rate instruments	5.00%	3,983,468	–	–	3,983,468
Fixed interest rate instruments	10.00%	–	1,336,718	–	1,336,718
Liabilities					
Non-interest bearing		(12,158,971)	–	–	(12,158,971)
		236,740,766	1,336,718	–	238,077,484

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

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 2018 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been based on the exposure to interest rates for financial assets held at the Statement of Financial Position date. An increase/decrease of 0.15 percentage points (2017: 0.01 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 increasing from 0.01 per cent to 0.19 per cent for the year ended 30 June 2018. If interest rates had been 0.15 percentage points (2017: 0.01 percentage points) higher/lower and all other variables were held constant:

- the Company's return for the year ended 30 June 2018 would have increased by £10,577 (2017: £659);
- the Company's return for the year ended 30 June 2018 would have decreased by £1,305 (2017: £Nil);
- 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 2018 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 2018, £1,080,000 (2017: £290,000) of these contracts were outstanding.

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

2018 Derivative financial instruments *Options*	*Nominal Amount*	*Value* *£*
Puts on FTSE100 Index 7200 (expiry: July 2018)	2,000	180,000
Puts on FTSE100 Index 7400 (expiry: July 2018)	4,000	900,000
	6,000	1,080,000

Warrant instruments	*No. of warrants*	*Value* *£*
FairFX plc (Expiry: May 2019)	6,000,000	5,259,942
Hurricane Energy plc (Expiry: March 2019)	23,333,333	6,511,213
GI Dynamics Inc. (Expiry: May 2023)	97,222,200	1,155,783
	126,555,533	12,926,938

Notes to the Financial Statements
For the year ended 30 June 2018 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Price risk (continued)

2017 Derivative financial instruments *Options*	*Nominal Amount*	*Value* *£*
Puts on FTSE100 Index 7100 (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

As at 30 June 2018, the following tables detail the Company's equity investments.

2018 *Equity Investments*	*Sector*	*Value* *£*	*Percentage of Company's Gross Assets*
Hurricane Energy plc	Oil and Gas	60,425,938	24
Northgate plc	Transportation Services	34,323,506	14
FairFX Group plc	Financial Services	33,925,629	14
STV Group plc	Media	31,211,184	12
De La Rue plc	Consumer	18,321,963	7
Woodford PCT plc	Financial Services	15,477,592	6
Leaf Clean Energy Company	Financial Services	8,639,177	3
Other	Various	27,357,740	11
Total		229,682,729	91

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

Notes to the Financial Statements
For the year ended 30 June 2018 (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.

2018 *Equity Investments*	*Place of Business*	*Place of Incorporation*	*Percentage Ownership Interest*
GI Dynamics Inc	United States	United States	48.3
Leaf Clean Energy Company	United States	Cayman Islands	29.9

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

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 (2017: 25 per cent higher), the Company's return and net assets for the year ended 30 June 2018 would have increased by £55,414,153 (2017: £47,731,979);
- If market prices of listed equity, debt and derivative financial instruments had been 25 per cent lower (2017: 25 per cent lower), the Company's return and net assets for the year ended 30 June 2018 would have increased by £38,745,847 (2017: decreased by £32,161,979), reflecting the effect of the derivative financial instruments held at the reporting date.
- If market prices of unlisted equity had been 5 per cent higher or lower, the Company's return and net assets for the year ended 30 June 2018 would have increased by £185,306 or decreased by £185,306 respectively.
- 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 and derivative financial instruments held in Australian Dollars and US Dollars (2017: Australian Dollars, Euro and US Dollars).

Notes to the Financial Statements
For the year ended 30 June 2018 (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 2018:

	2018 £	2017 £
Financial assets designated at FVTPL:		
Listed equity investments denominated in Australian Dollars	4,176,092	9,250,855
Listed equity investments denominated in Euro	–	189,383
Listed equity investments denominated in US Dollars	–	3,039,519
Debt instruments denominated in US Dollars	5,320,186	9,502,417
Warrant instruments denominated in US Dollars	1,155,782	–
Total assets	10,652,060	21,982,174

If the Australian Dollar weakened/strengthened by 10 per cent (2017: 10 per cent) against Sterling with all other variables held constant, the fair value of equity investments would increase/decrease by £417,609 (2017: £925,086).

If the US Dollar weakened/strengthened by 10 per cent (2017: 10 per cent) against Sterling with all other variables held constant, the fair value of equity investments would increase/decrease by £Nil (2017: £303,952), the fair value of debt instruments would increase/decrease by £532,019 (2017: £950,242) and the fair value of the derivative financial instruments would increase/decrease by £115,578 (2017: £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 2018 (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 2018 and 30 June 2017:

	Level 1	*Level 2*	*Level 3*	*Total*
2018	*£*	*£*	*£*	*£*
Financial assets designated at FVTPL and derivatives held for trading:				
Equities – listed equity investments	225,976,612	–	–	225,976,612
Equities – unlisted equity investments	–	–	3,706,117	3,706,117
Debt – loan notes	–	–	5,320,186	5,320,186
Derivatives – listed derivative instruments	1,080,000	–	–	1,080,000
Derivatives – warrant instruments	–	12,926,938	–	12,926,938
	227,056,612	12,926,938	9,026,303	249,009,853

	Level 1	*Level 2*	*Level 3*	*Total*
2017	*£*	*£*	*£*	*£*
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

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 instruments were valued using a Black Scholes valuation technique.

Notes to the Financial Statements
For the year ended 30 June 2018 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Fair value measurements (continued)

The Level 3 equity investment in Board Intelligence was valued by reference to the price of the recent investment, in line with the IPEV Capital Valuation Guidelines. The Board has concluded that fair value of Board Intelligence is approximate to the price of the recent investment as there have been no material changes to the equity investment during the three month period since the Fund's initial investment in Board Intelligence. 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 the share market price had the loan notes been converted to equity and valued at the closing bid price on the reporting date.

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:

	2018 £	*2017* £
Opening balance at 1 July	3,846,387	4,680,103
Purchases	5,772,759	3,945,084
Movement in unrealised gain	83,324	912,103
Sales	(744,491)	(5,607,825)
Net realised gain	115,666	23,506
Effect of exchange rate movements	(47,342)	(106,584)
Closing balance at 30 June	9,026,303	3,846,387

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.

There have been no transfers between levels during the year ended 30 June 2018.

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 (2017: 5 per cent higher/lower), the Company's return and net assets for the year ended 30 June 2018 would have increased/decreased by £451,315 (2017: £192,319); and
- There would have been no impact on the other equity reserves.

Notes to the Financial Statements
For the year ended 30 June 2018 (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 (2017: 10,000) Ordinary shares in the Company, representing 0.01 per cent (2017: 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 £3,249,247 (2017: £3,232,888) none of which were outstanding at the year end. The Company also incurred performance fees of £12,095,146 (2017: £2,354,752) of which £10,964,740 were outstanding and are included in trade and other payables as at 30 June 2018 (2017: £2,354,752).

As at 30 June 2018 the Investment Manager held 3,530,930 Ordinary shares (2017: 4,015,606) of the Company, representing 3.63 per cent (2017: 4.08 per cent) of the voting share capital.

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:

	2018		*2017*	
	Number of Ordinary shares	*Total voting rights*	*Number of Ordinary shares*	*Total voting rights*
William Collins[(1)]	N/a	N/a	25,000	0.03%
Sarah Evans[(2)]	N/a	N/a	25,000	0.03%
Christopher Waldron[(3)]	10,000	0.01%	N/a	N/a
Total	10,000	0.01%	50,000	0.06%

(1) Resigned 23 November 2017

(2) Resigned 4 January 2018

(3) Chairman of the Company with effect from 23 November 2017

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

	2018	*2017*
	£	*£*
William Collins[(1)]	16,753	35,000
Sarah Evans[(2)]	17,808	30,000
Nigel Ward	33,750	27,500
Christopher Waldron[(3)]	36,741	25,000
Jane Le Maitre[(4)]	32,985	3,630
Fred Hervouet[(5)]	17,120	–
Total	155,157	121,130

(1) Resigned 23 November 2017

(2) Resigned 4 January 2018

(3) Chairman of the Company with effect from 23 November 2017

(4) Chairman of Audit Committee with effect from 4 January 2018

(5) Appointed 6 December 2017

Notes to the Financial Statements
For the year ended 30 June 2018 (continued)

16. DIRECTORS' INTERESTS AND REMUNERATION (continued)

The level of remuneration of the Directors reflects the time commitment and responsibilities of their roles. Following a review of the Directors' remuneration for similar AIM listed investment companies and, after benchmarking these against the current fees and recognising the level of activity of the Company and increased regulatory obligations on the Company, the Board concluded that the Directors' fees should be increased with effect from 1 September 2017. Following this review, the Chairman is entitled to annual remuneration of £42,500 (2017: £35,000). The Chairman of the Audit Committee is entitled to annual remuneration of £37,500 (2017: £30,000) and the Chairman of the Remuneration and Management Engagement Committee is entitled to annual remuneration of £35,000 (2017: £27,500), of which £2,500 relates to representing the Board at the Risk Committee meetings of the Investment Manager. Independent Directors are entitled to annual remuneration of £30,000 (2017: £25,000).

At 30 June 2018, Directors' fees of £36,250 (2017: £33,005) were accrued within trade and other payables.

17. MATERIAL AGREEMENTS

The Company has entered into the following material agreements:

Crystal Amber Asset Management (Guernsey) Limited

Under 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.

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. With effect from 12 June 2018, amendments were agreed to the methodology of the calculation of the performance fee in relation to the weighting of new shares and a revision to the Basic Performance Hurdle to exclude dividends paid.

Payment of the performance fee is subject to:

1. the achievement of a performance hurdle condition: the NAV per Ordinary share at the end of the relevant performance period must exceed an amount equal to the placing price, increased at a rate of; (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 (with all dividends and other distributions paid in respect of all outstanding Ordinary shares (on a per share basis) during any performance period being deducted on their respective payment dates (and after compounding the distribution amount per share at the relevant annual rate or rates for the period from and including the payment date to the end of the performance period) ("the Basic Performance Hurdle"). Such Basic Performance Hurdle at the end of a Performance Period is compounded at the relevant annual rate to calculate the initial per share hurdle level for the next performance period, which will subsequently be adjusted for any dividends or other distributions paid in respect of all outstanding Ordinary shares during that performance period; and

Notes to the Financial Statements
For the year ended 30 June 2018 (continued)

17. MATERIAL AGREEMENTS (continued)

Crystal Amber Asset Management (Guernsey) Limited (continued)

2. the achievement of a "high watermark": the NAV per Ordinary share at the end of the relevant performance period must be higher than the highest previously reported NAV per Ordinary share at the end of a performance period in relation to which a performance fee, if any, was last earned (less any dividends or other distributions in respect of all outstanding Ordinary shares declared (on a per share basis) since the end of the performance period in relation to which a performance fee 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 (less any dividends or other distributions in respect of all outstanding Ordinary shares declared (on a per share basis) since then; and
3. the high water mark (in each case on a per Ordinary share basis) multiplied by the time weighted average of the number of Ordinary Shares in issue in the Performance Period.

The excess is multiplied by the time weighted average of the number of Ordinary shares in issue in the performance period, which shall only include such number of Ordinary shares as reduced by the number of any Ordinary shares redeemed or repurchased by the Company. If the Company issues new shares during a relevant performance period, the performance fee in respect of that period shall be adjusted in such manner to be fair and reasonable to take account of the new issue of shares. If a time-weighted number of shares calculation is applied to a new pot of shares issued, then the denominator for the calculation shall be the number of days from the date of such issuance until the end of the relevant Performance Period, inclusive.

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 2018 (continued)

17. MATERIAL AGREEMENTS (continued)

Crystal Amber Asset Management (Guernsey) Limited (continued)

Performance fee for year ended 30 June 2018

As a result of the issue of the Ordinary shares on 9 March 2018, the performance fee calculation has been accrued for 30 June 2018 based on; the existing Ordinary shares in issue from 1 July 2017 to 30 June 2018 (the "Existing Pot"); and the new Ordinary shares issued in the period from 9 March 2018 to 30 June 2018 (the "New Pot"). At 30 June 2018, the Basic Performance Hurdle of the Existing Pot was 200.13 pence (as adjusted for all dividends paid during the performance period on their respective payment dates, compounded at the applicable annual rate) (2017: 194.79 pence) and the Basic Performance Hurdle of the New Pot was 1.03 pence (no adjustment required as no dividends were paid during the period of issue of the new Ordinary shares).

The NAV per share before any accrual for the performance fee payable in respect of the year then ended was 255.89 pence (2017: 206.76 pence) and the time weighted average number of shares was 97,751,058 for the Existing Pot and 124,805 for the New Pot. Accordingly, a performance fee was payable equating to 20 per cent of the excess NAV per share over the respective Basic Performance Hurdles for each pot multiplied by the time weighted average number of shares for each pot. The performance fee for the year ended 30 June 2018 amounted, in aggregate, to £12,095,146 (2017: £2,354,752) of which £10,964,740 was accrued at 30 June 2018 (2017: £2,354,752).

Estera International Fund Managers (Guernsey) Limited *(formerly 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 (2017: 0.12 per cent) of that part of the NAV of the Company up to £150 million and 0.1 per cent (2017: 0.1 per cent) of that part of the NAV over £150 million (subject to a minimum of £75,000 per annum). During the year, the Company incurred administration fees of £234,486 (2017: £251,064).

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 (2017: 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. During the year, the Company incurred custodian fees of £98,666 (2017: £107,604).

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 6 July 2018, the Company declared an interim dividend of £2,433,145, equating to 2.5 pence per Ordinary share, which was paid on 17 August 2018 to shareholders on the register on 20 July 2018.

On 27 July 2018, the Company announced the issue of 125,000 Ordinary shares of £0.01 divided equally amongst five charitable organisations, the nominal value of which has been paid by Richard Bernstein. The shares were admitted to trading on the AIM market on 2 August 2018.

Glossary of Capitalised Defined Terms

"**Admission**" means admission of the Ordinary shares 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;

"**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 its 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 Limited;

"**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, further amended on 27 January 2015 and further amended on 12 June 2018;

"**IPEV Capital Valuation Guidelines**" means the International Private Equity and Venture Capital Valuation Guidelines on the valuation of financial assets;

"**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;

Glossary of Capitalised Defined Terms (continued)

"**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;

"**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$**" or "**$**" means United States dollars.

"**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
Christopher Waldron *(Chairman with effect from 23 November 2017)*
Fred Hervouet *(Appointed 6 December 2017)*
Jane Le Maitre *(Chairman of Audit Committee with effect from 4 January 2018)*
Nigel Ward *(Chairman of Remuneration and Management Engagement Committee)*
William Collins *(Resigned 23 November 2017)*
Sarah Evans *(Resigned 4 January 2018)*

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Administrator and Secretary
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Ticker: CRS
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