

CRYSTAL  AMBER

Crystal Amber Fund Limited

Annual Report and Audited Financial Statements

For the year ended 30 June 2021

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Key Points

- Net Asset Value (“NAV”)⁽¹⁾ per share grew by 38.5% to 146.81 pence (106.02 pence at 30 June 2020 and 128.99 pence at 31 December 2020); 41.2% after adjusting for dividends paid.
- Stable portfolio continues to deliver progress, including De la Rue, GI Dynamics, Equals and Allied Minds.
- Decisive action was taken to protect shareholder value at Hurricane Energy, including board changes and successful legal action against proposed financial restructuring. After the year end, \$22 million of capital and interest saved as a direct result of the Fund’s intervention.
- Exited several positions upon completion of activist strategy or on revaluation, including Redde Northgate, STV Group and Kenmare Resources.
- Increased cash returns to shareholders, with £6.9 million spent on share buybacks and £2.1 million on an interim dividend. A further dividend of £2.1 million was paid in August 2021, bringing cash returns since July 2020 to £11.1 million equivalent to approximately 13p a share.

⁽¹⁾ All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 62 to 65 unless separately defined.

Chairman's Statement

I hereby present the fourteenth annual report of Crystal Amber Fund Limited ("the Fund"), for the year to 30 June 2021. At the year end, NAV was £122.9 million, compared with an unaudited NAV of £108.9 million at 31 December 2020 and an audited NAV of £97.4 million at 30 June 2020. NAV per share was 146.81 pence at 30 June 2021 compared with 128.99 pence at 31 December 2020 and 106.02 pence at 30 June 2020.

The improvement in NAV from the 2020 lows of below 90 pence has continued during the period, in line with the broader economic recovery from the COVID-19 pandemic. Whilst infection rates in the UK remain relatively high, it is to be hoped that the ongoing vaccination programme will be sufficient to maintain growth into 2022.

During the year, the Manager has been working hard to maximise value from the Fund's concentrated portfolio. As an activist investor, this work takes many forms and generally the Fund's preference is to engage constructively in private with investee companies. However, this is not always possible and was certainly not the case recently with Hurricane Energy, where it was necessary to take legal action to protect the position of shareholders in the face of egregious proposals by Hurricane's board. If not opposed, these would have seen a 95% dilution of shareholders. It's pleasing to report that the Fund's swift action saw this proposal blocked in the High Court and the Fund is supportive of Hurricane's reconstituted board as it seeks to create value for all stakeholders.

The Fund has also been outspoken in its criticism of Allied Minds, where we have lost confidence in the Chairman after the poor handling of its investee companies, and we hope for constructive changes there.

The continued engagement with Equals, GI Dynamics and De La Rue has been more in line with the Fund's traditional approach and it was particularly pleasing to see the progress at De La Rue, where the current management's focus and clear strategy is in sharp contrast to its predecessors.

A more detailed review of investee companies is set out below in the Investment Manager's Report.

During the year, the Fund bought back 8,249,567 of its own shares at an average price of 83.96 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 24.7%. At the year end, the shares traded at a discount of 26.1% to NAV. The share buyback programme had a positive contribution of 5.3% to NAV per share during the year.

The Fund declared an interim dividend of 2.5 pence in December 2020. The Fund did not declare an interim dividend in July 2020 due to the COVID-19 pandemic. At the 2020 AGM, interim dividends previously paid were ratified by shareholders.

The Fund has regularly submitted itself to continuation votes and at this year's AGM an extraordinary resolution will be tabled, requiring a 75% majority for continuation. It was always intended that this year's vote would provide a very high hurdle for continuation and the Manager has been positioning the portfolio accordingly for some time, with no new positions being opened since De La Rue was first held in 2018.

We announced on 25 June 2021 that the communication received from Saba Capital, the Fund's largest shareholder, indicated that it would not support continuation and should the vote to continue not pass, the Articles require the Fund to "formulate proposals...to reorganise, reconstruct, or wind up the Company."

In that event, the proposals will be the result of consultation with shareholders. In any event, the Board believes it is in shareholders' interests for the Manager to continue its current focus and any proposals are likely to reflect the importance of accelerating growth in core long term holdings, including provision for the future funding requirements of GI Dynamics.

Chairman's Statement (continued)

Moreover, during the year under review, the Manager's primary focus has been to position the Fund's strategic holdings to appeal to trade or financial buyers. In recent months, the Manager has been able to commence discussions with a number of potential buyers and we will update market participants as and when appropriate.

Christopher Waldron

Chairman

27 September 2021

Investment Manager's Report

Performance

The Fund's NAV per share grew by 38.5% during the year. Adjusting for dividends paid, the total return in the Fund's NAV per share for the year was 41.2%. This compares to the Numis Smaller Companies Index which grew by 52.3% in the same period.

Positive contributors to performance were De La Rue (19.8%), GI Dynamics (8.7%), Equals Group (8.6%), Redde Northgate (1.8%) and Kenmare Resources (1.2%). The detractors were Allied Minds (-6.0%) and Hurricane Energy (-0.2%).

The Fund did not purchase FTSE put options in the year given the high cost of portfolio protection.

Portfolio and Strategy

At 30 June 2021, the Fund held equity investments in ten companies (2020: 15), including three unlisted companies. The Fund also held a debt instrument in GI Dynamics, an unlisted company at the year end.

The Fund's month-end average net cash and accruals position was 0.3% of NAV (2020: 2%), meaning that it has remained fully invested throughout the year. Cash realisations were principally utilised to fund share buybacks and pay an interim dividend.

The Fund's strategy remains focused on a limited number of special situations where the Fund believes value can be realised regardless of market direction. By its nature as an activist fund, the Fund needs to hold sufficiently large stakes to facilitate engagement as a significant shareholder. Therefore, the Fund is exposed to concentration risk but levels of investment in individual companies are closely monitored and parameters are set to ensure this risk is managed and kept to an appropriate level.

As at 30 June 2021, the weighted average market capitalisation of the Fund's listed investee companies was £229 million (30 June 2020: £171 million).

The table below lists the Fund's top five shareholdings as at 30 June 2021, the equity stake that those positions represent in the investee company and their percentage contribution to NAV performance over the year.

<i>Five largest shareholdings</i>	<i>Pence per share</i>	<i>Percentage of NAV</i>	<i>Percentage of investee equity held</i>	<i>Contribution to NAV performance⁽¹⁾</i>
De La Rue plc	53.2	36.2%	12.3%	19.8%
GI Dynamics Inc.	23.9	16.3%	⁽²⁾	8.7%
Equals Group plc	22.4	15.3%	22.4%	8.6%
Hurricane Energy plc	19.3	13.2%	22.6%	(0.2)%
Allied Minds plc	11.4	7.8%	19.0%	(6.0)%
Total of five largest shareholdings	130.2			
Other investments	15.1			
Cash and accruals	1.5			
Total NAV	146.8			

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

⁽²⁾ GI Dynamics Inc. is a private company, and its shares are not listed on a stock exchange. Therefore, the percentage held is not disclosed.

Investment Manager's Report (continued)

Portfolio and Strategy (continued)

The Fund's top five positions as at 30 June 2021 were amongst the top ten at 30 June 2020. The last new quoted investment purchase was in April 2018. During the year, £9 million was returned to shareholders through share buybacks and dividends. As reported last September, the Fund increased its investment in GI Dynamics with a \$10 million Series A investment. This investment and returns of capital were funded by reducing the Fund's shareholding in De La Rue and Allied Minds. The holding of 18.3% in De La Rue decreased to 12.3%. The position in Allied Minds decreased from 22.5% to 19%. The position in Equals remained broadly stable, with the Fund increasing its holding last autumn from around 21% to 25% at approximately 24 pence a share, and subsequently taking profits on these shares. The position in Hurricane Energy grew from 6.6% to 22.6% as the Fund successfully defeated the proposal to restructure in the High Court and was able to take advantage of the distressed share price to acquire further shares.

The Fund exited positions in Redde Northgate, Camellia and Kenmare Resources, which were formerly in the top ten holdings.

Investee companies

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

De La Rue plc ("De la Rue")

De La Rue's Currency Division designs and prints banknotes and produces related components, including security features. The Authentication Division supplies tax stamps and products and software to authenticate and track individual products throughout their supply chains, and it produces components for inclusion within individual identity documents such as passports. The Fund's previous annual reports include additional background information on this investment.

In July 2020, De La Rue completed a £100 million equity fundraise, which was priced at 110 pence per share. The Fund participated in the firm placing and open offer elements of the raise. The company now has an almost debt-free balance sheet, a vastly improved pension funding schedule, bank facilities extended until December 2023 and, most significantly, a fully funded turnaround plan. This is proceeding well, with a reduced cost base and revised strategy for the currency division focused on polymer note printing and a renewed focus on authentication opportunities.

De La Rue published full year results to 31 March 2021 on 26 May 2021 and reported adjusted operating profits of £38.1 million. The Currency Division achieved 100% banknote capacity utilisation and strong margin progression. Its polymer growth plans also saw encouraging progress. The Authentication Division secured £195 million of expected multi-year contract value.

The Fund continues to believe that De La Rue enjoys a combination of strong competitive positions in high return businesses and attractive growth opportunities. It holds a 30% market share of global commercial banknote printing. Bank notes will continue to be in demand even in cashless societies as they are needed for currency reserves and wealth storage. The product cycle of 7-12 years is mainly driven by counterfeit risks. This drives the conversion of notes to polymer substrates, which currently only accounts for 4% of notes in issue. Furthermore, the company's core market is developing countries where demand for cash is expected to track economic and demographic growth. De la Rue is well placed to capitalise on the structural shift towards polymer notes. Over the year, the company has announced new contracts in its higher margin Authentication Division. The H2 2021 revenues of £45.9 million suggest that the £100 million Authentication target revenue for FY22 is well underpinned.

Investment Manager's Report (continued)

Investee companies (continued)

De La Rue plc ("De la Rue") (continued)

Over the year, the essential management changes instigated by the Fund, continued to bear fruit. Nevertheless, De La Rue's share price trades on a multiple of just 0.9 of current year revenues and on a PE multiple of 12 times earnings. On consensus estimates for the following year, the revenue multiple is forecast at 0.8 and the PE multiple at 9. The Fund strongly believes that De La Rue's equity valuation is significantly underpriced. Unless the stock market is prepared to value De La Rue appropriately, Crystal Amber anticipates that a trade buyer or buyers are likely to intervene to acquire the business.

Allied Minds plc ("Allied Minds")

Allied Minds is an IP commercialisation business focused on early-stage company development within the US technology sector. In 2019, it announced that it would henceforth focus on maximising returns and shareholder distributions from its existing portfolio, rather than continuing to invest in new businesses. The portfolio contains three significant holdings: Federated Wireless, BridgeComm and Orbital Sidekick, all of which have raised capital from third parties including strategic investors. As at 30 June 2021, Allied Minds had cash of \$17.8 million, plus three smaller stakes in other technology and life-sciences companies. The Fund's previous annual reports include additional background to this investment.

Over the year, the Fund focused on securing further reductions in parent company costs and improved transparency of progress of the underlying investments, all of which are unlisted.

In January 2021, the CEO left the business, shortly after Allied Minds revealed that its investee company Spin Memory faced a "significant liquidity issue," stating "a down-round financing is not uncommon in early venture companies." The Fund notes that Allied Minds commenced its investment in Spin Memory in 2007 and considers that if Spin Memory was still characterised as an early venture company some 13 years later, this reflects poorly on the management of Allied Minds given that Allied Minds is the largest shareholder of Spin Memory with an interest of 43%. In June 2021, Allied Minds announced that Spin Memory would be liquidated and there could be no guarantee that Allied Minds would receive any return of capital. Allied Minds has invested \$50.5 million in Spin Memory since 2007.

The investments are now managed directly by the three non-executive board directors.

In August 2021, Allied Minds reported that Federated Wireless Inc had met its revenue expectations for its first half and was on track to meet its full year plan. The most encouraging aspect of last month's update related to Occu Terra Therapeutics Inc ("Occu Terra Therapeutics"), a clinical stage ophthalmology drug development company in which Allied Minds has a fully diluted holding of 13%. This had been a passive holding and had been provided for in full. Occu Terra Therapeutics has recently closed a \$31.5 million funding round at a post money valuation of \$48.9 million.

In May 2021, the Fund voted against the re-election of Chairman Harry Rein and non-executive director Bruce Failing. At the meeting, the vote against Harry Rein's re-election was 47.1% and 37.3% against Bruce Failing.

Whilst the Fund believes that the current share price of 23 pence fails to reflect the net asset value of around 45 pence, realising the inherent value of the portfolio and return of proceeds to shareholders would be accelerated and enhanced either by the removal of Harry Rein and Bruce Failing and replacement with alternative directors or a corporate solution. Accordingly, the Fund has commenced discussions with third parties with this objective in mind.

Investment Manager's Report (continued)

Investee companies (continued)

Equals Group plc ("Equals")

Equals is an e-banking and international payment services provider. It serves retail and business customers mainly in the United Kingdom under an e-money licence. Equals provides faster, cheaper and more convenient money management than traditional banking services with bank-grade UK domestic clearance. In June 2019, the company rebranded from FairFX to Equals to reflect the broader range of services it now offers that go beyond foreign currency. The Fund's previous annual reports include additional background to this investment.

Inevitably, from March 2020 Equals was adversely affected by the enormous restrictions on international travel. Shortly after, its supply chain was temporarily disrupted with the demise of payment processor Wirecard. These two events impacted Equals after a period of increased investment in its product suite which also increased its cost base. Equals successfully dealt with these challenges and continued its transition towards B2B, growing those revenues by 10% in 2020. It also improved its supply chain, with new payment processors and user interfaces that will become available across product lines. Management also realigned its cost base, from £1.2 million of base pay per month in January 2020 to £0.9 million in June 2021. In 2020, B2C revenues fell by 30% due to the impact of the pandemic on travel. However, as a result of strong growth elsewhere in the business, this represented less than 5% of revenue in Q2 2021.

Equals' proposition to SMEs is compelling relative to that offered by legacy banks. The Fund believes that better understanding of the economics of higher lifetime value business customers will improve perceptions of Equals' prospects. The company's assets include over one million customers, an upgraded technology platform and licences and industry relationships built over many years. With larger players keen to acquire fintech capabilities, the Fund believes Equals is an attractive takeover candidate.

On 14 September 2021, Equals reported strong underlying sales growth, positive operational cash flow and current quarter revenue up by 58 per cent year on year. As the largest shareholder in Equals and having worked closely with management over the last 18 months, it is pleasing to report on both the turnaround and the momentum that the business now enjoys.

Hurricane Energy ("Hurricane")

Hurricane is an oil exploration and production company targeting naturally fractured basement reservoirs in the West of Shetland. The Fund's previous annual reports include background information on this investment. The Fund has been an investor in Hurricane since 2013 and has to date realised profits of £43 million.

For the year under review, our intensive engagement with the board of directors culminated in the resignation of all five of the company's non-executive directors. This took place only hours before the AGM shareholder vote. In their stead, John Wright and David Craik, two experienced sector specialists who have been advising the Fund on Hurricane for several years, were appointed. The general meeting that the Fund had requisitioned to make these changes was therefore no longer required.

In June 2021 at the High Court, Mr Justice Zacaroli refused to sanction the Hurricane board's attempt to force through a highly dilutive debt for equity swap. The board had proposed that \$50 million of the \$230 million repayable to bondholders in July 2022 be converted into 95% of Hurricane's equity, with the remaining \$180 million debt earning cash interest of 9.4% per annum plus payment in kind interest of 5% per annum. The coupon on the existing bonds is 7.5%.

Mr Justice Zacaroli referred in his judgment to the continued profitable trading at Hurricane and the prospects of that continuing long into the future. In this regard, Bluewater Energy Services B.V. (from whom Hurricane leases the FPSO – Floating Production Storage and Offloading – vessel) made contact directly with Crystal Amber and stated that it remains very keen to progress discussions and investigate solutions and proposals to extend the charter beyond June 2022. Last month, Hurricane confirmed that it is engaged in positive negotiations on securing an extension.

Investment Manager's Report (continued)

Investee companies (continued)

Hurricane Energy ("Hurricane") (continued)

The threat of massive equity dilution combined with continued downbeat comments from the previous board with regard to the company's future prospects, heavily contributed to what has been a dreadful share price performance. Whilst there is no doubt that the fall in oil price in 2020 was entirely beyond management's control, the decision not to use some of its cash to buyback the bonds when they were trading at a discount of 70%, as urged to do so at the time by Crystal Amber, has proven extremely costly in addition to legal costs of \$17 million on a restructuring plan that both Crystal Amber and more importantly the High Court found to be inappropriate.

The Fund has written to the Hurricane Board under Article 94 of the company's articles of association to request that a committee (comprising the non-executive directors) be established with a mandate to investigate what happened and to engage external advisers (should that be needed) for the investigation. The committee would then make a recommendation to the Hurricane Board.

Whilst the Fund would have preferred not to have had to endure the past 18 months as a shareholder in Hurricane, the share price weakness enabled the Fund to take advantage by more than doubling its shareholding from 1 January 2021 to 30 June 2021 to 22.6% and it successfully defended the interests of all shareholders on a crucial point of law. The Fund currently owns more than 25% of Hurricane and is the largest shareholder.

In August 2021, after a further request from Crystal Amber, Hurricane finally launched a tender offer for up to 50% of the outstanding bonds. Allocating up to \$80 million of its cash, initially the tender was priced at up to 72 cents, but this was increased to 78 cents. Whilst the Fund fails to understand the amount of time taken by the board to implement the buyback of the bonds (in early July 2021, the bonds were trading at just 49.25 cents), purchasing just over one third of the bonds in issue has reduced Hurricane's capital and interest obligations by approximately \$22 million. This represents an important and material saving. Without the Fund's successful intervention at the High Court, this would not have happened.

The Fund now believes that Hurricane must secure an extension with Bluewater Energy Services B.V. (from whom Hurricane leases the Floating Production Storage and Offloading vessel). This will secure the prospects of significantly increased free cash flow generation for equity holders. The Fund believes that a twelve month extension is required.

Latest production information from Hurricane is that its P6 well is producing 11,100 barrels per day. This compares well with the company's production forecasts (released in May 2021) estimating production for August 2021 at 9,500 barrels per day. Production for June and July were also ahead of forecast. The latest production shipment in August 2021 was for 505,000 barrels and it is estimated that this generated around \$34 million of revenue.

At anticipated production levels, the Fund estimates that by February 2024, 8.3 million barrels will be produced. At a selling price of \$68 a barrel, \$570 million of revenues will be achieved. Based on historic margins, this would deliver operating cash flows of around \$250 million. By the time the bonds are due to be repaid, the Fund estimates that 3.3 million barrels can be produced, generating \$227 million of revenue and around \$110 million of operating cash flow. These revenues and cash flows are taken from the current oil producing asset within Hurricane's portfolio. Set against this context, whilst inevitable production risk remains, the Fund believes the prospects for Hurricane are far better than has been presented by its executives.

The Fund notes and welcomes that since the court hearing, actual production achieved has been running materially ahead of budget and in August, it exceeded budget by more than 20 per cent at 11,467 barrels a day.

Investment Manager's Report (continued)

Investee companies (continued)

GI Dynamics Inc (“GI Dynamics”)

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.

During the year, GI Dynamics delisted from the Australian stock exchange. Its board and CEO were replaced with new executives and directors with medical device experience. As part of a \$10 million investment in preferred stock, the Fund's senior secured loan was converted, and warrants were cancelled. The Fund currently owns one \$4.9 million convertible loan note, together with preferred and common stock.

While COVID-19 delayed the company's progress in 2020, it highlighted the need to address the prevalence of Type II diabetes and obesity. During this year, as a result of the lifting of COVID-19 restrictions and widespread vaccine access in the US, GI Dynamics has been able to recommence enrolment to its clinical trial. After delays due to the COVID-19 surge in India, the I-STEP application for a randomised clinical trial (to be conducted in conjunction with Apollo Sugar Clinics) was reviewed by regulators in India in June 2021. GI Dynamics is in the process of filing its application to commercialise EndoBarrier under the new Medical Device Regulations (MDR) which will allow access throughout the EU. The first milestone toward achieving CE Mark for European regulatory approval was achieved in November 2020 as GI Dynamics successfully completed the required ISO Certification audit.

The global pandemic has reaffirmed the importance of gaining control of the significant risk factors associated with Type II diabetes and obesity. More than ever, medical professionals and patients alike are seeking minimally invasive and effective therapies so help control and resolve these chronic conditions. GI Dynamics is preparing to meet this large unmet clinical need.

Outlook

The Fund's mature and highly concentrated portfolio of special situations is well placed to deliver not only value accretion but importantly the release of value. As the Fund's investee companies continue to make progress, we have been able to enter discussions with strategic and corporate buyers of the majority of our portfolio companies. In the coming weeks and months, we look forward to providing specific details.

Crystal Amber Asset Management (Guernsey) Limited

27 September 2021

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 billion. 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% 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 a proportion of the income received from the Company's portfolio holdings to shareholders. In certain circumstances, the Company may make distribution payments out of realised investments if considered to be in the best interests of shareholders.

Due to the nature of the Company's investment objectives 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 targets only and there can be no assurance that these targets can, or will, be met. There was no interim dividend paid in 2020, as a result of COVID-19, which created uncertainty as to the timing and quantum of dividend receipts from the Company's portfolio companies. The interim dividend for 2021 of £2,107,375 equating to 2.5 pence per Ordinary share, was paid on 3 February 2021 to shareholders on the register on 8 January 2021.

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 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 billion.

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 pages 3 and 4 and the Investment Manager's Report on pages 5 to 10.

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.

The Company has declared dividends twice yearly in the sum of 2.5 pence per share totalling 22.5 pence per share over the last five years (the exception of being the 2020 interim dividend which was withheld as a result of the emergence of COVID-19, which created uncertainty as to the timing and quantum of dividend receipts from the Company's portfolio companies). Traditionally, the dividends have been largely funded by dividends received from portfolio companies.

In view of the effects of COVID-19, there is significant uncertainty as to the timing and quantum of dividend receipts from the Company's portfolio companies. The Directors are also mindful that changes in the composition of the portfolio could mean that there will be lower dividend receipts than in past years.

On 23 December 2020, the Company declared an interim dividend of £2,107,375 equating to 2.5 pence per Ordinary share, which was paid on 3 February 2021 to shareholders on the register on 8 January 2021.

On 7 July 2021, the Company declared an interim dividend of £2,096,650 equating to 2.5 pence per Ordinary share, which was paid on 4 August 2021 to shareholders on the register on 16 July 2021.

Continuation vote

The Company has regularly submitted itself to continuation votes. An extraordinary resolution was passed at the 2019 AGM under which 75% of votes would be required to continue as currently constituted and an extraordinary resolution will be tabled at the 2021 AGM, requiring a 75% majority for continuation.

As announced on 25 June 2021, communication received from Saba Capital indicated that it would not support continuation. Should the vote to continue not pass, the Articles require the Company to "formulate proposals...to reorganise, reconstruct, or wind up the Company." In that event, the proposals will be the result of consultation with shareholders.

The Investment Manager is engaging with shareholders in anticipation of the vote and to explore alternatives to continuation, such as a company reorganisation and reconstruction.

Report of the Directors (continued)

Going concern

The Directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future and as a result of this, do not consider there to be any threat to the going concern status of the Company. As disclosed further in Note 1, the Directors have considered the potential impact of the effects of COVID-19 on the Company's activities and do not consider that this will impact the Company's ability to operate as a going concern. The Directors have also considered the continuation vote scheduled for the 2021 AGM and note Saba Capital's stated intention to vote against continuation. In that circumstance, the Company will be obliged to return to shareholders with proposals to either reorganise, restructure or wind up the Company. Although the wind up option is included within the Articles amended in 2013, the Directors believe that the nature of the Company's investments mean that a wind up in the short term would not be in shareholders' interests. In line with accounting standards, the Directors are nevertheless obliged to disclose that this uncertainty exists, which is material and therefore if a wind up was actioned, may cast doubt on the Company's ability to continue as a going concern. The Directors also note that no new investments have been undertaken by the company since April 2018 and that the Investment Manager's focus is currently on optimising performance of existing investments.

Long term viability

As further disclosed on page 20, the Company is a member of the AIC and complies with the AIC Code. In accordance with the AIC Code, the Directors have made a robust assessment of the prospects of the Company over the three year period ending 30 June 2024. 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 14 to 17, the effectiveness of controls over those risks, the process in place for identifying emerging 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 and mindful of the continuation vote to take place at the 2021 AGM, 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. This ensures that procedures are in place to identify principal risks, mitigate and minimise the impact of those risks should they crystallise, and to identify emerging risks and determine whether any action is required. The Investment Manager has created a Risk Committee from which the Board receives quarterly reports. Fred Hervouet, one of the Board 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 and manage 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.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

Continuation

The Company is subject to a continuation vote at its 2021 AGM. The Investment Manager is engaging with shareholders in anticipation of the vote and to explore alternatives to continuation, such as a company reorganisation and reconstruction. Should the continuation vote not pass, alternatives would be put to a shareholder vote in accordance with the Articles. The Directors note the Investment Manager's focus since 2018 has been to optimise outcomes from existing investments and do not anticipate that this process will be disrupted. Whilst there is uncertainty surrounding the outcome of the continuation vote which is material, the Directors are confident in the company's ability to continue to operate on a going concern basis.

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 AIM 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 the target company's intentions and the Company's knowledge of the target company's 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.

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 his loss 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.

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 fall in value of some of its major investments. 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.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

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 and share price movements on a daily basis. The Administrator prepares weekly portfolio valuation reports. 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 Smaller 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 and investments in unlisted companies. 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 and market perceptions concerning the availability of additional securities for sale.

They also include 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 periodically hedges price risk by holding put options linked to the FTSE index to provide some protection against a significant market sell-off.

Shareholder concentration risk

A total of 8 investors with holdings of 3% or more each of the shares of the Company hold a combined total of 79.16% of the voting rights. A significant shareholder seeking liquidity could have a negative impact on the Company causing 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 sub-optimal time and value. 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.

Report of the Directors (continued)

Principal risks and uncertainties (continued)

Liquidity risk (continued)

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 may 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.

Risks were identified in relation to the ongoing COVID-19 pandemic. Further details including mitigation strategies, are included within the going concern section of Note 1 to the Financial Statements on page 40.

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

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 that investments are managed are given in Note 14 to the Financial Statements.

Ongoing charges

For the year ended 30 June 2021 the ongoing charges ratio of the Company was 2.07% (2020: 2.13%). The ongoing charges ratio has been calculated using AIC recommended methodology and is made up as follows:

	2021	2020
	£	£
Ongoing expenses	2,244,051	3,223,790
Weighted average NAV	108,461,324	151,011,706
Ongoing charges ratio	2.07%	2.13%

Report of the Directors (continued)

Ongoing charges (continuation)

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition/disposal of investments, performance fees, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs. The ongoing charges ratio is calculated by dividing the annualised ongoing charges by the average NAV for the financial year.

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 2021 and at the date of signing these Financial Statements are shown on page 28.

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 58.

Directors' remuneration

The remuneration of the Directors during the year is disclosed in Note 16 on page 58.

Directors' responsibilities to stakeholders

Section 172 of the UK Companies Act 2006 applies directly to UK domiciled companies. Nonetheless the AIC Code requires that the matters set out in Section 172 are reported by all companies, irrespective of domicile. This requirement does not conflict with the Companies Law in Guernsey.

Section 172 recognises that Directors are responsible for acting in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of all of its shareholders. In doing so, they are also required to consider the broader implications of their decisions and operations on other key stakeholders and their impact of those decisions on the wider community and the environment.

Key decisions are defined as those that are material to the Company, but also those that are significant to any of the Company's key stakeholder groups. The Company's engagement with its key stakeholders is discussed further in the corporate governance section of this report on page 21.

The Directors made or approved the following key decisions during the year, with the overall aim of promoting the success of the Company taking into account the likely impact on its members and wider stakeholders;

Dividends

The Directors concluded that an interim dividend should be paid in this financial year, as further disclosed in the Report of the Directors, on page 13.

Continuation

As outlined earlier on page 13, there is uncertainty as to the outcome of an upcoming continuation vote, but the Directors are confident in the company's ability to continue on a going concern basis.

Report of the Directors (continued)

Directors' responsibilities to stakeholders (continued)

Charitable shares

During the year, the Company approved the issue of 125,000 shares to five separate charitable organisations in accordance with the authority granted to the Company by shareholders at the 2019 AGM. As disclosed within the Chairman's Statement, the Company issued 125,000 shares on 25 September 2020 split equally amongst the following five charitable organisations: St Andrews Clinic for Children, Cancer Research UK, Feis Ceoil, James' Place and Sentable. The Directors recognise that more recently, the shareholder base has changed significantly and consequently, the Directors have decided that in recognition of the views articulated by newer shareholders, the Fund will suspend future share issues to charities at this time.

Substantial interests

As at 26 August 2021, the Company had been notified of the following voting rights of 3% or more of its total voting rights:

	<i>Number of Ordinary shares</i>	<i>Total voting rights</i>
Saba Capital Management	21,754,592	25.98%
Wirral BC	12,938,214	15.45%
1607 Capital Partners	10,008,714	11.95%
Crystal Amber Asset Management (Guernsey)	6,904,330	8.25%
Rath Dhu	5,050,000	6.03%
Noble Grossart Investments	4,000,000	4.78%
Charles Stanley	2,833,143	3.38%
CG Asset Management	2,800,000	3.34%
Total	66,288,993	79.16%

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.

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.

Report of the Directors (continued)

Statement of Directors' responsibilities (continued)

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 has considered the principles and provisions of the AIC Code. The AIC addresses the principles and provisions set out in the FRC Code and includes additional provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC and the Guernsey Financial Services Commission, provides more relevant information to shareholders. The Company has complied with the principles and provisions of the AIC Code. The AIC Code is available on the AIC's website, www.theaic.co.uk, which includes an explanation of how the AIC Code adapts the principles and provisions set out in the FRC Code to make them relevant for investment companies. 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 is 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 on the Company's website.

Environmental, social and governance report

As an investment company, the Company's activities only have a limited impact on the environment in which it operates. The Company has no employees and its registered office is based in Guernsey, where all of the Directors reside, thus minimising the need for extensive travel to attend Board or other meetings, with associated environmental impact.

Report of the Directors (continued)

Corporate governance (continued)

Responsible investment principles have been applied to each of the investments made. These policies require the Company to make reasonable endeavours to procure the ongoing compliance of its portfolio companies with its own policies on responsible investment. The Company is an activist fund which aims to identify and invest in undervalued companies and, where necessary, take steps to enhance their value. 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, in line with the UK Stewardship Code.

Purpose, culture and values

The Company's purpose remains clear: to provide its shareholders with an attractive total return, which is expected to arise primarily from 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.

The Board has considered the Company's culture and values. As an investment company with no employees, it is considered that the culture and values of the Board are aligned with those of the Investment Manager and Investment Adviser, with a focus on long term relationships with the Company's key stakeholders.

The Board

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.

As at the date of this report, the Board comprises three Non-Executive Directors (2020: three), 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 judgement. Board appointments are considered by all members of the Board and have been made based on merit against objective criteria.

The Chairman of the Board is Christopher Waldron. 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, nor has it established a Senior Independent Director due to the size of the Board and the Company. The Board is satisfied that any relevant issues that arise can be properly considered by the Board.

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 they bring to the Board. The Directors believe that the current mix of skills, experience and length of service represented on the Board are appropriate for the requirements of the Company.

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 Directors to be appointed for a specified term as recommended by principle 3 of the AIC Code. In accordance with the recent publication of the 2019 AIC Code, which the Board adopted from 1 July 2019, all Directors will be subject to annual re-election.

Report of the Directors (continued)

Corporate governance (continued)

The Board (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.

Chair tenure policy

The Company has adopted a chair tenure policy, whereby the Chair should normally serve no longer than nine years as a Director and Chair but, where it is considered to be in the best interests of the Company, its shareholders and stakeholders, the Chair may serve for a limited time beyond that. In such circumstances, the independence of the other Directors will ensure that the Board as a whole remains independent.

The Company's view is that the continuity and experience of its Directors are important and that a suitable balance needs to be struck between the need for independence and refreshing the skills and expertise of the Board. The Company believes that some limited flexibility in its approach to Chair tenure will enable it to manage succession planning more effectively.

Diversity policy

The Company monitors developments in corporate governance to ensure the Board remains aligned with best practice with respect to the increased focus on diversity. The Company has a Board diversity policy, which 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, knowledge and experience which bring a wide range of perspectives to the Company.

Performance and evaluation

Internal evaluation of the Board, the Committees 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.

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.

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.

Report of the Directors (continued)

Corporate governance (continued)

Board responsibilities (continued)

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 Ocorian Administration (Guernsey) 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.

The Board meets at least four times a year for regular, scheduled meetings and should the nature of the business 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.

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.

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

The Board, through the Remuneration and Management Engagement Committee, is responsible for the appointment and monitoring of all service providers including the Investment Manager. It conducts a formal review of all service providers on an annual basis and confirms that such a review has taken place during the year.

Report of the Directors (continued)

Corporate governance (continued)

Audit committee

Due to the size of the Board, all Directors are members of the Audit Committee. Jane Le Maitre acts as Chairman of the Committee. The responsibilities of the Committee include reviewing the Annual Report and Audited Financial Statements, the Interim Report and Financial Statements, the system of internal controls and risk management, and the terms of appointment and remuneration of the Auditor. It is also the forum through which the Auditor reports to the Board.

The Committee met twice in the year ended 30 June 2021. 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 2020;
- review of the Interim Report and Unaudited Interim Condensed Financial Statements for the six months ended 31 December 2020;
- review of the audit plan and timetable for the preparation of the Annual Report and Audited Financial Statements for the year ended 30 June 2021;
- 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 2021 Annual Report in relation to the AIC Code and determining the period of assessment for the long term viability of the Company.

The Committee considers the valuation of investments to be a significant matter in relation to these Financial Statements. 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 98.9% (30 June 2020: 91.4%) of the NAV. The Committee has satisfied itself that the sources used for pricing the Company's investments are appropriate and reliable.

The Committee also reviews the objectivity and independence of the Auditor. The Board considers KPMG Channel Islands Limited ("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 discussions at Committee meetings 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.

Report of the Directors (continued)

Corporate governance (continued)

Audit committee (continued)

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 changed in 2010 and 2015. The current lead audit partner took charge in 2020, and will change again by rotation in 2025. There are no obligations to restrict the Company's choice of external auditor. The external audit was 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, as the Board is wholly comprised of non-executive Directors the Board has not deemed this necessary and as such all matters are considered by the full Board.

The Board has established a Remuneration and Management Engagement Committee. Due to the size of the Board, all Directors are members of this committee. With effect from 22 November 2019, Fred Hervouet (previously Nigel Ward who retired from the Board with effect from 22 November 2019) acts as Chairman of the committee. The Remuneration and Management Engagement Committee meets at least once a year pursuant to its terms of reference. It provides a formal mechanism for the review of the remuneration of the Chairman and Directors and 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.

In addition, the Board reviews the arrangements for the provision of management and other services to the Company on an ongoing basis. The Company receives regular reporting from the Investment Adviser and regular valuations of the Company's investments, which allows the Board to form a judgement as to the performance of its portfolio.

Board meetings, Committee meetings and Directors' attendance

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

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

Report of the Directors (continued)

Corporate governance (continued)

Remuneration policy (continued)

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

	<i>Board</i>	<i>Audit Committee</i>	<i>Remuneration and Management Engagement Committee</i>	<i>Tenure as at 30 June 2021</i>
Christopher Waldron	4 of 4	2 of 2	1 of 1	7 years
Jane Le Maitre	4 of 4	2 of 2	1 of 1	4 years, 2 months
Fred Hervouet	4 of 4	2 of 2	1 of 1	3 years, 7 months

In addition to the above, there were two additional Board committee meetings during the year.

Engagement with stakeholders

The Company is committed to maintaining good communications and building positive relationships with all stakeholders, including shareholders, suppliers, investee companies, and the wider community and environment in which the Company and its investee companies operate. This includes regular engagement with the Company's shareholders and other stakeholders by the Board, the Investment Manager, Investment Adviser and the Administrator. Regular feedback is provided to Board members to ensure they understand the views of stakeholders.

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 ask questions of 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 shareholders on 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.

Relations with other stakeholders

The Company recognises that relationships with suppliers are enhanced by prompt payment and the Company's Administrator ensures all payments are processed within the contractual terms agreed with individual suppliers.

During the year, the Company created and issued 125,000 shares split equally between five charities: St Andrews Clinic for Children, Cancer Research UK, Feis Ceoil, James' Place and Sentable. The Directors were delighted to assist so many worthy causes and seek to make a positive difference. However, the Directors recognise that more recently, the shareholder base has changed significantly and consequently, the Directors have decided that in recognition of the views articulated by newer shareholders, the Fund will suspend future share issues to charities at this time.

Key decisions made or approved by the Directors during the year and the impact of those decisions on the Company's shareholders and wider stakeholders is disclosed further on page 21.

Whistleblowing

The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Investment Adviser or Administrator may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other issues. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow up action to be taken within their respective organisations.

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. Mark Huntley and Laurence McNairn of Crystal Amber Asset Management (Guernsey) Limited and as directors of the AIFM received total aggregate remuneration of £20,000 by way of a fixed fee for the year ended 30 June 2021. No variable fee elements of remuneration were paid to the Directors of the AIFM.

The AIFM Directive outlines the 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 on 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 22 November 2021 at the offices of Ocorian Administration (Guernsey) Limited, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey.

On behalf of the Board



Christopher Waldron
Chairman

27 September 2021



Jane Le Maitre
Director

27 September 2021

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. From 2014 to 2020 he was a member of the States of Guernsey's Investment and Bond Sub-Committee. He is a Fellow of the Chartered Institute of Securities and Investment.

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

Jane Le Maitre has over 30 years' experience in the Finance Industry in the UK and Guernsey. She 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 trained in audit with Coopers & Lybrand in the UK and joined the tax and fiduciary division of 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.

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

Fred Hervouet has over 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, Structured Products, 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. He holds a number of non-executive director positions on LSE listed funds and Private Equity funds including Chenavari Toro Income Fund Limited, where he is chairman. He holds a Masters' 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 and the UK Association of Investment Companies.

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

Christopher Waldron
UK Mortgages Limited

Jane Le Maitre
None at present

Fred Hervouet
Chenavari Toro Income Fund Limited
SCRF 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 2021, 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 2021, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

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

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

Material uncertainty relating to going concern

The risk	Our response
<p>Going concern:</p> <p>Refer to the Report of the Directors on page 14.</p> <p>We draw attention to note 1 to the financial statements which indicates that the Fund is obliged to hold a continuation vote at the forthcoming 2021 Annual General Meeting of Shareholders.</p> <p>The Directors have been formally notified by a significant shareholder of their intention to vote against continuation of the Fund and would therefore not meet the 75% threshold needed to continue the Fund as currently constituted. In the event this vote is not passed, the Directors are required to formulate proposals to reorganise, reconstruct or wind up (the "proposals") the Fund.</p> <p>These events and conditions constitute a material uncertainty that may cast doubt about the Fund's ability to continue as a going concern.</p> <p>Our opinion is not modified in respect of this matter.</p>	<p>Disclosure quality:</p> <p>The financial statements explain how the Directors have formed a judgment that it is appropriate to adopt the going concern basis of preparation for the Fund.</p> <p>That judgment is based on an evaluation of the inherent risks to the Fund's business model and how those risks might affect the Fund's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements, in particular in relation to the continuation vote and the proposals which will need to be formulated and put to the shareholders for their approval.</p> <p>There is little judgement involved in the Directors' conclusion that the risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Fund to continue as a going concern for a period of at least a year from the date of approval of the financial statements.</p> <p>However, clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.</p>
	<p>Assessing disclosures:</p> <p>We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of the going concern basis of preparation for the Company, including the identified risks and dependencies.</p> <p>Our assessment of management's going concern assessment also included:</p> <p>We obtained and inspected a Board approved written assessment of the going concern basis of preparation for the Fund and corroborated their assessment with our knowledge of the business.</p> <p>We considered the Board's assessment of the future proposals available to the Fund and how they could affect the Fund for at least a year from the date of approval of the financial statements ("going concern period") by inspecting minutes of meetings held by the directors, inquiring with management as to their discussions with key shareholders and considering key financial metrics including the discount of the Fund's share price against its net asset value.</p>

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

Other 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. Going concern is a significant key audit matter and is described in the 'Material uncertainty relating to going concern' section of our report. 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 other key audit matter was as follows (unchanged from 2020):

**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
<p><i>Valuation of financial assets designated at fair value through profit and loss</i></p> <p>£121,642,713; (2020: £89,066,925)</p> <p>Refer to page 24 of the Report of the Directors, note 1 accounting policies and note 9 and 14 disclosures</p>	<p>Basis:</p> <p>The Fund has invested 98.9% of its net assets as at 30 June 2021 into equity investments (£117,965,568) and debt investments (£3,677,145) (together, the “investments”).</p> <p>The Fund’s listed or quoted equities (£92,610,384) are valued based on market prices obtained from a third-party pricing provider.</p> <p>The Fund’s unlisted investments, with a value of £29,032,329 are valued by using recognised valuation methodologies and models, in accordance with the International Private Equity and Venture Capital Valuation Guidelines.</p> <p>Risk:</p> <p>The valuation of the investments, given that they represent the majority of the net assets of the Fund, is considered to be a significant area of our audit.</p> <p>Of the investments which are unlisted (representing 23.6% of net assets), these investment valuations are subject to a risk of fraud and error given the high level of subjectivity, estimation uncertainty and complexity when deriving a fair value.</p>
	<p><i>Our audit procedures included:</i></p> <p>Internal controls:</p> <p>We tested the design and implementation of controls over the valuation of investments.</p> <p>Challenging managements’ assumptions and inputs including use of a KPMG valuation specialist:</p> <p>For listed or quoted investments, we used our own valuation specialist to independently price all fair values to a third party source. We compared our independent price to the price as utilised by the Fund.</p> <p>For the unlisted investments we:</p> <ul style="list-style-type: none"> • assessed the appropriateness of the valuation methodology applied to each investment and where relevant, derived an independent reference price; • compared the assumptions used in the valuation to observable market data (where possible) or supporting documentation; • corroborated significant investee company inputs used in the valuation models to supporting documentation; • assessed the effect of the investee entity’s financial performance upon the fair value; and • considered the impact of COVID-19 on their valuations. <p>Assessing disclosures:</p> <p>We also considered the Fund’s disclosures (see note 1) in relation to the use of estimates and judgments regarding the valuation of investments and the Fund’s valuation policies adopted and fair value disclosures in notes 9 and 14 for compliance with IFRS.</p>

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

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £2,177,000, determined with reference to a benchmark of net assets of £122,931,988, of which it represents approximately 1.8% (2020: 2.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £1,632,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £108,000, 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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund or to cease its operations, and as they have concluded that the Fund's financial position means that this is realistic over the going concern period. As stated in the 'material uncertainty relating to going concern' section of our report, they have also concluded that there is a material uncertainty relating to going concern.

An explanation of how we evaluated the directors' assessment is set out in the 'material uncertainty relating to going concern' section of our report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible incentives or pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We also identified a fraud risk related to valuation of financial assets designated at fair value through profit and loss in response to high level of subjectivity, estimation uncertainty and complexity when deriving a fair value. Further detail in respect of valuation of financial assets designated at fair value through profit and loss is set out in the key audit matter section of this report.

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

Fraud and breaches of laws and regulations – ability to detect (continued)

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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 Fund 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 page 19, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Rachid Frihmat

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors

Guernsey

27 September 2021

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2021

		2021			2020		
	Notes	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Income							
Dividend income from listed investments		288,935	–	288,935	3,274,032	–	3,274,032
Interest received		–	–	–	6,563	–	6,563
		288,935	–	288,935	3,280,595	–	3,280,595
Net gains/(losses) on financial assets designated at FVTPL and derivatives held for trading							
Equities							
Net realised (losses)/gains	9	–	(14,412,551)	(14,412,551)	–	1,870,189	1,870,189
Movement in unrealised gains/(losses)	9	–	50,646,556	50,646,556	–	(131,440,682)	(131,440,682)
Debt instruments							
Movement in unrealised gains/(losses)	9	–	3,259,261	3,259,261	–	(2,665,613)	(2,665,613)
Derivative financial instruments							
Net realised gains	9	–	–	–	–	7,142,026	7,142,026
Movement in unrealised gains	9	–	(21,080)	(21,080)	–	(6,267,293)	(6,267,293)
		–	39,472,186	39,472,186	–	(131,361,373)	(131,361,373)
Total income/(expense)		288,935	39,472,186	39,761,121	3,280,595	(131,361,373)	(128,080,778)
Expenses							
Transaction costs	4	–	89,266	89,266	–	489,012	489,012
Foreign exchange movements on revaluation of investments and working capital		584,291	1,909,832	2,494,123	(325,282)	(217,697)	(542,979)
Management fees	15,17	1,586,269	–	1,586,269	2,489,201	–	2,489,201
Directors' remuneration	16	130,000	–	130,000	143,809	–	143,809
Administration fees	17	134,392	–	134,392	157,059	–	157,059
Custodian fees	17	55,465	–	55,465	69,696	–	69,696
Audit fees		34,050	–	34,050	30,975	–	30,975
Facility fees	18	316,925	–	316,925	–	–	–
Other expenses		351,440	–	351,440	365,151	–	365,151
		3,192,832	1,999,098	5,191,930	2,930,609	271,315	3,201,924
Return/(loss) for the year		(2,903,897)	37,473,088	34,569,191	349,986	(131,632,688)	(131,282,702)
Basic and diluted earnings/(loss) per share (pence)							
	5	(3.34)	43.25	39.91	0.38	(140.38)	(140.00)

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 61 form an integral part of these Financial Statements.

Statement of Financial Position
As at 30 June 2021

	<i>Notes</i>	<i>2021</i> £	<i>2020</i> £
Assets			
Cash and cash equivalents	7	5,447,571	5,916,155
Trade and other receivables	8	406,272	2,610,053
Financial assets designated at FVTPL and derivatives held for trading	9	121,642,713	89,066,925
Total assets		127,496,556	97,593,133
Liabilities			
Trade and other payables	10	4,564,568	198,172
Total liabilities		4,564,568	198,172
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	11	997,498	996,248
Treasury shares reserve	12	(19,191,639)	(12,265,601)
Distributable reserve		88,472,333	90,579,709
Retained earnings		52,653,796	18,084,605
Total equity		122,931,988	97,394,961
Total liabilities and equity		127,496,556	97,593,133
NAV per share (pence)	6	146.81	106.02

The Financial Statements were approved by the Board of Directors and authorised for issue on 27 September 2021.



Christopher Waldron
Chairman

27 September 2021



Jane Le Maitre
Director

27 September 2021

The Notes to the Financial Statements on pages 39 to 61 form an integral part of these Financial Statements.

Statement of Changes in Equity
For the year ended 30 June 2021

	Notes	Share capital £	Treasury shares reserve £	Distributable reserve £	Capital £	Retained earnings Revenue £	Total £	Total equity £
Opening balance								
at 1 July 2020		996,248	(12,265,601)	90,579,709	20,511,896	(2,427,291)	18,084,605	97,394,961
Issue of Ordinary shares		1,250	–	–	–	–	–	1,250
Purchase of Ordinary								
shares into Treasury	12	–	(6,926,038)	–	–	–	–	(6,926,038)
Dividends paid in the year	13	–	–	(2,107,376)	–	–	–	(2,107,376)
Profit for the year		–	–	–	37,473,088	(2,903,897)	34,569,191	34,569,191
Balance at 30 June 2021		997,498	(19,191,639)	88,472,333	57,984,984	(5,331,188)	52,653,796	122,931,988

For the year ended 30 June 2020

	Notes	Share capital £	Treasury shares reserve £	Distributable reserve £	Capital £	Retained earnings Revenue £	Total £	Total equity £
Opening balance								
at 1 July 2019		993,748	(6,895,640)	95,310,182	152,144,584	(2,777,277)	149,367,307	238,775,597
Issue of Ordinary shares		2,500	–	–	–	–	–	2,500
Purchase of Ordinary								
shares into Treasury	12	–	(5,369,961)	–	–	–	–	(5,369,961)
Dividends paid in the year	13	–	–	(4,730,473)	–	–	–	(4,730,473)
Loss for the year		–	–	–	(131,632,688)	349,986	(131,282,702)	(131,282,702)
Balance at 30 June 2020		996,248	(12,265,601)	90,579,709	20,511,896	(2,427,291)	18,084,605	97,394,961

The Notes to the Financial Statements on pages 39 to 61 form an integral part of these Financial Statements.

Statement of Cash Flows
For the year ended 30 June 2021

	<i>Notes</i>	2021 £	2020 £
Cash flows from operating activities			
Dividend income received from listed investments		288,935	3,298,767
Bank interest received		–	7,565
Management fees paid		(1,586,269)	(3,319,023)
Performance fees paid		–	(2,456,957)
Directors' fees paid		(130,000)	(152,559)
Other expenses paid		(943,672)	(680,398)
Net cash outflow from operating activities		(2,371,006)	(3,302,605)
Cash flows from investing activities			
Purchase of equity investments		(6,949,972)	(61,373,003)
Sale of equity investments		31,476,434	76,560,511
Purchase of debt instruments		(4,056,625)	(4,153,747)
Purchase of derivative financial instruments		(33,238,926)	(6,237,568)
Sale of derivative financial instruments		23,991,363	14,091,736
Transaction charges on purchase and sale of investments		(69,305)	(517,258)
Net cash inflow from investing activities		11,152,969	18,370,671
Cash flows from financing activities			
Proceeds from loan facility		22,785,705	–
Repayments of loan facility		(23,125,126)	–
Proceeds from issuance of Ordinary shares		1,250	2,500
Purchase of Ordinary shares into Treasury		(6,805,000)	(5,355,853)
Dividends paid		(2,107,376)	(4,730,473)
Net cash outflow from financing activities		(9,250,547)	(10,083,826)
Net (decrease)/increase in cash and cash equivalents during the year		(468,584)	4,984,240
Cash and cash equivalents at beginning of year		5,916,155	931,915
Cash and cash equivalents at end of year	7	5,447,571	5,916,155

The Notes to the Financial Statements on pages 39 to 61 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2021

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 PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY. 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.

GI Dynamics Inc. (“GID”), is an unconsolidated subsidiary of the Company and was incorporated in Delaware. As at 30 June 2021, it had five wholly-owned subsidiaries and its principal place of business is Boston. Refer to Note 15 for further information.

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 62 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 have been prepared to 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 currency.

The Financial Statements have been prepared under the historical 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)

To determine whether 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.

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 its investments on a fair value basis.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

As the Company has met the definition of an investment entity under IFRS 10, it is exempt from preparing consolidated financial statements.

The Company has taken the exemption permitted by IAS 28 “Investments in Associates and Joint Ventures” and IFRS 11 “Joint Arrangements” for entities similar to investment entities and measures its investments in associates at fair value. The Directors consider an associate to be an entity over which the Group has significant influence by means of owning between 20% and 50% of the entities’ shares. The Company’s associates are disclosed in Note 14.

Going concern

As at 30 June 2021, the Company had net assets of £122.9 million (30 June 2020: £97.4 million) and cash balances of £5.4 million (30 June 2020: £5.9 million) which are sufficient to meet current obligations as they fall due.

In the period prior to 30 June 2021 and up to the date of this report, the COVID-19 pandemic has had a negative impact on the global economy. As this situation is both unprecedented and evolving, it raises some uncertainties and additional risks for the Company.

The Directors and Investment Manager are actively monitoring the potential effect on the Company and its investment portfolio. In particular, they have considered the following specific key potential impacts:

- Unavailability of key personnel at the Investment Manager or Administrator;
- Increased volatility in the fair value of investments, including any potential impairment in value; and
- Increased uncertainty as to the timing and quantum of dividend receipts.

In considering the key potential impacts of COVID-19 on the Company and its investment portfolio outlined above, the Directors have taken account of the mitigation measures already in place. At Company level, key personnel at the Investment Manager and Administrator have successfully implemented business continuity plans to ensure business disruption is minimised, including remote working where required, and all staff are continuing to assume their day-to-day responsibilities.

As further detailed in Note 14, 76.13% of the Company’s investments are valued by reference to the market bid price as at the date of this report. As these are quoted prices in an active market, any volatility in the global economy is reflected within the value of the financial assets designated at fair value through profit or loss. As such, the Company has not included any fair value impairments in relation to its investments.

As noted further in the Report of the Directors, in view of the effects of COVID-19, there is currently uncertainty as to the timing and quantum of dividend receipts from the Company’s portfolio companies. The Directors are also mindful that changes in the composition of the portfolio could mean that there will be lower dividend receipts than in past years, but this is not expected to impact the liquidity available to the Company.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

The Directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future and as a result of this, do not consider there to be any threat to the going concern status of the Company. The Directors have considered the potential impact of the effects of COVID-19 on the Company's activities and do not consider that this will impact the Company's ability to operate as a going concern. The Directors have also considered the continuation vote scheduled for the 2021 AGM and note Saba Capital's stated intention to vote against continuation. In that circumstance, the Company will be obliged to return to shareholders with proposals to either reorganise, restructure or wind up the Company. Although the wind up option is included within the Articles amended in 2013, the Directors believe that the nature of the Company's investments mean that a wind up in the short term would not be in shareholders' interests. In line with accounting standards, the Directors are nevertheless obliged to disclose that this uncertainty exists, which is material and therefore if a wind up was actioned, may cast doubt on the Company's ability to continue as a going concern. The Directors also note that no new investments have been undertaken by the company since April 2018 and that the Investment Manager's focus is currently on optimising performance of existing investments.

Continuation vote

The Company has regularly submitted itself to continuation votes. An extraordinary resolution was passed at the 2019 AGM under which 75% of the votes would be required to continue as currently constituted and an extraordinary resolution will be tabled at the 2021 AGM requiring a 75% majority for continuation.

As announced on 25 June 2021, communication received from Saba Capital indicated that it would not support continuation. Should the vote to continue not pass, the Articles require the Company to "formulate proposals...to reorganise, reconstruct, or wind up the Company." In that event, the proposals will be the result of consultation with shareholders.

The Investment Manager is engaging with shareholders in anticipation of the vote and to explore alternatives to continuation, such as a company reorganisation and reconstruction.

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 set out above. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates. 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, which 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.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 bid price on the reporting date or at 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.

In the absence of an active market, the Company determines the fair value of its unquoted investments by taking into account the International Private Equity and Venture Capital ("IPEV") guidelines.

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 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.

Trade and other receivables

The Company's trade and other receivables are classified as financial assets at amortised cost. They are measured at amortised cost less impairment assessed using the simplified approach of the expected credit loss model based on experience of previous losses and expectations of future losses. Due to the short term nature of the trade and other receivables, no impairment has been recognised.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other payables

The Company's trade and other payables are measured at amortised cost and include trade and other payables and other short term monetary liabilities which are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Due to the short term nature of the trade and other payables, no impairment has been recognised.

Derecognition of financial instruments

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

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

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Any gain or loss on derecognition 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. Due to the credit rating of the financial institutions holding the Company's cash and cash equivalents, no impairment has been recognised.

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 countries other than the UK 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 2021 (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 treats 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

New and amended standards and interpretations applied in these financial statements

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020 that had a significant effect on the Company's financial statements. Furthermore, none of the amendments to standards that are effective from that date had a significant effect on the financial statements.

New and amended standards and interpretations not applied in these financial statements (issued but not yet effective)

Other accounting standards and interpretations have been published and will be mandatory for the Company's accounting periods beginning on or after 1 January 2021 or later periods. The impact of these standards is not expected to be material to the reported results and financial position 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 (2020: £1,200).

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

4. TRANSACTION COSTS

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

	2021	2020
	£	£
Stamp duty	31,402	220,933
Commissions and custodian transaction charges:		
In respect of purchases	11,036	183,823
In respect of sales	46,828	84,256
	<u>89,266</u>	<u>489,012</u>

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

(Loss)/earnings per share is based on the following data:

	2021	2020
Return/(loss) for the year	£34,569,191	£(131,282,702)
Weighted average number of issued Ordinary shares	86,648,736	93,771,223
Basic and diluted earnings/(loss) per share (pence)	<u>39.91</u>	<u>(140.00)</u>

6. NAV PER SHARE

NAV per share is based on the following data:

	2021	2020
NAV per Statement of Financial Position	£122,931,988	£97,394,961
Total number of issued Ordinary shares (excluding Treasury shares) at 30 June	83,737,000	91,861,567
NAV per share (pence)	<u>146.81</u>	<u>106.02</u>

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:

	2021	2020
	£	£
Cash on demand	5,447,571	5,916,155
	<u>5,447,571</u>	<u>5,916,155</u>

8. TRADE AND OTHER RECEIVABLES

	2021	2020
	£	£
Current assets:		
Unsettled trade sales	–	2,583,444
Other receivables	391,790	–
Prepayments	14,482	26,609
	<u>406,272</u>	<u>2,610,053</u>

There were no past due or impaired receivable balances outstanding at the year end (2020: £Nil).

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

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

	2021	2020
	£	£
Equity investments	117,965,568	83,197,300
Debt instruments	3,677,145	5,848,545
Financial assets designated at FVTPL	121,642,713	89,045,845
Derivative financial instruments held for trading	–	21,080
Total financial assets designated at FVTPL and derivatives held for trading	121,642,713	89,066,925
Equity investments		
Cost brought forward	167,187,388	183,283,825
Purchases	11,184,002	59,441,534
Conversion of loans*	8,902,985	–
Sales	(28,890,455)	(77,221,490)
Net realised (losses)/gains	(5,164,988)	1,870,189
Adjustment to cost brought forward	–	(186,670)
Cost carried forward	153,218,932	167,187,388
Unrealised (losses)/gains brought forward	(84,056,730)	47,197,282
Movement in unrealised (losses)/gains	50,646,556	(131,440,682)
Adjustment to unrealised gains brought forward	–	186,670
Unrealised losses carried forward	(33,410,174)	(84,056,730)
Effect of exchange rate movements on revaluation	(1,843,190)	66,642
Fair value of equity investments	117,965,568	83,197,300
Debt instruments		
Cost brought forward	8,104,315	3,950,568
Purchases	4,056,625	4,153,747
Conversion of loans*	(8,902,985)	–
Net realised gains	–	–
Cost carried forward	3,257,955	8,104,315
Unrealised (losses)/gains brought forward	(2,004,674)	660,939
Movement in unrealised (losses)/gains	3,259,261	(2,665,613)
Unrealised gains/(losses) carried forward	1,254,587	(2,004,674)
Effect of exchange rate movements on revaluation	(835,397)	(251,096)
Fair value of debt instruments	3,677,145	5,848,545
Total financial assets designated at FVTPL	121,642,713	89,045,845

* During the year, debt instruments in relation to GID worth £8.9 million were transferred to Equity Investments, making up 79,032,963 common shares and 116,499,889 Series A shares.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

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

	2021	2020
	£	£
Derivative financial instruments held for trading		
Cost brought forward	–	712,142
Purchases	33,238,926	6,237,568
Sales	(23,991,363)	(14,091,736)
Net realised gains	(9,247,563)	7,142,026
Cost carried forward	–	–
Unrealised gains brought forward	21,080	6,288,373
Movement in unrealised gains	(21,080)	(6,267,293)
Unrealised gains carried forward	–	21,080
Fair value of derivatives held for trading	–	21,080
Total derivative financial instruments held for trading	–	21,080
Total financial assets designated at FVTPL and derivatives held for trading	121,642,713	89,066,925

Total realised gains and losses and unrealised gains and losses on the Company's equity, debt and derivative financial instruments are made up of the following gain and loss elements:

	2021	2020
	£	£
Realised gains	5,286,855	29,509,499
Realised losses	(19,699,406)	(20,497,284)
Net realised (losses)/gains in financial assets designated at FVTPL and derivatives held for trading	(14,412,551)	9,012,215
Movement in unrealised gains	9,326,603	(76,243,496)
Movement in unrealised losses	44,558,134	(64,130,092)
Net movement in unrealised gains/(losses) in financial assets designated at FVTPL and derivatives held for trading	53,884,737	(140,373,588)

10. TRADE AND OTHER PAYABLES

	2021	2020
	£	£
Current liabilities:		
Accruals	195,392	184,063
Unsettled trade purchases	4,369,176	14,109
	4,564,568	198,172

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

Notes to the Financial Statements
For the year ended 30 June 2021 (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 (See note 12), is comprised as follows:

	2021		2020	
	Number	£	Number	£
Opening balance	99,624,762	996,248	99,374,762	993,748
Ordinary shares issued during the year	125,000	1,250	250,000	2,500
Issued, called up and fully paid Ordinary shares of £0.01 each	99,749,762	997,498	99,624,762	996,248

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.

In accordance with the Company's Memorandum and Articles of Incorporation the retained earnings and distributable reserve shown in the Company's Statement of Financial Position at the year end are distributable by way of dividend.

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 2021, the Company paid dividends of £2,107,376 (2020: £4,730,473) 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.

12. TREASURY SHARES RESERVE

	2020		2019	
	Number	£	Number	£
Opening balance	7,763,195	12,265,601	3,527,782	6,895,640
Treasury shares purchased during the year	8,249,567	6,926,038	4,235,413	5,369,961
Closing balance	16,012,762	19,191,639	7,763,195	12,265,601

During the year ended 30 June 2021, 8,249,567 (2020: 4,235,413) Treasury shares were purchased at an average price of 83.96 pence per share (2020: 126.79 pence per share), representing an average discount to NAV at the time of purchase of 33.8% (2020: 28.5%).

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

13. DIVIDENDS

On 23 December 2020, the Company declared an interim dividend of £2,107,376 equating to 2.5 pence per Ordinary share, which was paid on 31 January 2021 to shareholders on the register on 8 January 2021.

On 7 July 2021, the Company declared an interim dividend of £2,096,650 equating to 2.5 pence per Ordinary share, which was paid on 30 July 2021 to shareholders on the register on 16 July 2021.

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial risk management objectives

The Investment Manager, Crystal Amber Asset Management (Guernsey) Limited and the Administrator, Ocorian Administration (Guernsey) 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 risk. 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 significant observable inputs on a regular basis and does not consider that any changes are required this year to the categories used in prior years.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its contractual obligations with the Company, resulting in financial loss to the Company. At 30 June 2021 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 2021. 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 accounting date and the S&P credit rating for each counterparty at that date.

			<i>Cash Balance 2021</i>	<i>Cash Balance 2020</i>
	<i>Location</i>	<i>Rating</i>	<i>£</i>	<i>£</i>
Butterfield Bank (Guernsey) Limited	Guernsey	BBB+	5,311,152	5,766,126
Barclays Bank plc – Isle of Man Branch	Isle of Man	A-	136,420	150,029
			5,447,571	5,916,155

The credit ratings disclosed above are the credit ratings of the parent entities of each of the counterparties being The Bank of N. T. Butterfield & Son Limited 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 credit ratings available for the debt instruments held by the Company. At 30 June 2021, £123,276,719 (2020: £88,963,426) of the financial assets of the Company were held by the Custodian, Butterfield Bank (Guernsey) Limited.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Credit risk (continued)

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. 97% (2020: 91%) of the Company's financial assets are held by the Custodian in segregated accounts. 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 BBB+ (2020: BBB+). The remaining balance of financial assets of £4,219,837 (2020: £8,629,707) includes £Nil (2020: £21,080) warrant instruments, £3,677,145 (2020: £5,848,545) loan notes issued by GI Dynamics Inc., £136,420 (2020: £150,029) cash held by Barclays Bank plc and £406,272 (2020: £2,610,053) are trade receivables.

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 and contractual maturities for its financial assets and liabilities:

2021	<i>Weighted average interest rate</i>	<i>Less than 1 year £</i>	<i>1-5 years £</i>	<i>5+ years £</i>	<i>Total £</i>
Assets					
Non-interest bearing		118,508,260	–	–	118,508,260
Variable interest rate instruments	0.00%	5,311,151	–	–	5,311,151
Fixed interest rate instruments	5.00%	3,677,145	–	–	3,677,145
Fixed interest rate instruments	10.00%	–	–	–	–
Liabilities					
Non-interest bearing		(4,564,568)	–	–	(4,564,568)
		122,931,988	–	–	122,931,988

2020	<i>Weighted average interest rate</i>	<i>Less than 1 year £</i>	<i>1-5 years £</i>	<i>5+ years £</i>	<i>Total £</i>
Assets					
Non-interest bearing		85,978,462	–	–	85,978,462
Variable interest rate instruments	0.29%	5,766,126	–	–	5,766,126
Fixed interest rate instruments	5.00%	3,184,555	–	–	3,184,555
Fixed interest rate instruments	10.00%	–	2,663,990	–	2,663,990
Liabilities					
Non-interest bearing		(198,172)	–	–	(198,172)
		94,730,971	–	–	97,394,961

Market risk

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

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

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 will also take the counterparty's credit rating and financial position into consideration.

The cash at hand balances are the only assets with variable interest rates, the movement in variable interest rates is an immaterial amount, therefore no sensitivity analysis for the movement is disclosed.

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. In general, the Company will not invest more than 20% of its gross assets in any single investment at the time of investment. However, there is no guarantee that the value will not rise above 20% after any investment is made, particularly where it is believed that an investment is exceptionally attractive.

The Company's positions in derivative financial instruments are set out in Note 9.

The following tables detail the Company's equity investments as at 30 June 2021.

<i>2021</i>		<i>Value</i>	<i>Percentage</i>
<i>Equity Investments</i>	<i>Sector</i>	<i>£</i>	<i>of Gross Assets</i>
De La Rue plc	Commercial Services	44,560,772	35
GI Dynamics Inc	Healthcare	20,000,482	16
Equals Group plc	Financial Services	18,797,414	15
Hurricane Energy plc	Oil and Gas	16,200,000	13
Allied Minds plc	Private Equity	9,567,511	8
Board Intelligence Ltd	Commercial Services	4,004,232	3
Other	Various	4,835,157	4
Total		117,965,568	93

		<i>Value</i>	<i>Percentage</i>
<i>Equity Investments</i>	<i>Sector</i>	<i>£</i>	<i>of Gross Assets</i>
De La Rue plc	Commercial Services	24,370,625	25
Allied Minds plc	Private Equity	18,069,240	19
Equals Group plc	Financial Services	11,070,749	11
Redde Northgate plc (formerly Northgate plc)	Commercial Services	8,048,247	8
Hurricane Energy plc	Oil and Gas	7,558,259	8
Board Intelligence Ltd	Commercial Services	6,340,942	6
Other	Various	7,739,238	8
Total		83,197,300	85

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Price risk (continued)

The following tables detail the investments in which the Company holds more than 20% of the relevant entities. These have been recognised at fair value as the Company is regarded as an investment entity as set out in Note 1.

<i>2021</i>		<i>Place of</i>	<i>Percentage</i>
<i>Equity Investments</i>	<i>Place of Business</i>	<i>Incorporation</i>	<i>Ownership</i>
			<i>Interest</i>
Leaf Clean Energy plc	United Kingdom	United Kingdom	23.7
Hurricane Energy plc	United Kingdom	United Kingdom	22.6
Equals Group plc	United Kingdom	United Kingdom	22.4
Allied Minds plc	United States	United States	21.2
GI Dynamics Inc.	United States	United States	*

<i>2021</i>		<i>Place of</i>	<i>Percentage</i>
<i>Equity Investments</i>	<i>Place of Business</i>	<i>Incorporation</i>	<i>Ownership</i>
			<i>Interest</i>
GI Dynamics Inc.	United States	United States	73.1
Allied Minds plc	United States	United States	22.5
Equals Group plc	United Kingdom	United Kingdom	21.4

* GI Dynamics Inc. is a private company and its shares are not listed on a stock exchange. Therefore, the percentage held is not disclosed.

The Company has assessed the price risk of the listed equity, debt and derivative financial instruments based on a potential 25% (2020: 25%) increase/decrease in market prices, which the Company believes represents the effect of a possible change in market prices and provides consistent analysis for shareholders, as follows:

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% higher (2020: 25% higher), the Company's return and net assets for the year ended 30 June 2021 would have increased by £23,152,596, net of any impact on performance fee accrual (2020: £19,187,613);
- If market prices of listed equity, debt and derivative financial instruments had been 25% lower (2020: 25% lower), the Company's return and net assets for the year ended 30 June 2021 would have decreased by £23,152,596, net of any impact on performance fee accrual (2020: decreased by £19,187,613 reflecting the effect of the derivative financial instruments held at the reporting date); and
- There would have been no impact on the other equity reserves.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

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, Euro and US Dollars (2020: Australian Dollars, Euro and US Dollars).

The table below illustrates the Company's exposure to foreign exchange risk at 30 June 2021:

	2021	2020
	£	£
Financial assets designated at FVTPL:		
Listed equity investments denominated in Australian Dollars	–	1,494,943
Listed equity investments denominated in Euro	84,727	367,864
Debt instruments denominated in US Dollars	3,677,145	5,848,545
Warrant instruments denominated in US Dollars	–	21,080
Total assets	3,761,872	7,732,432

If the Australian Dollar weakened/strengthened by 10% (2020: 10%) against Sterling with all other variables held constant, the fair value of equity investments would increase/decrease by £Nil (2020: £149,494).

If the Euro weakened/strengthened by 10% against Sterling with all other variables held constant, the fair value of equity investments would increase/decrease by £8,473 (2020: £36,786).

If the US Dollar weakened/strengthened by 10% (2020: 10%) against Sterling with all other variables held constant, the fair value of debt instruments would increase/decrease by £367,715 (2020: £584,855) and the fair value of the derivative financial instruments would increase/decrease by £Nil (2020: £2,108).

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 2021 (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 2021 and 30 June 2020:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>2021</i>	£	£	£	£
Financial assets designated at FVTPL and derivatives held for trading:				
Equities – listed equity investments	89,741,685	2,868,699	–	92,610,384
Equities – unlisted equity investments	–	–	25,355,184	25,355,184
Debt – loan notes	–	–	3,677,145	3,677,145
	<u>89,741,685</u>	<u>2,868,699</u>	<u>29,032,329</u>	<u>121,642,713</u>

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>2020</i>	£	£	£	£
Financial assets designated at FVTPL and derivatives held for trading:				
Equities – listed equity investments	74,747,380	2,003,070	–	76,750,450
Equities – unlisted equity investments	–	–	6,446,850	6,446,850
Debt – loan notes	–	610,415	5,238,130	5,848,545
Derivatives – warrant instruments	–	21,080	–	21,080
	<u>74,747,380</u>	<u>2,634,565</u>	<u>11,684,980</u>	<u>89,066,925</u>

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 equity investment relates to Sutton Harbour due to the low volume of trading activity in the market for this investment and has been valued by reference to the closing bid price in the investee company on the reporting date.

Notes to the Financial Statements
For the year ended 30 June 2021 (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 valuation multiples of publicly-listed cloud software companies, after applying a discount equivalent to that which prevailed at the time of its last investment round in June 2020. The Level 3 equity investment in Leaf Clean Energy Company was revalued in the period taking into account the expected proceeds of the company's wind down. It had previously been held at the delisting bid price. The Level 3 equity and debt investments in GI Dynamics were valued by reference to the discounted cash flow valuation of the company with an additional discount for dilution risk. The total valuation was then allocated through a waterfall to the different instruments owned by the Fund, being a loan note, Series A shares and common stock.

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:

	<i>2021</i>	<i>2020</i>
	£	£
Opening balance at 1 July	11,684,980	9,561,369
GI Dynamics Inc – Transfer to Level 3	4,294,452	–
Purchases	15,776,344	3,551,095
Movement in unrealised (losses)/gains	12,187,394	(1,851,998)
Conversion of loans	(8,902,985)	–
Sales	(3,183,907)	–
Net realised gain	1,830,764	–
Effect of exchange rate movements	(4,654,713)	318,606
Closing balance at 30 June	<u>29,032,329</u>	<u>11,684,980</u>

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.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Fair value hierarchy – Level 3 (continued)

The table below provides information on significant unobservable inputs used at 30 June 2021 in measuring equity financial instruments categorised as Level 3 in the fair value hierarchy. It also details the sensitivity to changes in significant unobservable inputs used to measure value in each case.

	<i>Valuation Method</i>	<i>Fair Value at 30 June 2021</i>	<i>Unobservable inputs</i>	<i>Factor</i>	<i>Sensitivity to changes in significant unobservable inputs</i>
Board Intelligence	Discount to comparable company multiples	4,004,233	Comparable Revenue multiple Discount to comparable multiple	13.8x 52.7%	A 25% increase (decrease) in the revenue multiple would increase (decrease) FV by £1.6m (£1.2m) A 25% decrease (increase) in the discount to the revenue multiple would increase (decrease) FV by £1.4m (£1.1m)
GI Dynamics	Discounted cash flow	20,000,283	Discount rate High growth rate Number of high growth years Long term growth rate Dilution discount	43% 48% 9 2.5% 20%	An increase (decrease) in the discount rate to 48% (38%) would reduce (increase) FV by £7.5m (£11.1m) A decrease (increase) in the near term growth rate to 58% (38%) would decrease (increase) FV by £3.6m An increase (decrease) of the dilution discount to 30% (to 10%) would reduce (increase) FV by £2.7 million
Leaf Clean	Discounted cash flow on expected wind down proceeds	1,350,468	Discount rate	10%	A 20% change to the discount rate would impact FV by £0.02 million
	<i>Valuation Method</i>	<i>Fair Value at 30 June 2020</i>	<i>Unobservable inputs</i>	<i>Factor</i>	<i>Sensitivity to changes in significant unobservable inputs</i>
Board Intelligence	Blended value implied by proposed substantial investment from an independent unconnected investor	6,446,850	n/a	n/a	n/a

Assuming all other variables are held constant:

- In 2020, if unobservable inputs in Level 3 debt investments had been 5% higher/lower, the Company's return and net assets for the year ended 30 June 2020 would have increased/decreased by £261,907,
- In 2020, if unobservable inputs in Level 3 equity investments at 30 June had been 25% higher/lower, the Company's return and net assets for the year ended 30 June 2020 would have increased/decreased by £1,611,713; and
- There would have been no impact on the other equity reserves.

Notes to the Financial Statements
For the year ended 30 June 2021 (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 (2020: 10,000) Ordinary shares in the Company, representing 0.01% (2020: 0.01%) of the voting share capital of the Company at the year end.

During the year the Company incurred management fees of £1,586,269 (2020: £2,489,201) of which £Nil were outstanding at the year end (2020: £ Nil). There were no performance fees incurred in the year (2020: £Nil) and none outstanding at the year end (30 June 2020: Nil).

As at 30 June 2021 the Investment Manager held 6,904,330 Ordinary shares (2020: 7,037,991) of the Company, representing 6.92% (2020: 7.66%) of the voting share capital.

As at 30 June 2021, the Company's investment in GI Dynamics Inc. is an unconsolidated subsidiary due to the Company's percentage holding in the voting share capital of GID. As GID is a private company and its shares are not listed on a stock exchange, the percentage held is not disclosed. There is no restriction on the ability of GID to pay cash dividends or repay loans, but it is unlikely that GID will make any distribution or loan repayments given its current strategy. During the year the Company purchased convertible loan notes (not driven by any contractual obligation) for the purpose of supporting GID in pursuing its strategy.

GI Dynamics Inc. was incorporated in Delaware, had five wholly-owned subsidiaries as at 30 June 2021 and its principal place of business is Boston. The five subsidiaries were as follows:

- GI Dynamics Securities Corporation, a Massachusetts-incorporated non-trading entity;
- GID Europe Holding B.V., a Netherlands-incorporated non-trading holding company;
- GID Europe B.V., a Netherlands-incorporated company that conducts certain European business operations;
- GID Germany GmbH, a German-incorporated company that conducts certain European business operations; and
- GI Dynamics Australia Pty Ltd, an Australian-incorporated company that conducts Australian business operations.

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:

	<i>2021</i>		<i>2020</i>	
	<i>Number of Ordinary shares</i>	<i>Total voting rights</i>	<i>Number of Ordinary shares</i>	<i>Total voting rights</i>
Christopher Waldron	30,000	0.03%	30,000	0.03%
Jane Le Maitre ⁽¹⁾	13,500	0.01%	13,500	0.01%
Fred Hervouet	7,500	0.01%	7,500	0.01%
Total	51,000	0.05%	51,000	0.05%

⁽¹⁾ Ordinary shares held indirectly

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

16. DIRECTORS' INTERESTS AND REMUNERATION (continued)

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

	2021	2020
	£	£
Christopher Waldron ⁽¹⁾	47,500	47,500
Jane Le Maitre ⁽²⁾	42,500	42,500
Fred Hervouet ⁽³⁾	40,000	38,048
Nigel Ward ⁽⁴⁾	–	15,761
Total	130,000	143,809

⁽¹⁾ Chairman of the Company with effect from 23 November 2017

⁽²⁾ Chairman of Audit Committee with effect from 4 January 2018

⁽³⁾ Chairman of Remuneration and Management Engagement Committee with effect from 22 November 2019

⁽⁴⁾ Retired with effect from 22 November 2019

The level of remuneration of the Directors reflects the time commitment and responsibilities of their roles. The Chairman is entitled to annual remuneration of £47,500 (2020: £47,500), the Chairman of the Audit Committee is entitled to annual remuneration of £42,500 (2020: £42,500) and the Chairman of the Remuneration and Management Engagement Committee is entitled to annual remuneration of £40,000 (2020: £40,000), of which £2,500 (2020: £2,500) relates to representing the Board at the Risk Committee meetings of the Investment Manager. Independent Directors are entitled to annual remuneration of £35,000 (2020: £35,000).

At 30 June 2021, Directors' fees of £32,500 (2020: £32,500) 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% 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%.

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.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

17. MATERIAL AGREEMENTS (continued)

Crystal Amber Asset Management (Guernsey) Limited (continued)

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 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 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 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
2. the achievement of a “high-water mark”: 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-water mark exceeded, the performance fee is an amount equal to 20% 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. During 2019, the Company agreed that performance fees accruing in respect of the current year be calculated as if no charitable shares had been issued during that year.

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

17. MATERIAL AGREEMENTS (continued)

Crystal Amber Asset Management (Guernsey) Limited (continued)

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.

Performance fee for year ended 30 June 2021

At 30 June 2021, the Basic Performance Hurdle was 249.84 pence (as adjusted for all dividends paid during the performance period on their respective payment dates, compounded at the applicable annual rate) (2020: 230.03 pence), and the high-water mark (adjusted for dividends) was 241.62 pence.

The NAV per share before any accrual for the performance fee payable in respect of the year was 153.11 pence, excluding the issuance of charitable shares on 25 September 2020. Accordingly, no performance fee was earned during the year ended 30 June 2021 (2020: £Nil).

Ocorian Administration (Guernsey) 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% (2020: 0.12%) of that part of the NAV of the Company up to £150 million and 0.1% (2020: 0.1%) 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 £134,392 (2020: £157,059).

Butterfield Bank (Guernsey) Limited

Under the custodian agreement, the Custodian receives a fee, calculated and payable quarterly in arrears at the annual rate of 0.05% (2020: 0.05%) 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 £55,465 (2020: £69,696).

Notes to the Financial Statements
For the year ended 30 June 2021 (continued)

18. LOAN FACILITY

On 1 July 2020, the Company entered into a loan facility with Intertrader Limited whereby it transferred an amount of equity holdings with a value of £19.1 million as at 1 July 2020 to Intertrader Limited to be held as collateral for CFD instruments. The interest charged on the loan facility is 2% per annum of the daily overnight loan balance. The Company may draw on a loan facility of up to 25% of the value of the initial equity holdings transferred. The balance of this facility is as follows:

	2021	2020
	£	£
Opening balance	–	–
Drawdowns	22,785,705	–
Repayments by way of sale of CFD instruments	(22,975,306)	–
Repayments by way of dividends receivable on CFD instruments	(149,820)	–
Facility fees payable	316,925	–
Facility commissions payable	22,496	–
Closing balance	–	–

As at the date of this report, the amount owed to Intertrader Limited under the loan facility was £Nil.

19. ULTIMATE CONTROLLING PARTY

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

20. POST BALANCE SHEET EVENTS

On 7 July 2021, the Company declared an interim dividend of £2,093,425 equating to 2.5 pence per Ordinary share, which was paid on 4 August 2021 to shareholders on the register on 16 July 2021.

On 19 August 2021, the Company reported that its unaudited NAV at 31 July 2021 was 139.05 pence per Ordinary share.

On 24 September 2021, the Company reported that its unaudited NAV at 31 August 2021 was 138.78 pence per Ordinary share.

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;

“**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;

“**ARR**” means annual recurring revenue;

“**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;

“**Board**” or “**Directors**” or “**Board of Directors**” means the directors of the Company;

“**BOE**” means barrels of oil equivalent;

“**Brexit**” means the departure of the UK from the European Union;

“**CBRS**” means Citizens Broadband Radio Service;

“**CEO**” means chief executive officer;

“**CE Mark**” means a certification mark that indicates conformity with health, safety, and environmental protection standards;

“**CFD**” means Contracts for Difference;

“**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;

Glossary of Capitalised Defined Terms (continued)

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

“**EndoBarrier**” means a minimally invasive medical device for treatment of type 2 diabetes;

“**EPS**” means Early Production System;

“**Equals**” means Equals Group plc;

“**FATCA**” means Foreign Account Tax Compliance Act;

“**FCA**” means the Financial Conduct Authority;

“**FDA**” means the United States Food and Drug Administration;

“**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;

“**FV**” means Fair Value;

“**FVTPL**” means Fair Value Through Profit or Loss;

“**General Counsel**” means the main lawyer who gives legal advice to a company;

“**GFSC**” means the Guernsey Financial Services Commission;

“**GFSC Code**” means the GFSC Finance Sector Code of Corporate Governance;

“**GID**” means GI Dynamics, Inc.;

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

“**HQ**” means headquarters;

“**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, 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;

Glossary of Capitalised Defined Terms (continued)

“**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;

“**KPMG**” means KPMG Channel Islands Limited;

“**LSE**” or “**London Stock Exchange**” means the London Stock Exchange plc;

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

“**MW**” means megawatt;

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

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

“**NMPI**” means Non-Mainstream Pooled Investments;

“**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;

“**R&D**” means research and development;

“**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;

“**SaaS**” means a Software-as-a-Service;

“**Smaller Companies Index**” means an index of small market capitalisation companies;

“**SME**” means small and medium sized enterprises;

“**SORP**” means Statement of Recommended Practice;

“**SPS**” means Spectrum Payment Services Ltd;

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

“**Supreme Court**” means the highest court in the federal judiciary of the US;

“**Target Multiple**” means the maximum multiple of the original investment that could be paid, given value drivers, and receive a desired return on investment;

“**TISE**” means The International Stock Exchange;

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

Glossary of Capitalised Defined Terms (continued)

“**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 pounds sterling and “pence” means British pence.

Directors and General Information

Directors

Christopher Waldron (*Chairman*)
Fred Hervouet (*Chairman of Remuneration and Management Engagement Committee*)
Jane Le Maitre (*Chairman of Audit Committee*)

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Administrator and Secretary

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Identifiers

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Sedol: B1Z2SL4
Ticker: CRS
Website: <http://crystalamber.com>

Investment Manager

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For your Notes

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