



Crystal Amber Fund Limited

Placing and Admission  
to AIM and CISX

Nominated Adviser & Broker  
John East & Partners Limited

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.**

This document comprises a listing document for the purposes of the application for admission of the Ordinary Shares to the Daily Official List of the Channel Islands Stock Exchange, LBG (the “Channel Islands Stock Exchange” or the “CISX”) and includes particulars given in compliance with the Listing Rules of the Channel Islands Stock Exchange for the purpose of giving information with regard to the Company in relation to the admission and listing of the Ordinary Shares on the Channel Islands Stock Exchange.

The CISX has been recognised by the UK HM Revenue & Customs under Section 841 of the Income & Corporation Taxes Act 1988 and approved by the UK Financial Services Authority as a Designated Investment Exchange within the meaning of the Financial Services and Markets Act 2000.

It is expected that the Ordinary Shares issued pursuant to the Placing will be admitted to listing and to trading on the CISX and that dealings will commence in the Ordinary Shares on 17 June 2008. Heritage Corporate Services Limited is acting as sponsoring member in relation to the application for the listing of the Ordinary Shares on the CISX.

Neither the admission of the Ordinary Shares to the Daily Official List of the CISX nor the approval of this document pursuant to the listing requirements of the Channel Islands Stock Exchange shall constitute a warranty or representation by the Channel Islands Stock Exchange as to the competence of the service providers to, or any party connected with, the Company, the adequacy and accuracy of the information contained in this document or the suitability of the Company for investment or for any other purpose.

This document is an admission document required by the rules of AIM, the market of that name operated by the London Stock Exchange. This document does not comprise a prospectus for the purposes of the Prospectus Rules issued by the Financial Services Authority.

The Company and the Directors, whose names appear on page 4 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Application has been made for the Ordinary Shares to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

It is expected that Admission will take place, and dealings in the Ordinary Shares will commence, on AIM and on CISX on 17 June 2008.

**Your attention is drawn in particular to the section entitled “Risk Factors” in Part II of this document.**

---

# Crystal Amber Fund Limited

*(Incorporated and registered in Guernsey under the Companies (Guernsey) Law, 1994 (as amended) with registered number 47213)  
(ISIN: GG00B1Z2SL48)*

## Placing of 60,000,000 Ordinary Shares at 100 pence per Share

### Admission to trading on AIM and CISX

#### NOMINATED ADVISER AND BROKER

#### John East & Partners Limited

#### FINANCIAL ADVISER

#### West Hill Corporate Finance Limited

---

The following table shows the authorised share capital and issued share capital of the Company immediately following the Placing:

Authorised			Issued and fully paid	
£	Number		£	Number
3,000,000	300,000,000	Ordinary Shares of £0.01 each	600,000.00	60,000,000

Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, has been obtained for the issue of this document and the associated raising of funds. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or the opinions expressed with regard to it.

John East & Partners Limited (“JEP”) and West Hill Corporate Finance Limited (“West Hill”), which are authorised and regulated by the Financial Services Authority, are acting exclusively for the Company and no one else in connection with the Placing and the proposed Admission. JEP and West Hill will not regard any other person as their respective customer or be responsible to any other person for providing the protections afforded to customers of JEP or West Hill nor for providing advice in relation to the transactions and arrangements detailed in this document. JEP and West Hill are not making any representation or warranty, express or implied, as to the contents of this document.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Ordinary Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, South Africa or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) (“US Persons”) or to any national, resident or citizen of Canada, Australia, South Africa or Japan. Subject to certain exceptions, neither this document nor any copy of it may be distributed directly or indirectly to any US persons or to addresses in the United States (or any of its territories or possessions), Canada, Australia, South Africa or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

This document does not constitute an issue prospectus pursuant to Art. 652a or Art. 1156 of the Swiss Code of Obligations nor a listing prospectus under the listing rules of SWX Swiss Exchange. The Company has not and will not register with the Swiss Federal Banking Commission as a foreign investment fund. The Ordinary Shares are not and may not be offered or distributed to the public in or from Switzerland. The Ordinary Shares are only offered to Qualified Investors, as defined under Art. 10 (3) and (4) of the Federal Act on Collective Investment Schemes and Art. 6 (2) of the Ordinance on Collective Investment Schemes. This document is personal and confidential to each recipient and does not constitute an invitation to any other person. This document may only be used by those persons to whom it has been handed out in connection with the Placing described therein and may neither be copied or directly nor indirectly be distributed or made available to other persons without the express consent of the Company, JEP and West Hill.

## **Contents**

	Page
<b>Important Notice</b>	3
<b>Directors and advisers</b>	4
<b>Definitions</b>	5
<b>Placing statistics</b>	8
<b>Expected timetable of principal events</b>	8
<b>Summary</b>	9
<b>PART I      Information on the Company and the Placing</b>	12
Introduction	12
Manager and Investment Adviser	12
Investment policy	12
Investment strategy	12
Investment restrictions	13
Potential composition of the portfolio	14
Market opportunity	14
Investment process	15
Financial information and reports	16
Distribution policy	17
Conflicts of interest and time allocation	18
Board of Directors	19
Corporate governance	20
Manager	20
Investment Adviser	22
Custodian	24
Other on-going operating costs	24
The Placing and use of proceeds	25
Lock-in Arrangements	26
<b>PART II      Risk Factors</b>	27
<b>PART III     Financial information on the Company</b>	38
<b>PART IV      Taxation</b>	40
<b>PART V       Valuation</b>	43
<b>PART VI      Additional Information</b>	44

## **Important Notice**

**Investors should take independent advice and should carefully consider the section of this document headed “Risk Factors” before making any decision to purchase Ordinary Shares.**

**Investment in Ordinary Shares will involve significant risks. Ordinary Shares may not be suitable for all recipients or be appropriate for their personal circumstances. You should carefully consider in the light of your financial resources whether investing in the Company is suitable for you. An investment in Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise (which may be equal to the whole amount invested).**

THE ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY U.S. STATE SECURITIES LAWS. THE ORDINARY SHARES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) UNLESS THE ORDINARY SHARES ARE REGISTERED UNDER THE SECURITIES ACT OR THE COMPANY IS REGISTERED UNDER THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”) OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE INVESTMENT COMPANY ACT ARE AVAILABLE.

The Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”), any U.S. state securities commission or any other regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

The Company’s Articles contain provisions designed to restrict the holding of Ordinary Shares by persons, including US Persons, where in the opinion of the Directors such a holding could cause or be likely to cause the Company some legal, regulatory, pecuniary, tax or material administrative disadvantage. Ordinary Shares held by ERISA Plan Investors are subject to provisions requiring a compulsory transfer as set out in the Articles.

### **For the attention of United Kingdom residents**

Neither West Hill, nor JEP, nor the Investment Adviser has approved this document for the purposes of the Financial Services and Markets Act 2000, as amended (“FSMA”). This document is being supplied to you solely for your information and may not be reproduced, further distributed or published in whole or in part by any other person. As the Placing Shares will be offered to fewer than 100 persons (other than qualified investors within the meaning of Section 86(7) of FSMA) per member state of the European Economic Area, the Placing will be an exempt offer of securities to the public for the purposes of Section 86 of FSMA. Accordingly, this document is not a prospectus and does not require the approval of the FSA or any other relevant authority in any other member state of the European Economic Area.

## Directors and advisers

<b>Directors</b>	William Nicholas Collins ( <i>Non-Executive Chairman</i> ) Sarah Evans ( <i>Non-Executive</i> ) Mark Naylor Huntley ( <i>Non-Executive</i> ) John Nigel Ward ( <i>Non-Executive</i> ) <i>all of:</i> Polygon Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY	
<b>Investment Manager</b>	Crystal Amber Asset Management (Guernsey) Limited Polygon Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY	
<b>Investment Adviser</b>	Crystal Amber Advisers (UK) LLP 29 Curzon Street London W1J 7TL	
<b>Administrator and Company Secretary</b>	Heritage International Fund Managers Limited Polygon Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY	
<b>CISX Listing Sponsor</b>	Heritage Corporate Services Limited Polygon Hall Le Marchant Street St. Peter Port Guernsey GY1 4HY	
<b>Nominated Adviser and Broker</b>	John East & Partners Limited 10 Finsbury Square London EC2A 1AD	
<b>Financial Adviser</b>	West Hill Corporate Finance Limited 60 Lombard Street London EC3V 9EA	
<b>Legal Advisers to the Company</b>	<i>As to English Law:</i> Norton Rose LLP 3 More London Riverside London SE1 2AQ	<i>As to Guernsey Law:</i> Carey Olsen 7 New Street St Peter Port Guernsey GY1 4BZ
<b>Legal Adviser to the Nominated Adviser</b>	Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW	
<b>Auditors, Reporting Accountants and Tax Adviser</b>	KPMG Channel Islands Limited 20 New Street St Peter Port Guernsey GY1 4AN	
<b>Custodian</b>	Fortis Bank (C.I.) Limited P O Box 119 Martello Court Admiral Park St Peter Port Guernsey GY1 3HB	
<b>Registrar</b>	Capita Registrars (Guernsey) Limited 2nd Floor No. 1 Le Truchot St. Peter Port Guernsey GY1 4AE	

## **Definitions**

<b>“Act”</b>	the Companies Act 1985 (as amended) or as replaced by the Companies Act 2006
<b>“Admission”</b>	the admission of the Ordinary Shares in issue and to be issued pursuant to the Placing to trading on AIM in accordance with the AIM Rules and to listing on the Daily Official List and trading on CISX both becoming effective in accordance with the CISX Rules
<b>“Administration Agreement”</b>	the administration agreement dated 16 June 2008 between the Company and the Administrator, as described in paragraph 7.3 of Part VI of this document
<b>“Administrator”</b>	Heritage International Fund Managers Limited
<b>“Advisers”</b>	the Manager and the Investment Adviser
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies
<b>“Articles”</b>	the articles of association of the Company
<b>“Board” or “Directors”</b>	the board of directors of the Company (including a duly constituted committee thereof) which, at the date of this document, comprises William Collins, Sarah Evans, Mark Huntley and Nigel Ward
<b>“CISX”</b>	the Channel Islands Stock Exchange, LBG
<b>“CISX Rules”</b>	the listing rules produced by CISX and applicable to securities listed on CISX
<b>“Combined Code”</b>	the Combined Code on Corporate Governance issued by the Financial Reporting Council
<b>“Company” or “Fund”</b>	Crystal Amber Fund Limited
<b>“Court”</b>	the Royal Court of Guernsey
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (as amended from time to time) and such other regulations as are applicable to Euroclear and/or CREST from time to time
<b>“Custodian”</b>	Fortis Bank (C.I.) Limited
<b>“Custodian Agreement”</b>	the custodian agreement dated 16 June 2008 between the Company and the Custodian, as described in paragraph 7.4 of Part IV of this document



## **Definitions** (continued)

<b>“Daily Official List”</b>	Daily Official List of the CISX
<b>“DTRs” or “Disclosure and Transparency Rules”</b>	the FSA Disclosure and Transparency Rules source book (as amended from time to time)
<b>“ERISA”</b>	the United States of America Employee Retirement Income Security Act of 1974, as amended
<b>“ERISA Plan Investors”</b>	a Benefit Plan Investor that is subject to Title 1 of ERISA or section 4975 of the U.S. Code
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales and the operator of CREST
<b>“Eurovestech”</b>	Eurovestech plc
<b>“FSA”</b>	the Financial Services Authority of the United Kingdom
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“GFSC”</b>	the Guernsey Financial Services Commission
<b>“Gross Asset Value”</b>	the Net Asset Value plus an amount equal to the long term borrowings of the Company and its subsidiaries from time to time
<b>“IFRS”</b>	International Financial Reporting Standards
<b>“Investment Adviser”</b>	Crystal Amber Advisers (UK) LLP
<b>“Investment Advisory Agreement”</b>	the investment advisory agreement between the Company, the Manager and the Investment Adviser dated 16 June 2008, as described in paragraph 7.2 of Part VI of this document
<b>“IPEV Guidelines”</b>	the International Private Equity and Venture Capital Valuation Guidelines developed by the Association Française des Investisseurs en Capital (AFIC), the British Venture Capital Association (BVCA) and the European Private Equity and Venture Capital Association (EVCA) in 2005
<b>“JEP”</b>	John East & Partners Limited, the Company’s nominated adviser and broker for the purposes of the AIM Rules
<b>“Law”</b>	the Companies (Guernsey) Law, 1994 (as amended) and subordinate legislation made thereunder and every modification or re-enactment thereof for the time being in force
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Manager”</b>	Crystal Amber Asset Management (Guernsey) Limited

## **Definitions** (continued)

<b>“Management Agreement”</b>	the management agreement dated 16 June 2008 between the Company and the Manager as described in paragraph 7.1 of Part VI of the document
<b>“Net Asset Value” or “NAV” and “Net Asset Value per Ordinary Share”</b>	respectively, the net asset value of the Company and the net asset value of an Ordinary Share as calculated in accordance with the Company’s accounting policies. The method of valuation is described in Part V of this document
<b>“Official List”</b>	the Official List of the UK Listing Authority
<b>“Ordinary Shares” or “Shares”</b>	ordinary shares of 1p each in the capital of the Company
<b>“Placing”</b>	the placing by JEP of the Placing Shares at the Placing Price pursuant to the Placing Agreement and as described in this document
<b>“Placing Agreement”</b>	the nominated adviser, broker and placing agreement between the Company, the Directors, the Manager, the Investment Adviser, Richard Bernstein, West Hill and JEP dated 16 June 2008, as described in paragraph 7.6 of Part VI of this document
<b>“Placing Price”</b>	100p per Share
<b>“Placing Shares”</b>	the new Ordinary Shares to be issued and the subscriber shares to be transferred under the Placing
<b>“Registrar”</b>	Capita Registrars (Guernsey) Limited
<b>“Regulatory Information Service” or “RIS”</b>	a service approved by the London Stock Exchange for the distribution to the public of AIM announcements
<b>“Shareholder”</b>	a holder of Ordinary Shares
<b>“Sterling” or “£” or “p”</b>	the lawful currency of the UK
<b>“West Hill”</b>	West Hill Corporate Finance Limited, the Company’s financial adviser



### **Placing statistics**

Placing Price (in pence)	100p
Number of Ordinary Shares being issued pursuant to the Placing	60,000,000
Expenses of the Placing as a percentage of funds raised pursuant to the Placing	4.9%
Estimated net proceeds of the Placing receivable by the Company	£57.1 million
Market capitalisation at the Placing Price	£60 million

### **Expected timetable of principal events**

	<b>2008</b>
Payment from placees in uncertificated form through CREST	17 June
Admission to trading on AIM and CISX and commencement of dealings	17 June
CREST stock accounts credited (as applicable)	17 June
Definitive Share certificates despatched (as applicable)	by 24 June

## SUMMARY

**THE FOLLOWING INFORMATION IS EXTRACTED FROM, AND SHOULD BE READ AS AN INTRODUCTION TO, THE ADMISSION DOCUMENT.**

*Any investment decision relating to the Placing should be based on the consideration of this document as a whole.*

### **The Company**

Crystal Amber Fund Limited is a closed ended company, incorporated in Guernsey on 22 June 2007. Its share capital is denominated in Sterling and consists of a single class of Ordinary Shares which will be admitted to trading on AIM and the CISX.

The Company proposes to raise £60 million (before expenses) pursuant to the Placing.

### **Investment objective**

The Company's objective is to provide Shareholders with an attractive total return, which is expected to comprise primarily capital growth but with the potential for distributions, including distributions arising from the realisation of investments, if this is considered to be in the best interests of Shareholders.

### **Investment policy**

The Company will be an activist fund which aims to invest in a concentrated portfolio of undervalued companies which are expected to be predominantly, but not exclusively, listed or quoted on UK markets (usually the Official List or AIM) and which have a typical market capitalisation of between £100 million and £1,000 million. Following investment the Company and the Advisers intend to engage with the management of those companies with a view to enhancing value for all their shareholders.

### **Investment strategy**

When investing in undervalued companies, the Company will aim to promote measures designed to correct the undervaluation. The Company will focus on companies which may have been neglected by fund managers and investment funds due to their size or where analyst coverage is inadequate or where analysts have relied on traditional valuation techniques and/or not fully understood the underlying company. It will seek the co-operation of the investee company's management 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 and the Advisers may also seek to modify existing capital structures and introduce greater leverage and/or seek divestiture of certain businesses of the investee company.

Pending investments of the type described above, the Company's funds will be placed on deposit but the Company also has the flexibility to make other investments which are considered to be reasonably liquid in order to ensure that its funds are appropriately deployed.

The Company may, in certain circumstances, acquire stakes in target companies from investors in exchange for Shares in the Company or use debt finance when investing in target companies.

### **Investment restrictions**

It is not intended that the Company will invest, save in exceptional circumstances, in:

- companies with a market capitalisation of less than £100 million at the time of the investment;
- pure technology-based businesses; or
- unlisted companies or in pre-IPO situations.

It is expected that no single investment in any one company will represent more than 30 per cent. of the Gross Asset Value of the Company at the time of investment. However, there is no guarantee that this will be the case after any investment is made, particularly during the early life of the Company or where it is believed that an investment is particularly attractive.

## **The Advisers**

### ***Manager***

The Company has appointed Crystal Amber Asset Management (Guernsey) Limited as manager to make investments in relevant target companies and oversee management of the portfolio. The Manager is a recently established Guernsey registered company whose principal shareholders are Richard Bernstein (the Chief Executive of Eurovestech, a pan-European development capital fund focused on high technology enterprises) and Jonathan Marsh.

### ***Investment Adviser***

The Company and the Manager have also appointed Crystal Amber Advisers (UK) LLP as investment adviser to source and analyse potential investment opportunities for the Manager and, pursuant to a power of delegation from the Manager, to provide general investment and management advice and related services in respect of the Company's investments. The Investment Adviser is a recently established English limited liability partnership which was authorised by the FSA on 30 October 2007. The members of the Investment Adviser are Richard Bernstein and Jonathan Marsh.

## **Market opportunity**

The Directors and the Advisers believe that shareholder activism has the potential to generate superior investment performance. An independent academic study titled 'Returns to Shareholder Activism' released in 2007 by the European Corporate Governance Institute has reported that the engagement processes undertaken by active investors have a substantial effect on corporate activities. According to the Financial Times, recent research by Close Brothers found that 39 per cent. of managers of FTSE 350 companies would be interested in taking their company private given the right opportunity and price.

The Directors believe that the number of potential target companies is high. More than 2,500 companies are quoted on AIM or the Official List and the Directors and Advisers consider that, as at the date of this document, approximately 600 of such companies are in the Fund's targeted range.

## **The Directors**

The Board consists of William Collins (Chairman), Sarah Evans, Mark Huntley and Nigel Ward, all of whom are non-executive directors. Further details of the Directors are set out in Part I of this document.

## **Management and performance fees**

The Manager will receive a management fee at the annual rate of 2.0 per cent. of the Net Asset Value, payable quarterly in advance and calculated on the Net Asset Value on the relevant quarterly accounting date.

The Manager will also be entitled to a performance fee of 20 per cent. of the excess of the NAV per Ordinary Share at the end of the relevant performance period over the higher of:

- (i) the basic performance hurdle (an amount equal to the Placing Price increased at a rate of 7 per cent. per annum on an annual compounding basis up to the end of the relevant performance period);
- (ii) the NAV per Ordinary Share at the start of the relevant performance period; and
- (iii) a 'high watermark',

multiplied by the time weighted average of the number of Ordinary Shares in issue in the relevant performance period.

The Manager will pay part of its fees to the Investment Adviser, who will receive no fees and expenses directly from the Company.

Further details are set out in Part I under “Fees and expenses” and paragraph 7.1 of Part VI of this document.

### **Distribution policy**

The primary objective of the Company is to achieve an attractive total return primarily through capital growth.

The Company’s investment objective and strategy means that the timing and amount of investment income cannot be predicted. There can therefore be no guarantee as to the timing and amount of any distribution payable by the Company, although dividends will be paid if this is considered to be in the best interests of Shareholders.

The Company will have the ability, in certain circumstances, to make distribution payments out of realised investments if considered to be in Shareholders’ interests.

For further information, please see the heading “Distribution policy” in Part I of this document.

### **Life of the Company**

At the annual general meeting of the Company to be held following the eighth anniversary of Admission, an extraordinary resolution will be proposed that the Company ceases to continue as constituted. If the resolution is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter. If the resolution is passed, the Directors shall formulate proposals to be put to the Shareholders to reorganise, reconstruct or wind up the Company. Further, if no investments are made within two years of Admission, a special resolution will be put to Shareholders to wind up the Company.

### **Risk factors**

The attention of investors is drawn to the Risk Factors set out in Part II of this document. There can be no guarantee that the investment objectives of the Company will be met.

An investment in the Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to investment, and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested).

It is possible that not all of the total revenues recorded in the Company’s financial statements will be available to the Company in the form of distributable profits from which to pay a dividend. The Directors may consider alternative means for making such distributions to Shareholders.

Certain investments may represent a significant proportion of the Company’s Gross Asset Value. As a result, the impact on the Company’s performance and the potential returns to Shareholders will be more adversely affected if any one of the investments performs badly than would be the case if the portfolio was more diversified.

The success of the Company is dependent on the performance of the Manager and the Investment Adviser. Accordingly, the loss of the services of the Investment Adviser and/or the Manager and/or their respective key personnel may have a material adverse effect on the Company’s business.

The key personnel of the Manager and the Investment Adviser have significant other business interests which may impact upon the time they are able to spend on the business of the Company and this may potentially give rise to conflicts of interest in certain circumstances.

## **PART I**

### **Information on the Company and the Placing**

#### **Introduction**

Crystal Amber Fund Limited is a closed ended company, incorporated in Guernsey on 22 June 2007. The Company will be an activist fund which aims to identify and invest in undervalued companies and, where necessary, take steps to enhance their value.

The Company's strategy is to identify companies that have a strong market presence and resilient cash flow characteristics which are not fully reflected in their market rating.

The Company aims to provide Shareholders with an attractive total return, which is expected to comprise primarily capital growth but with the potential for distributions including distributions arising from the realisation of investments if this is considered to be in the best interests of Shareholders.

The share capital of the Company is denominated in Sterling and consists of a single class of Ordinary Shares which will be quoted on CISX and traded and quoted on AIM in Sterling. The Company proposes to raise £60 million (before expenses) pursuant to the Placing.

#### **Manager and Investment Adviser**

##### ***Manager***

The Company has appointed Crystal Amber Asset Management (Guernsey) Limited as manager to make the investments on behalf of the Company within the investment policy and parameters prescribed by the Board and reviewed by the Board on a regular basis.

The Manager is a Guernsey registered company, incorporated on 22 June 2007, whose principal shareholders are Richard Bernstein and Jonathan Marsh.

##### ***Investment Adviser***

The Company and the Manager have also appointed Crystal Amber Advisers (UK) LLP as investment adviser to source and analyse potential investment opportunities for the Manager and, pursuant to a power of delegation from the Manager, to provide general investment advice and related services in respect of the investments. The Investment Adviser is a recently established limited liability partnership which was authorised by the FSA on 30 October 2007. The members of the Investment Adviser are Richard Bernstein and Jonathan Marsh.

Further details on the Manager and the Investment Adviser are set out later in Part I of this document.

#### **Investment policy**

The Company will be an activist fund which aims to invest in a concentrated portfolio of undervalued companies which are expected to be predominantly but not exclusively listed, or quoted, on UK markets (usually the Official List or AIM) and which have a typical market capitalisation of between £100 million and £1,000 million. The Company and the Advisers then intend to engage with the management of the investee companies with a view to enhancing value for all shareholders of such companies.

#### **Investment strategy**

The Company will focus on investing in companies which the Advisers consider to be undervalued and will aim to promote measures to correct the undervaluation. In particular, the Company will focus on companies which the Directors and the Advisers believe may have been neglected by fund managers and investment funds due to their size or where analyst coverage is inadequate or where analysts have relied on traditional valuation techniques and/or not fully understood the underlying company. The Company and the Advisers will seek the co-operation of the company's management

in connection with such corrective measures as far as possible. Where a different ownership structure would enhance value, the Company and the Advisers 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 such seek divestiture of certain businesses of the investee company.

Pending investment of the type referred to above, the Company's funds will be placed on deposit but the Company also has the flexibility to make other investments which are considered to be reasonably liquid in order to ensure that its funds are appropriately deployed. The Company may, in certain circumstances, acquire stakes in target companies from investors in exchange for Shares in the Company.

The Advisers have already begun to identify potential investments and target companies and the Directors expect that the first investment(s) will be made shortly after Admission.

Where it considers it to be appropriate the Company may (i) utilise leverage for the purpose of investment and enhancing returns to Shareholders and (ii) enter into derivative transactions, for example in seeking to manage its exposure to interest rate and currency fluctuations through the use of currency and interest rate hedging arrangements or for the purposes of efficient portfolio management, and to acquire exposure to target companies through contracts for difference.

Save in exceptional circumstances, which will require Board approval, aggregate borrowings will be limited to no more than 25 per cent. of the Net Asset Value at the time of borrowing, however, under the Articles the Company can borrow an amount equal to up to 50 per cent. of the Net Asset Value at the time of the borrowing without the need for the prior approval of Shareholders. Further details are set out in paragraph 5.12 of Part VI of this document.

Further, in certain circumstances, for example in the context of a management buy-out, in which the Company may be involved, an individual investment (or a special purpose vehicle) may be leveraged through debt finance. The level of debt raised as a percentage of the total funding requirement for any transaction will differ depending upon the perceived ability of the investee company to carry and service the debt as well as the conditions in the debt market at the time of the transaction. The Directors and the Advisers consider it vital not to leverage a company beyond its serviceable debt, and will attempt where possible, to mitigate debt risk by ring-fencing assets to protect the underlying equity value, although prospective investors should appreciate that ring-fencing may not always be possible.

### **Change in investment policy and strategy**

The investment policy and strategy of the Company, as stated in this document, may only be varied in a material respect by way of ordinary resolution of the holders of Ordinary Shares. Such sanction will not be required if the variation is to correct a manifest error or is necessary to comply with fiscal, statutory or official requirements, actual or proposed, or if the Manager certifies that such variation does not materially prejudice the interests of Shareholders and does not operate to a material extent to release the Manager from any responsibility to any Shareholders.

The Directors confirm that, as required by the AIM Rules, they will seek Shareholder approval of the Company's investment policy and strategy at each annual general meeting of the Company.

### **Cash management activities**

Pending investment in accordance with the Company's investment policy and strategy, the Fund's assets will be held temporarily as cash in a deposit account of the Custodian until suitable investment opportunities have been selected, but the Company also has the flexibility to make other investments which are considered to be reasonably liquid in order to ensure that its funds are appropriately deployed.

### **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 in pre-IPO situations.

It is expected that no single investment in any one company will represent more than 30 per cent. of the Gross Asset Value of the Company at the time of investment. However, there is no guarantee that this will be the case after any investment is made, particularly during the early life of the Company or where the Directors and the Advisers believe that an investment is particularly attractive.

### **Potential composition of the portfolio**

The Directors and Advisers believe that the number of potential target companies is high with more than 2,500 companies quoted on AIM or the Official List and they consider that, as at the date of this document, approximately 600 of these are in the Fund's targeted range.

The Advisers currently intend to target investments in companies typically operating in one or more of the following sectors:

- consumer products;
- industrial products;
- retail;
- support services;
- healthcare; and
- financial services.

There is no assurance, however, that such focus will be followed as any investment decisions will be taken based on market conditions and other investment considerations at the time of investment.

### **Market opportunity**

The Directors and the Advisers believe that shareholder activism has the potential to generate superior investment performance. An independent academic study titled 'Returns to Shareholder Activism' released in 2007 by the European Corporate Governance Institute reported that the engagement processes undertaken by active investors have a substantial effect on corporate activities. The study concluded that the excess returns of an activist fund linked to the engagement outcomes were estimated to account for 90 per cent. of the outperformance of 4.9 per cent. (excluding fees) on an annual basis against the FTSE All Share Index over the period 1998-2004. The engagement rarely took a public form and was predominantly executed through private intervention. Engagements involving collaboration with the boards of directors and the management teams were no less fruitful than hostile engagements. The return on assets was significantly higher one year after the completed engagements, suggesting that the performance benefits arising from the engagements have a lasting impact. According to the Financial Times, recent research by Close Brothers found that 39 per cent. of managers of FTSE 350 companies would be interested in taking their company private given the right opportunity and price.

### ***Eurovestech plc***

Richard Bernstein is a director of the Manager, a member of the Investment Adviser and also a director and Chief Executive of Eurovestech. Eurovestech is a pan-European development capital fund focused on high-technology enterprises which is admitted to trading on AIM and is one of the best performing UK quoted technology funds. Between Eurovestech's admission to AIM in March 2000 and 13 June 2008, its shares rose by 275 per cent., compared to a 72 per cent. decline in the FTSE techMARK 100 Index in the same period.

Eurovestech has made several successful investments in quoted and unquoted technology businesses such as ToLuna plc, Knowledge Support Systems Limited and Magenta Corporation Limited. Between ToLuna plc's admission to AIM in May 2005 and 13 June 2008, its shares rose by 193 per cent. compared to a 0.74 per cent. rise in the FTSE-AIM All-Share Index in the same period.



## **Investment process**

The investment process undertaken by the Manager and the Investment Adviser will be broadly as follows:

### ***Investment criteria***

The Investment Adviser will aim to identify and source potential investment opportunities and initiate preliminary due diligence on such potential investments. The Investment Adviser will then present an investment opportunity to the Manager. Each potential investment will be assessed on, *inter alia*, a total return expectation and risk criteria. If the Investment Adviser and Manager are satisfied that the potential investment opportunity meets the current investment strategy, it will be approved by the Manager for a more detailed analysis.

When seeking potential target companies, the Investment Adviser will apply the following investment criteria:

- (a) the target company is underperforming;
- (b) the Investment Adviser believes it can engage successfully with the management of the target company; and
- (c) the Investment Adviser considers that there is the potential to achieve a minimum total return of 20 per cent.

### ***Measures***

Provided a target company fulfils the above investment criteria, an investment will be considered with a view to substantially improving the performance and/or value of the target company. The Investment Adviser will consider a range of possible methods to achieve this objective. Possible measures include:

- (a) *Restructuring*
  - restructuring diversified companies to achieve greater focus
  - restructuring non-diversified companies through asset sales
  - preventing an acquisition
  - disciplining capital expenditures
  - reviewing the company's acquisition policy
  - initiating steps aimed at reducing the discount to NAV
- (b) *Financial policies*
  - re-financing
  - increasing the cash payout to shareholders
- (c) *Board changes*
  - changing the chief executive officer, the chairman and/or the non-executive directors
  - strengthening the independent element on the board of directors
  - changing the remuneration policy
- (d) *Other policies*
  - improving operational management
  - addressing possible unequal treatment of shareholders
  - improving investor relations.

### ***Project analysis and Manager approval***

Having undertaken the assessments described above, the Investment Adviser will then revert to the Manager for final approval. The Manager will consider the proposal and, if appropriate, approve the investment on behalf of the Company on such terms as it determines are appropriate. The Advisers will then proceed to implement the investment on such terms.

The Manager will also supervise the ongoing monitoring and management of the relevant investment.

The Investment Adviser will also be permitted, in exceptional circumstances and within any parameters issued by the Board and the Manager from time to time, to make investments without recourse to the Manager and the approval process outlined above. This power will only be exercised where the Investment Adviser, acting reasonably and in good faith and having regard to prevailing market conditions, considers that time critical market reactive decisions are required. Such exceptional circumstances would include being able to take advantage of a time limited investment opportunity or attempting to avoid the impact of negative market conditions. In such circumstances, the Investment Adviser will report back to the Manager as soon as possible after such investment has been made.

### ***Engagement process and potential outcomes***

Once the investment has been made, the Investment Adviser will typically begin the engagement process by presenting the changes it seeks to make to the management and/or the board of the investee company. The Investment Adviser will usually adopt a pro-active attitude presenting a range of initiatives. Depending on the reaction of the investee company three principal potential scenarios may evolve:

- (a) in the event the investee company reacts positively by accommodating the Investment Adviser's requests, it will monitor the implementation of the changes, await the changes to be reflected in the market value of the investee company and the Company can then potentially realise a gain and exit;
- (b) if the investee company reacts negatively, a range of actions will be considered to press changes on the investee company; and
- (c) if the investee company adopts a neutral attitude, discussions will continue and the nature of the engagement turns either positive or negative.

### ***Valuations and net asset calculations***

Investments will be valued quarterly. Quoted investments of the Company will normally be valued at the bid price, unless a bid price is unavailable in which case the mid market price will be used. Other investments, if any, will be valued based on their fair value as determined by the Directors in accordance with the valuation methodology set out in Part V of this document.

The Net Asset Value per Ordinary Share will be calculated on a quarterly basis based on the quarterly valuation in accordance with the principles set out in Part V of this document. This valuation or any suspension thereof will be announced to the London Stock Exchange through a Regulatory Information Service and to the CISX as soon as practicable after calculation.

The Manager may also, at its discretion, arrange for additional valuations to be carried out from time to time if market conditions warrant.

### ***Financial information and reports***

The first accounting period of the Company will run from incorporation until 30 June 2008 and, thereafter, accounting periods will end on 30 June in each year. The audited annual accounts will be sent to Shareholders within six months of the year end to which they relate. Unaudited half yearly reports, made up to 31 December, are expected to be announced in the following March. The Company will report its results of operations and financial position in Sterling.

The audited annual accounts and half yearly reports will also be available at the registered office of the Administrator and the Company and from the Company's website, [www.crystalamber.com](http://www.crystalamber.com).

The financial statements of the Company will be prepared in accordance with IFRS, and the annual accounts will be audited by an independent accounting firm using auditing standards in accordance with International Standards on Auditing (UK and Ireland). The Company expects that its financial statements, which will be the responsibility of its Board, will consist of a balance sheet, profit and loss statement and cash flow statement, related notes and any additional information that the Board deems appropriate or that is required by applicable law.

The preparation of financial statements in conformity with IFRS requires that management make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Such estimates and associated assumptions are generally based on historical experience and various other factors that are believed to be reasonable under the circumstances, and form the basis of making the judgments about attributing values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from estimates in amounts that may be material to the financial statements.

### **Life of the Company**

At the annual general meeting of the Company to be held following the eighth anniversary of Admission, an extraordinary resolution will be proposed that the Company ceases to continue as constituted. If the resolution is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter. If the resolution is passed, the Directors shall formulate proposals to be put to the Shareholders to reorganise, reconstruct or wind up the Company. Further, if no investments are made within two years of Admission, a special resolution will be put to Shareholders to wind up the Company.

### **Risk management**

Set procedures for the regular review of the investments and the financial management of the Fund will be put in place by the Manager and the Administrator. The Advisers will monitor engagement with target companies and ensure compliance with applicable laws and regulations, seeking professional advice where necessary. The Manager will be required to report to the Board on a regular basis and the Board will also have the ability to request further information from the Manager at any time.

The Directors and the Advisers are fully aware of the obligations under the UK regulatory regime of the FSA, FSMA and the City Code on Takeovers and Mergers which will usually apply to target companies. The Directors and the Advisers will seek to manage the Company's strategy and investments to ensure full disclosure required by such regime and in a manner which seeks, where possible, to avoid the creation of any concert party arrangements with other shareholders in a target company who may be pursuing similar strategies.

### **Distribution policy**

The Company aims to provide Shareholders with an attractive total return, which is expected to comprise primarily capital growth but also with the potential for distributions. The Company's investment objective and strategy means that the timing and amount of investment income cannot be predicted. There can therefore be no guarantee as to the timing and amount of any dividend payable by the Company, although dividends will be paid if this is considered to be in the best interests of Shareholders.

The Company will, in certain circumstances, also have the ability to make distribution payments out of realised investments if considered to be in Shareholders' interests.

It is possible that not all of the total revenues or realised profits recorded in the Company's financial statements will be available to the Company in the form of distributable profits from which to pay a dividend. The Directors may consider alternative means for making such distributions to Shareholders. To this end, the Company has passed a special resolution cancelling the amount which will stand to the credit of its share premium account following the issue of the Placing Shares. In accordance with the Law, the Directors intend to apply to the Court for an order confirming such

cancellation of the share premium account immediately following Admission. Subject to any undertaking to be given to the Court and the Placing becoming unconditional, the reserve created on such cancellation will be available as a distributable reserve to be used for all purposes permitted by the Law, including the buy-back of Ordinary Shares and the payment of dividends.

Before recommending any dividend, the Board will consider the capital position of the Company and the impact on such capital by virtue of paying that dividend.

The Company expects to declare any dividends in Sterling.

### **Repurchase of Ordinary Shares**

The Directors will consider repurchasing Ordinary Shares if they believe it to be in Shareholders' interests generally, but particularly in order to redress any imbalance between the supply of, and demand for, Ordinary Shares.

Resolutions have been passed at an extraordinary general meeting of the Company, subject to the Placing becoming unconditional to grant it authority to make market purchases of up to 14.99 per cent. of its own issued Ordinary Shares. A renewal of this authority will, if considered appropriate, be sought from Shareholders at each annual general meeting of the Company.

No purchases of Ordinary Shares will be made by the Company until a cancellation of the share premium account has been approved by the Court and the terms of any undertaking regarding creditors required by the Court have been complied with, or until the Company has sufficient revenue reserves to finance such purchases.

Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Ordinary Shares which are purchased by the Company may be held as treasury shares provided that the aggregate nominal value of Ordinary Shares held as treasury shares must not exceed 10 per cent. of the nominal value of the issued Ordinary Shares at any time. Ordinary Shares purchased by the Company in excess of this limit will be cancelled.

### **Further issues of Shares**

The Company's authorised share capital is such that further issues of Shares can be made. Under Guernsey law there are no pre-emption rights for existing Shareholders on any such further issues. However, the Company does not intend to issue any Shares for cash on a non pre-emptive basis in excess of 30 per cent. of the issued Share capital, at the date of such issue. Further, save in exceptional circumstances, it is not intended that Shares be issued for cash at a price less than the Net Asset Value per Ordinary Share as per the last published valuation, without Shareholder approval being first obtained by ordinary resolution.

### **Conflicts of interest and time allocation**

The activities of the Advisers are subject to the overall discretion and review of the Board. The Board will aim to ensure that conflicts are resolved fairly and in the interests of the Shareholders of the Company to the fullest extent possible.

The Advisers have contractually agreed with the Company that they will not (and procure that their directors, shareholders, members and employees will not) without the Company's prior consent, undertake any investment wherever located of the type reasonably considered to be within or consistent with the investment objective and/or policy of the Company without offering the Company a right of first refusal in respect of the same.

Any direct or indirect dealings between the Company and any of the Advisers or their associates will be on arms' length terms only and approved by the Board.

Richard Bernstein is a director and majority shareholder of the Manager and a member of the Investment Adviser.

Richard Bernstein is also a director and the Chief Executive of Eurovestech. At the date of this document, Mr Bernstein also has a shareholding in Eurovestech amounting to 8.44 per cent. of its issued share capital. Eurovestech is a pan-European development capital fund focused on high-technology enterprises, which is admitted to trading on AIM.

The Directors consider that the investment strategy and target investments (in terms of size, sector and listing) of the Company are largely distinct from those of Eurovestech and, accordingly, consider that it would be unlikely for a target investment of the Company to fall within the scope of Eurovestech's own investment parameters and vice versa. However, conflicts of interest could potentially arise in exceptional circumstances and so the Company, the Investment Adviser, the Manager, Eurovestech and Richard Bernstein have entered into a Memorandum of Understanding to set out the understanding of each of the parties as to how Richard Bernstein will perform his various roles in relation to each party without Richard Bernstein being in breach of any of the duties which he owes to any of the parties. Further details are set out in paragraph 7.8 of Part VI of this document.

Eurovestech has agreed to waive certain provisions of Mr Bernstein's service agreement to enable him to allocate sufficient time to his duties in relation to the Manager and the Investment Adviser. Mr Bernstein will not therefore devote the whole of his working time to the business of the Company and the Advisers. However, the Directors are satisfied that Mr Bernstein will be able to allocate sufficient time to the Advisers to enable the effective implementation of the Company's investment policy and strategy. It has also been agreed that the Advisers will make a financial contribution to office expenses and related overheads of Eurovestech.

Mr Bernstein will be assisted primarily by the Investment Adviser's head of research, Brian O'Connor (whose details are set out below). In addition, Mr Bernstein has agreed with the Directors to review the staffing of the Advisers and, if appropriate, make additional appointments of suitably qualified professionals going forward. The Advisers consider that recruitment of persons with the appropriate experience and quality will be greatly facilitated following a successful launch of the Fund.

The Company and the Advisers will take all reasonable steps to mitigate against the risk that any confidential or price sensitive information in the possession of the Fund (including information relating to potential or actual investee companies) is not accessed by third parties.

### **Board of Directors**

The Board currently consists of four non-executive directors. Sarah Evans and Nigel Ward were appointed on 22 June 2007 and William Collins and Mark Huntley were appointed on 20 November 2007.

#### ***William Collins (aged 58, Guernsey resident) (Non-Executive Chairman)***

William Collins has over 35 years experience in banking and investment and since September 2007 he has been employed by Bank Sarasin (C.I.) Limited in Guernsey dealing with Private Client business. Prior to that he was employed by the Barings Group in Guernsey for over 18 years and was appointed a director of Barings (Guernsey) Limited in 1995. In 2003 he was appointed Managing Director of Baring Asset Management (C.I.) Limited, a position he held until his resignation in August 2007. During his time with Barings he was responsible for the management of portfolios for private clients and pension funds and was a director of a number of Baring Asset Management fund companies based in Guernsey and Dublin. Prior to joining Barings in 1988, Mr Collins was employed by the Bank of Bermuda initially in Bermuda in 1971 before being transferred to Hong Kong and then to Guernsey in 1981. He started his career with Glyn Mills and Co., (now part of The Royal Bank of Scotland Group) in London. He is an Associate of the ifs School of Finance (formerly the Chartered Institute of Bankers), a Member of the Securities and Investment Institute and a Member of the Institute of Directors.

#### ***Sarah Evans (aged 53, Guernsey resident)***

Sarah Evans qualified as a chartered accountant in 1979 and is currently a non-executive director of two unlisted funds of hedge funds and an AIM quoted Japanese hotel fund. She is a member of the Institute of Directors and has been resident in Guernsey for over three years. She spent six years with



the Barclays Group, firstly as a treasury director responsible for the securitisation of the Bank's UK assets. From 1996 to 1998 she was Finance Director of Barclays Mercantile (a Barclays Bank subsidiary which then had a balance sheet of £6.5 billion, providing large and middle ticket leasing finance) where she was responsible for all aspects of financial control and operational risk management. In her last two years with Barclays she moved to Group Treasury as a treasury director. Prior to joining Barclays she ran her own consultancy business advising UK financial institutions on all aspects of securitisation. From 1982 to 1988, she worked at Kleinwort Benson Limited as deputy chief accountant and head of group finance.

***Mark Huntley (aged 49, Guernsey resident)***

Mark Huntley is an Associate of the ifs School of Finance. He is Managing Director of the Administrator, an independent fund administrator based in Guernsey. Prior to establishing the Administrator, he was Head of Business Development & Communications for the Baring Financial Services Group. At Barings, he was also Deputy Managing Director of Guernsey International Fund Managers Limited, where he was responsible for alternative investments and emerging market funds until April 2000. He has 30 years' experience in offshore funds trust and fiduciary services and private banking, with particular focus on the specialist and alternative fund sectors gained whilst at Barings over the last 19 years and, prior to that, with The First National Bank of Chicago and National Westminster Guernsey Trust Company. He is a founding director of CISX and Chairman of the CISX Business Development Committee. He holds appointments for a number of listed and unlisted fund and fund related companies.

***Nigel Ward (aged 51, Guernsey resident)***

Nigel Ward has over 34 years' investment and banking experience and was until December 2007 a director of Guernsey-based Baring Asset Management (CI) Limited, having been with the Barings group since 1987. Mr Ward has a wide experience of international investment markets, private and retail banking, compliance and also of the managed funds industry gained at Barings over the past 20 years and before that at TSB Bank and National Westminster Bank. He is an Associate of the ifs School of Finance, a member of the Institute of Directors (IOD) and is currently studying for the IOD Company Direction Programme Diploma.

**Corporate governance**

As a Guernsey registered company, and, following Admission, as a company whose share capital is admitted to trading on AIM and quoted on CISX, the Company is not required to comply with the Combined Code. However, the Directors recognise the value of sound corporate governance and will take appropriate measures to ensure that the Company complies, as soon as practicable and to the extent appropriate given the Company's size and nature of business, with the Combined Code and with the Quoted Companies Alliance Corporate Governance Guidelines for AIM Companies.

In particular, the Directors are responsible for overseeing the effectiveness of the internal controls of the Company, designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable and that the assets of the Company are safeguarded. The Board will establish an audit committee to be chaired by Sarah Evans, which will have formally delegated duties and responsibilities. The audit committee will meet at least twice a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

The Board will review the level of fees paid to the Directors at appropriate intervals.

**Manager**

Crystal Amber Asset Management (Guernsey) Limited, a limited company incorporated under the laws of Guernsey on 22 June 2007 has been engaged by the Company to act as Manager to assist in the management of the Company's investments pursuant to the Management Agreement (details of

which are set out in paragraph 7.1 in Part VI of this document). The Manager is licensed and regulated by the GFSC. The Manager has its registered office at Polygon Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY, Tel: +44 (0) 1481 716000; Company Number 47212.

The principal activity of the Manager is to consider and, if appropriate, approve investment proposals and provide associated investment management services.

### ***Directors***

#### ***Richard Bernstein (aged 45, UK resident)***

Richard Bernstein qualified as a chartered accountant in 1989. From 1994 to 1996 he ran his own research house, Amber Analysis, which provided research for leading UK institutions. From 1996 to 1999 he was an equities analyst at Schroder Securities. He founded Eurovestech in January 2000 to invest in developing technology companies. Eurovestech was admitted to trading on AIM in March 2000. He is chief executive and a major shareholder in Eurovestech, whose market value as at 13 June 2008 was approximately £64 million. He is a non-executive director of ToLuna plc, the online market research services company which was admitted to trading on AIM in May 2005 and in which Eurovestech has a majority shareholding.

***Mark Huntley*** – please see the section headed “Board of Directors” above for more details.

#### ***Laurence McNairn (aged 52, Guernsey resident)***

Laurence McNairn is a member of the Institute of Chartered Accountants of Scotland and holds a joint degree in accountancy and operational research from Strathclyde University. He is a director of the Administrator, an independent fund administrator based in Guernsey. Previously he was Head of Fund Administration, Alternative Products for the Baring Financial Services Group. At Barings he was also a director of Guernsey International Fund Managers Limited with responsibility for private equity fund administration. He has considerable experience and specialist background knowledge in fund administration, particularly private equity and property fund investment and administration. He holds appointments for a number of fund and fund related entities. Prior to joining Barings, Laurence was Finance Director of an industrial electronics manufacturing company which was part of a UK plc and also worked in professional practice with KPMG.

### ***Fees and expenses***

#### ***Management fee***

The Manager will receive a management fee at the annual rate of 2 per cent. of the Net Asset Value payable quarterly in advance and calculated on the Net Asset Value on the relevant quarterly accounting date.

#### ***Performance fee***

In addition, the Manager will be entitled to a performance fee in certain circumstances. This fee is payable by reference to the increase in NAV per Ordinary Share over the course of each performance period. The first performance period begins on Admission and ends on 30 June 2009; each subsequent performance period is a period of one financial year commencing on 1 July and ending on 30 June the following year.

Payment of the performance fee is subject to:

- (i) the achievement of a performance hurdle condition: the NAV per Ordinary Share at the end of the relevant performance period must exceed an amount equal to the Placing Price increased at a rate of 7 per cent. per annum on an annual compounding basis up to the end of the relevant performance period (the “Basic Performance Hurdle”); and
- (ii) the achievement of a ‘high watermark’: the NAV per Ordinary Share at the end of the relevant performance period must be higher than the highest previously reported NAV per Ordinary Share at the end of a performance period in relation to which a performance fee, if any, was last earned. If no performance fee has been earned since Admission, the NAV per Ordinary Share must be higher than the Placing Price.



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

- (i) the Basic Performance Hurdle;
- (ii) the NAV per Ordinary Share at the start of the relevant performance period; and
- (iii) the high watermark

(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 (or since Admission in the first performance period) (together, if applicable, with an amount equal to the VAT thereon).

In the event that there is a further issue of Ordinary Shares, a redemption of Ordinary Shares or other capital reorganisation of the Company, the calculation of the performance fee will be adjusted appropriately as advised by an independent firm of accountants. The Board will be entitled to seek an independent valuation of its investments for the purposes of determining performance fees due.

The Manager will be responsible for the payment of all fees of the Investment Adviser.

The Manager has the benefit of an indemnity from the Company in relation to liabilities incurred by the Manager in the discharge of its duties other than those arising by reason of any negligence, wilful default or fraud or failure to comply with any obligations under the agreement on the part of the Manager.

The Manager's appointment as investment manager is terminable by the Manager or the Company on not less than 12 months' notice, such notice not to be given before the second anniversary of Admission. The Management Agreement may be terminated with immediate effect by either the Manager or the Company if the other party has gone into liquidation, administration or receivership or has committed a material breach of the Management Agreement. The Management Agreement is also terminable with immediate effect by the Company in the event that either (i) Richard Bernstein leaves the Manager and the Manager fails to find a competent replacement within 3 months or (ii) there is a change of control of the Manager or the Investment Adviser; or (iii) if the Investment Adviser has committed a material breach of the Investment Advisory Agreement. The Management Agreement provides (*inter alia*) that the Manager will ensure that the Company is given the right of first refusal in respect of all relevant investment opportunities available to the Advisers which fall within the investment objective and/or investment policy of the Company.

### **Investment Adviser**

Crystal Amber Advisers (UK) LLP, a limited liability partnership incorporated in England and Wales on 21 May 2007, has been engaged by the Manager and the Company to act as Investment Adviser pursuant to the Investment Advisory Agreement (details of which are set out in paragraph 7.2 of Part VI of this document). The Investment Adviser is authorised and regulated by the FSA. The Investment Adviser has its registered office at 29 Curzon Street, London W1J 7TL, tel: +44 20 7491 0770; Company Number OC328446.

The members of the Investment Adviser are Richard Bernstein and Jonathan Marsh. The Investment Adviser can draw upon the advice of its advisory panel which comprises experienced investors and professionals. All have extensive experience of the UK market which should assist the Investment Adviser in identifying opportunities early and delivering efficient execution.

### **Members**

**Richard Bernstein** – please see the section headed “Manager” above for more details.

### **Jonathan Marsh (aged 40, UK resident)**

Jonathan Marsh is a solicitor who specialises in all aspects of UK and European financial markets law and regulation, advising derivative traders, banks, brokerage houses, asset managers and listed companies. He is the co-author of *A Practitioner's Guide to Inside Information – Managing the Legal and Regulatory Risks* and is a regular speaker at conferences relating to financial services law. He is

deputy chairman of the legal committee of the Futures and Option Association (“FOA”) and a member of the FOA’s compliance committee and ‘MiFID’ working group. He is also a member of the Securities and Investment Institute, the Guild of International Bankers and the London Metal Exchange’s arbitration panel. Jonathan Marsh is a partner of the law firm Berwin Leighton Paisner.

Mr Bernstein and Mr Marsh will be assisted by the Investment Adviser’s head of research, Brian O’Connor, whose details are set out below.

***Brian O’Connor, Head of Research (aged 62, UK resident)***

Brian O’Connor is an investment writer and researcher with more than 30 years’ experience. He began his career as a journalist, where his jobs included City Editor of The Scotsman and Deputy City Editor of the Daily Mail, later becoming editor of the paper’s ‘Investment Extra’ section. Since 2004 he has worked as a consultant, including part-time research for Eurovestech. He has a proven record of stock selection, with average 12-month gains of approximately 36 per cent. in 2005 and 2006.

***Advisory panel***

The advisory panel comprises the individuals set out below. The Investment Adviser may expand this panel as appropriate following Admission.

***Perry Crosthwaite (aged 59, UK resident)***

Perry Crosthwaite has over 30 years’ experience as a director in the City of London. He was a founding director of Henderson Crosthwaite Institutional Brokers Limited, serving on the board until its acquisition by Investec Group (UK) PLC in 1998. He became a director of Investec Bank (UK) Limited and chairman of the investment banking division until his retirement in 2004. Mr Crosthwaite is currently chairman of Jupiter Green Investment Trust PLC, and a non-executive director of Melrose plc and ToLuna plc. He is also a director of CIDA Foundation UK and sits on a number of Investment Committees.

***John Frederick (aged 41, UK resident)***

John Frederick is a stockbroker in the City currently working for IAF Securities and previously having been at a number of firms including Shore Capital Group plc where he was responsible for corporate broking and fund investing for private clients.

***David Brock (aged 58, UK resident)***

David Brock was a director at MFI Furniture Group PLC from 1984 to 1997. He is currently non-executive Chairman of a number of private companies, including Jane Norman and Phase Eight. Mr Brock was executive Chairman of Homestyle plc between January 2004 and July 2005.

***Zvi Cohen (aged 69, UK resident)***

Zvi Cohen was born in Tel Aviv where he commenced his career in the food industry. He arrived in the UK in 1972 and after a short time with Osem Food Industries, he joined the Gerber Group. He retired from the Gerber Group in 1998 after a long service as the group’s chairman and chief executive. Since then, he has been acting as a business consultant and senior adviser to a number of listed companies.

***Bruce Davidson (aged 52, UK resident)***

Bruce Davidson was a ranked City analyst with a distinguished track record. He has worked in senior research and management roles at Merrill Lynch, Schroders, Societe Générale and AXA and is currently head of research at Blue Oar Securities.

***Role of the Investment Adviser***

The Investment Adviser’s activities will include, *inter alia*, the following:

- sourcing, research, investigation, evaluation and presentation to the Manager of potential investment opportunities;
- assisting with negotiations in respect of and structuring investments;

- implementing, under the supervision of the Manager, investment decisions made by the Manager; and
- monitoring the Company's investments during the life of the Company.

### **Administration and secretarial**

The Administrator is Heritage International Fund Managers Limited, a limited company incorporated in Guernsey on 15 February 2006. The Administrator is licensed and regulated by the GFSC. The Administrator has its registered office at Polygon Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY, tel: +44 (0) 1481 716000; Company Number 44336.

The Administrator has been appointed to provide administration and secretarial services to the Company, including the determination and calculation of the Net Asset Value per Ordinary Share, as set out in the Administration Agreement. For these services the Administrator will be paid an annual fee of 0.1 per cent. of the Net Asset Value (subject to a minimum of £75,000 per annum). The Administration Agreement is terminable by either party giving not less than 90 days' notice. The administration fee is payable quarterly in arrears.

Further details of the Administration Agreement are set out in paragraph 7.3 of Part VI of this document.

### **Custodian**

Fortis Bank (C.I.) Limited has been appointed to act as custodian of such investments of the Company as may be delivered to it from time to time. The Custodian was incorporated with limited liability in Guernsey on 6 September 1984 with registered number 13263 and is a bank licensed under the provisions of the Banking Supervision (Bailiwick of Guernsey) Law, 1994 as amended. The registered office of the Custodian is at Martello Court, Admiral Park, St. Peter Port, Guernsey, GY1 3HB, tel: +44 (0) 1481 751000. As at 31 December 2007, the Custodian's gross capital was £121.71 million of which £3.2 million represented the issued and fully paid up capital. The main activities of the Custodian cover the full range of offshore banking and custodial services. The Custodian is licensed by the GFSC, under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, to undertake certain restricted investment activities. The Custodian is ultimately owned jointly by Fortis S.A./N.V., a company incorporated in Belgium with its head office at Brussels and Fortis N.V., a company incorporated in The Netherlands with its head office at Utrecht. As at 31 March 2008 the Custodian had in excess of £5.7 billion in assets under custody.

Pending investment, cash will typically be held temporarily in a deposit account with the Custodian in its capacity as banker until suitable investment opportunities have been selected.

For these services, the Custodian will be entitled to receive a fee, calculated and payable quarterly in arrears at the rate of not more than 0.05 per cent. of the NAV per annum, subject to a minimum fee of £25,000 per annum, together with the reimbursement of all legal and out of pocket expenses, in certain cases, and the reimbursement of any sub-custodians' fees. Transaction fees of £150 per trade are also payable. The Custodian Agreement is terminable by either party on three months' notice.

Further details of the agreement between the Company and Custodian are set out in paragraph 7.4 of Part VI of this document.

### **Other on-going operating costs**

The Company will bear its on-going operational expenses. These expenses include, but are not limited to:

- direct costs of investing and realising the assets of the Company, including dealing costs, any stamp duty (or similar taxes) and registration fees;
- professionals' costs associated with investing, valuing and realising the assets of the Company, including the fees and expenses of sales agents, consultants, tax advisers, brokers, lawyers and accountants (including introductory fees payable to any sales agents and corporate finance fees);

- the management fee and any performance fee payable to the Manager under the Management Agreement;
- legal and professional expenses which the Manager incurs whether in litigation on behalf of the Company or in connection with the ongoing administration of the Company or otherwise;
- the cost of borrowings incurred for the Company (including up front arrangement fees payable to lenders in return for providing loan facilities and interest payable in respect of the borrowings);
- Directors' fees and expenses;
- audit costs;
- taxes and duties imposed by any fiscal authority and any other governmental fees;
- costs of valuing and pricing assets and of publishing Share prices and other notices in the financial press;
- expenses of publishing reports, notices and proxy materials to Shareholders;
- expenses of convening and holding meetings of Shareholders and court hearings;
- costs of preparing, printing and/or filing all reports and other documents relating to the Company including placement memoranda, explanatory memoranda, marketing documents, annual, semi-annual and extraordinary reports required to be lodged with all authorities having jurisdiction over the Company;
- expenses of making any capital distributions;
- insurance premiums (including insurance for members of the Board);
- AIM fees and associated expenses of listing on AIM; and
- CISX fees and associated expenses of listing on the CISX.

### **The Placing and use of proceeds**

JEP has undertaken to use its reasonable endeavours as agent for the Company, to place with investors 60,000,000 Ordinary Shares, at the Placing Price.

The Placing, which is not being underwritten, is conditional, *inter alia*, upon Admission by 17 June 2008, or such later time as JEP and the Company may agree, but in any event not later than 30 June 2008.

The Placing of the Ordinary Shares on behalf of the Company will raise £60 million before expenses. The expenses of Admission and the Placing payable by the Company will constitute 4.9 per cent. of the aggregate funds raised by the Company pursuant to the Placing. The net proceeds of the Placing are estimated to be approximately £57.1 million. The terms of the Placing are governed by the Placing Agreement, details of which are set out in paragraph 7.6 of Part VI of this document.

The Company intends to use the net proceeds of the Placing of the Placing Shares principally to implement the investment strategy set out in this document.

Based on current market conditions and in the absence of any unforeseen circumstances, the Directors believe the Company will be substantially invested within 24 months following Admission. Pending investment, the Fund's assets will be held temporarily as cash in a deposit account of the Custodian until suitable investment opportunities have been selected, however the Company also has the flexibility to make other investments which are considered to be reasonably liquid in order to ensure that its funds are appropriately deployed.

CREST accounts will be credited on the date of Admission and it is anticipated that certificates (if any) in respect of the Placing Shares will be despatched within 5 business days of such date, by 24 June 2008. Pending receipt by Shareholders of definitive Share certificates, the Registrar will certify any instruments of transfer against the register. The Shares are in registered form.

The Company has certain responsibilities under the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, as varied and supplemented from time to time, to verify the identity of investors. A description of the current applicable identification requirements is appended to the placing letter. Failure to provide the necessary documentation may result in applications being rejected or in delays in the dispatch of documents and the issue of Placing Shares.

### **Lock-in Arrangements**

Each of the Directors and Richard Bernstein has undertaken that they and their connected persons will not, save in certain limited circumstances including the event of an intervening court order, a takeover offer becoming or being declared unconditional or their death, dispose of any interest in the Ordinary Shares for a period of 12 months following Admission or dispose of any interest in the Ordinary Shares for a further period of 12 months, without the prior written consent of JEP, such consent not to be unreasonably withheld or delayed. Further details on the lock-in arrangements are set out in paragraphs 7.6 and 7.9 of Part VI of this document.

### **CREST**

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

The Ordinary Shares are eligible for CREST settlement. Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

### **Shareholder notifications of interests**

As a company incorporated under the laws of Guernsey, the Fund is not subject to the provisions of the Disclosure and Transparency Rules and, consequently, Shareholders would not ordinarily be subject to any requirement to disclose to the Fund the level of their interests in Shares. However, in accordance with the Guidance to AIM Rule 17 for companies incorporated outside the United Kingdom whose shares are admitted to trading on AIM, the Fund has elected to incorporate certain provisions of the Disclosure and Transparency Rules into the Articles, further details of which are set out in paragraph 5.3 of Part VI of this document.

Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make a required disclosure to the Company may result in disenfranchisement.

### **Risk factors**

Certain risk factors in relation to the Company and its business are brought to your attention in Part II of this document.

### **Taxation**

Information regarding Guernsey and UK taxation with regard to potential Shareholders is set out in Part IV of this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

### **Further information**

Your attention is drawn to the additional information set out in Parts II to VI of this document.



## **PART II**

### **Risk Factors**

**In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

**The Directors believe the risks set out below to be the most significant for potential investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it operates or intends to operate as well as overall global financial conditions.**

**Potential Shareholders should also take their own tax advice as to the consequences of their owning Shares in the Company as well as receiving returns from it.**

#### **General**

An investment in the Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to investment, and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

#### **Tax related risks**

Any change in the Company's tax status or in taxation legislation in Guernsey or the United Kingdom or elsewhere could affect the value of the investments held by the Company or the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders. The summaries in this document concerning the taxation of investors in Shares are based on current Guernsey and UK tax law and practice, which is subject to change. The taxation of an investment in the Company will depend on the individual circumstances of the investor and prospective investors who are in any doubt should consult their tax advisers before making an investment in the Company.

The Company intends to conduct its investment activities in a tax efficient manner as a Guernsey resident company. If at any time the Company and/or the Manager are deemed to be managed and controlled from the UK or the Company and/or the Manager conduct their trade through a UK permanent establishment then the Company may become liable to UK taxation.

For further information on the tax regimes applying in the UK and Guernsey, please refer to Part IV of this document.

#### **AIM and the CISX**

The Ordinary Shares will be admitted to trading on AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies, and to listing and trading on the CISX. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority. The rules of AIM are less demanding than those of the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. AIM has been in existence since June 1995 and the CISX since 1998 but the future success

of both markets, and the liquidity in the market for the Ordinary Shares, cannot be guaranteed. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

### **Volatility of the value of the Ordinary Shares**

Investors should be aware that the market value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment, especially as the market in Ordinary Shares on AIM and the CISX may have limited liquidity.

In addition, the price at which investors may dispose of their Ordinary Shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative, regulatory or taxation changes and general economic conditions. The market value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value.

### **Reverse takeovers on AIM and CISX**

The current AIM Rules are not specifically designed to relate to investment companies such as the Company. Unless a derogation is obtained from the London Stock Exchange, the current AIM Rules would mean that certain investments made by an investment company could be classified as "reverse takeovers" of the investment company under one or more of the class tests applicable to transactions undertaken by AIM listed companies. The shares of companies subject to a reverse takeover are suspended and the reverse takeover itself requires prior shareholder approval by a simple majority of those present in person or by proxy at a general meeting of the company concerned. If shareholder approval is obtained, the enlarged entity is required to apply for its shares to be re-admitted to AIM which requires, *inter alia*, the Company to prepare and publish a new admission document.

There can be no assurance as to whether or not, owing to the size or other attributes of investments proposed to be made by the Company, investments made by the Company may be categorised as reverse takeovers of the Company. Further, there can be no assurance that the London Stock Exchange will be prepared to grant the Company a derogation from the AIM Rules relating to any such classification. If an investment is treated as a reverse takeover, the transaction will be subject to a period of delay while shareholder approval is sought which delay may or may not be acceptable to the counterparty. In addition, the transaction will be subject to the risk that shareholder approval is not obtained, and the increased costs associated with seeking shareholder approval and re-admission to AIM.

The Company understands that the London Stock Exchange is considering the introduction of specific investment fund rules for AIM. However, the scope and detail of any such rules are not yet published, and there can be no assurance that any such rules will fully or partially alleviate the risks and costs identified above or seek to impose additional requirements or restrictions applicable to the Company.

The CISX Rules contain similar provisions to the AIM Rules in respect of substantial transactions and reverse takeovers. As long as the Company adheres to the investment policy, strategy and restrictions set out in this document, the CISX has confirmed that the requirements of the Substantial Transactions Rules contained within Chapter 7 of the CISX Rules, which relate to substantial transactions and reverse takeovers, do not apply.

### **Forward looking statements**

All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to shareholder



returns, dividends or any statements preceded by, followed by or that include the words “targets”, “believes”, “expects”, “aims”, “intends”, “plans”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or the negative thereof, are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance, achievements of or dividends paid by, the Company to be materially different from future results, performance or achievements, or dividend payments expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

The potential initial investment opportunities identified by the Advisers cannot be guaranteed and it may be the case that only some or even none of these come to fruition.

### **New company**

The Company was incorporated on 22 June 2007 and has no operating history. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its investment objective and that the value of a Shareholder’s investment in the Company could decline substantially. There can be no assurance that the Company will be able to achieve any of the returns referred to in this document. The Investment Adviser may be unable to find a suitable number of attractive opportunities to meet the Company’s investment objectives and those that are or have been identified may not be completed. Shareholders will be relying on the ability of the Advisers to identify, negotiate and structure the investments to be made by the Company.

### **Risks relating to the Company’s investment strategy**

The Company’s ability to grow and create value for investors through investment will depend on the availability of suitable investment opportunities at an acceptable cost, the Company’s ability to compete effectively for these opportunities and the availability of capital to complete such investments.

There can be no guarantee that the investment objectives of the Company will be met particularly where a minority stake is taken in a company with a view to engaging with that company’s management team to implement change.

The Company’s ability to achieve its investment objectives may be adversely affected in the event of any significant or sustained changes in market returns or volatility.

The Company’s investment strategy is to acquire interests in companies. Such an investment strategy may involve certain risks including, amongst others, unidentified past or future liabilities relating to the operations or assets and the inability to receive accurate and timely information about these operations or assets of investee companies in order to make informed investment decisions. Prospective investors should regard an investment in the Company as long-term in nature.

As with any investment, those investments may fall in value and it is possible that the total loss in value of such investments (being the value of the initial investments and, where relevant, any gains or subsequent investments made may be lost) may be significant.

Underperformance or failure of one or more of the investments may have an adverse effect on the value of the Company.

### **Regulatory risks for activist funds**

The FSA has published guidance that in general it would not consider an activist shareholder's conduct to amount to market abuse where the shareholder merely carried out acquisitions of the target company's securities on the basis of its intentions and knowledge of its strategy. However, the FSA has stated that if, for example, other shareholders trade in the target's shares on the basis of another shareholder's strategy, it 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, as described below, 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 FSA's guidance will not change. The Company and the Advisers will operate in a highly regulated environment and whilst they will always seek to take appropriate professional advice, there is a significant risk of an inadvertent breach of securities laws or regulations, or allegations of such breach, taking place.

### **The Company will operate in a competitive environment for investment opportunities**

The Company expects that a number of other entities will compete with it to make the types of investments that it plans to make. Competition for the acquisition of companies and/or assets may have the effect of increasing the price which the Company will need to pay in order to make the relevant investment.

Many of these competitors may be substantially larger and have greater financial, technical, transaction execution and marketing capabilities than will be available to the Company. Some competitors may have a lower cost of capital and access to funding sources that are not available to the Company, which may give rise to competitive disadvantages for the Company with respect to investment opportunities. Competitors may have existing portfolio companies or other enterprises which, when combined with a potential investment, may give rise to synergistic benefits for that competitor, enabling it to pay a price higher than the Company would be prepared to pay. A failure by the Company to compete effectively with other entities operating in this environment may result in the loss of opportunities, which could have a material adverse effect on the Company's business, results of operations and/or financial condition.

### **The Investment Adviser has not yet formulated proposals for the investment opportunities which it intends to pursue**

The Investment Adviser (although it has conducted some preliminary analysis on potential transaction opportunities which the Company may be able to pursue) has not yet formulated detailed investment proposals for recommendation to the Manager for investment. The Company's initial and future investments may be delayed or made at a relatively slow rate because, among other things:

- the Investment Adviser intends to conduct due diligence prior to recommending investments;
- the Investment Adviser may have to conduct extensive negotiations in order to secure and facilitate an investment;
- certain structures may need to be established in order to facilitate an investment; and
- attractive investments may not be available at the rate currently anticipated by the Investment Adviser due to competition from other investors, market conditions or other factors.

Although the Company currently plans to be substantially invested within 24 months of Admission, the Company cannot accurately predict how long it will actually take to deploy the capital available to it or at all. Precise timing will depend on, among other things, the availability of suitable direct investments, negotiations with counterparties and investment structuring considerations. In addition, the Investment Adviser's belief that it will have access to sufficient deal flow is predicated upon a number of assumptions such as the extent of deal flow which the Investment Adviser will be able to generate through its network of industry and other contacts. The Company cannot assure Shareholders that such deal flow will be available to the Company or the Investment Adviser or that

its transactional activity will enable it to deploy its capital in the manner and timeframe currently envisaged. Pending investment, the Fund's assets are held temporarily as cash in a deposit account of the Custodian until suitable further investment opportunities have been selected. Such deposit account is expected to generate substantially lower returns than the Company expects to generate from investing directly in companies.

**Making and exiting investments requires an analysis of future values and, in certain cases, exiting investments will depend upon the success of the implementation of corporate and management strategies**

The Company's ability to generate attractive returns for Shareholders will depend upon the Investment Adviser's ability to make a correct assessment as to future values that can be realised in connection with investments. The ability to assess future values correctly, 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 securities markets can be unpredictable and volatile and the Company cannot assure investors that it will be successful in making accurate assessments of likely future values or that it will be able to react effectively in response to rapidly changing market conditions.

The ability of the Company to exit certain company 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.

**Investments are subject to a number of risks**

A substantial part of the Company's portfolio is anticipated to be by way of equity investment in smaller quoted companies. These companies may (a) be highly leveraged and subject to significant debt service obligations, stringent operating and financial covenants and risks of default under financing and contractual arrangements which may adversely affect their financial condition or lead to insolvency; (b) have limited operating histories and smaller market shares than larger businesses making them more vulnerable to changes in market conditions or the activities of competitors; (c) have limited financial resources; (d) be more dependent on a limited number of management and operational personnel, increasing the impact of the loss of any one or more individuals; (e) have less predictable operating results; (g) require additional capital and (h) be significantly and adversely affected by unfavourable changes in general macro economic conditions. All of these factors may have a material adverse effect on the Company's investments, which could reduce the value of the Shares.

**Market values of publicly traded securities that are held as investments may be volatile and cause the Company's Net Asset Value to fluctuate**

The Company's investments are expected to include investments in companies the securities of which are publicly traded or are offered to the public. The market prices and values of publicly traded securities of companies in which the Company has invested may be volatile and are likely to fluctuate due to a number of factors beyond the Company's control, including actual and anticipated fluctuations in the quarterly, half yearly and annual results of the companies in which investments are made and other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions, shortfalls in operating results from levels forecast by securities analysts, the general state of the securities markets and other material events, such as significant management changes, refinancings, acquisitions and disposals. Changes in the values of these investments may adversely affect the Company's Net Asset Value and cause the market price of the Shares to fluctuate.

**The Shares could trade at a discount to Net Asset Value**

The Shares could trade at a discount to Net Asset Value for a variety of reasons, including due to market conditions or to the extent investors undervalue the Company's activities. The only way for investors to realise their investment prior to the winding up of the Company (other than through

dividends, if any, which are paid by the Company or a buy back of Ordinary Shares, which cannot be guaranteed) is to sell their Shares for cash. Accordingly, in the event that a holder of the Shares requires immediate liquidity, or otherwise seeks to realise the value of its investment in the Company through a sale of its Shares, the amount received by the holder upon such sale may be less than the underlying net asset value of the Shares sold.

**The Company may depend on third parties to achieve its objectives and risk of concert parties**

The Company's investments will be subject to the risk that the investment may be subject to business, financial or managerial decisions with which the Company does not agree or that the majority owners or the management of an investee company or other investment may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of the Company's investments could decrease and the Company's financial condition and results of operations could suffer as a result.

The Company may be dependent on the support of other major shareholders in taking activist stances to achieve its objectives in respect of the investment. The loss of support of co-investors or other major shareholders may have a material adverse impact on the Company's ability to achieve the objectives of the investment and the Company may not be able to generate the anticipated returns on that investment. In addition, under the rules of the City Code on Takeovers and Mergers (or any other equivalent law or regulation applicable in the context of an investment) the Company may be deemed to be acting in concert with certain other persons in relation to investments in particular companies, which may curtail the ability of the Company to make or increase the size of investments in such companies and which could also result in the Company inadvertently, or such a concert partly triggering, an obligation to make an offer for the whole of such a company (other than shares already held by the Company), which could have a material adverse effect on the Company and its proposed investment and financing strategies.

**The Company may invest in companies which are themselves already highly geared or may increase their gearing as a result of the Company's investment**

Investors should be aware that the companies in or through which the Company will make investments may themselves be geared, whether already at the time of the initial investment or, as part of the Company's strategy following its investment. Although the use of gearing through bank borrowings may increase the return on those investments, it also creates greater potential for loss. This includes the risk that the borrower will be unable to service the interest payments or comply with the other requirements of the loan, rendering it repayable, and the risk that available funds will be insufficient to meet required capital repayments and the risk that existing borrowings will not be able to be refinanced.

**The Company's investments may rank junior to investments made by others**

The Company may make investments in companies that have indebtedness or equity securities, or which are permitted to incur indebtedness or to issue equity securities, that rank senior to the Company's investment. By their terms, such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of the Company's investment. Also, in the event of insolvency, liquidation, dissolution, reorganisation or bankruptcy of a company in which investment is made, holders of securities ranking senior to the Company's investment in that company would typically be entitled to receive payment in full before distributions could be made in respect of the Company's investment. After repaying senior security holders, the company in which the investment was made may not have sufficient or any remaining assets to use for repaying amounts owed in respect of the Company's investment. To the extent that any assets remain, holders of claims that rank equally with the Company's investment would be entitled to share on an equal and rateable basis in distributions that are made out of those assets.

**The Company may engage in hedging transactions and investment structures which will expose it to counterparty risk**

Certain of the Company's transactions may involve hedging transactions undertaken through third parties such as local banks or brokers. Investment transactions may need to be structured in ways that the Company will take a beneficial interest only, with legal title remaining with a third party. In such circumstances, the Company would be subject to the risk of default, insolvency or fraud of such third parties. There can be no assurance that any monies advanced to such entities would be repaid or that the Company would have any recourse in the event of default.

**The due diligence process which the Investment Adviser intends to undertake may not reveal all material facts or circumstances**

The Advisers intend to ensure that such legal, financial and commercial due diligence as considered to be reasonable and appropriate (based on the facts and circumstances relating to the relevant investment) is conducted prior to making an investment. In undertaking due diligence, the Investment Adviser will need to utilise its own resources and may be required to rely upon third parties to conduct certain aspects of the due diligence process. Any due diligence process involves subjective analysis and there can be no assurance that due diligence will reveal all material issues related to a potential investment which might be necessary or helpful in evaluating a potential investment.

In the context of proposed investments in public companies, the availability of due diligence materials may be limited or restricted and the Investment Adviser may not be able to access any due diligence materials other than those which are publicly available.

**Unsuccessful transactions may result in the Company incurring substantial costs**

There is a risk that the Company may incur substantial legal, financial and advisory expenses arising from unsuccessful transactions which may include, among other things, public offer and transaction documentation, legal, accounting and other due diligence.

**The Company may be exposed to litigation and other adverse actions**

Whilst the Company's investment activities are subject to the normal risks of becoming involved in litigation by third parties, the overall risk profile may be somewhat higher because the Company may hold significant stakes in listed companies which could be considered to give rise to exercise of control or significant influence over a company's direction. Furthermore, many of the exchanges on which the Company may invest impose reporting and other obligations which, if not met, could lead to fines and other sanctions against the Company and/or the Advisers. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments may have to be borne by the Company. The Manager and its affiliates would be likely to be indemnified by the Company under the Management Agreement in connection with any such litigation, subject to certain conditions. In addition, certain of the Company's strategies may be subject to claims for the return of profits or the recovery of losses on the basis of certain statutory, regulatory or administrative entitlements or prohibitions.

**The Company will need to comply with legal and regulatory requirements which may be burdensome and which may change from time to time**

The Company, the Advisers and the companies in which the Company invests will need to comply with laws and regulations in a number of jurisdictions. The institution and enforcement of such laws and regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, investments. Changes in laws (or new laws, which may potentially be retrospective) relating to activities the subject of any investment could have an adverse effect on the value of the Shares. The legal system of certain jurisdictions which may be applicable in the context of the ownership of, or operations or business of, certain investments may also not afford the Company the same level of certainty as may be achieved in certain other markets.



**Potential currency exchange rates and hedging risks**

The Company may invest in securities which are not necessarily denominated or quoted in Sterling. The movement of exchange rates between Sterling and any other currencies in which the Company's investments are denominated may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by the Company. The Company's policy will generally be at all times to hedge any foreign currency assets back to Sterling. The use of hedging transactions to reduce exposure to currency fluctuations and foreign currency returns may not be effective in eliminating all of the risks inherent in any particular position, and there can be no guarantee that suitable instruments for hedging will be available or that hedging transactions will not result in losses.

The Company may also in certain cases enter into derivative transactions to hedge the risk of interest rate fluctuations, although, as stated above, the use of hedging transactions in this way may not be effective in eliminating all of the relevant risks and suitable instruments for hedging such risk, may or may not be available. Such interest rate hedging agreements could also adversely affect the Company's ability to pay dividends as well as expose it to counterparty risk.

**Shareholder tax risk**

Shareholders should take their own tax advice as to the consequences of owning Ordinary Shares in the Company as well as receiving returns from it. In particular, Shareholders should be aware that ownership of Ordinary Shares in the Company can be treated in different ways in different jurisdictions.

**Regulatory approvals and permits**

The failure to obtain or to continue to comply with all necessary approvals, licences or permits, including renewals thereof or modifications thereto, may adversely affect the Company's performance or the ability of the Advisers to perform their services on behalf of the Company, as could delays caused in obtaining such consents due to objections from third parties.

**Possible adverse political and economic conditions**

The financial operations of the Company may be adversely affected by any downturn in general economic conditions, by other adverse economic or financial events or developments or by world political or other events. Terrorist attacks such as the attacks on the United States on 11 September 2001 and the United Kingdom on 7 July 2005 and the continuing response of the United States and the United Kingdom to these attacks, as well as the threat of future attacks in the United States, the United Kingdom, the Middle East and Asia or elsewhere, continue to cause uncertainty in the world's financial markets and may affect the Company's business, operating results and financial condition. The continuing conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect world stock markets and consequently the Company's ability to earn positive returns for investors. Any such occurrence could have a material adverse impact on the Company's business, operating results and financial condition.

**Valuation risk**

Shareholders should be aware that the Company intends to perform Net Asset Value valuations on a quarterly basis only. As a result, the Company's Share price may not accurately reflect the value of its underlying assets between such valuations or at all. For further information, please refer to the Company's valuation policy in Part V of this document.

**Management and performance fee**

The annual performance fee payable to the Manager may result in substantially higher payments to the Manager than alternative arrangements used in other types of investment vehicles. The existence of the performance fee may create an incentive for the Manager or Investment Adviser to propose or

make riskier or more speculative investments than they would otherwise make in the absence of such fee. In addition, since the performance fee is calculated on a basis that includes unrealised appreciation of the Company's assets, it may be greater than if such fee was based solely on realised gains. There is no guarantee that such unrealised gains will eventually be realised.

**Repurchases of Shares by the Company, which the Company may propose to pursue from time to time, will increase Shareholders' exposure to the Company's existing investments at the time of such repurchase, which could make a loss of their investment more likely**

The Company may, from time to time, subject to the provisions of the Law, purchase its own Shares. Any Shares so purchased by the Company may be held as treasury shares and the Company cannot exercise any rights in respect of such Shares. No dividend can be paid and no other distribution of the Company's assets (including any distribution of assets to Shareholders on a winding-up) can be made in respect of the treasury shares. The effect of this is that, while the Shares are held as treasury shares, the percentage of the Company's outstanding share capital held by each of the remaining Shareholders could increase, potentially making each remaining Shareholder more vulnerable to any decline in the market value of the Shares or of the Net Asset Value. Further, the amount of cash held by the Company will decrease by the amount spent in repurchasing the Shares, potentially resulting in the Company lacking sufficient cash required to make the number and type of investments necessary to achieve the Company's investment objectives.

**Future issues of Shares**

The Company is permitted, without Shareholder consent, to issue additional Shares in subsequent public offerings or private placements. The Company is not required under Guernsey law to offer any such Shares to existing Shareholders to participate in such future issues of Shares, which may dilute the existing Shareholders' interests in the Company. However, the Company does not intend to issue any Shares for cash on a non pre-emptive basis in excess of 30 per cent. of the issued share capital, at the date of such issue. The issue of additional Shares by the Company, or the possibility of such issue, may cause the market price of the Shares to decline.

The Company's ability to raise future equity capital is dependent upon there being demand for Ordinary Shares at the relevant time and the terms of any such fundraising may be affected by the non-solicitation undertakings given by the Advisers referred to in paragraph 9.10 of Part VI of this document.

**Dividends**

Shareholders should note that payment of any future dividends will be at the discretion of the Board and taking into account various factors including the Company's operating results, financial condition and current and anticipated cash needs and therefore there is no guarantee that Shareholders will receive any dividends or as to the level of dividends Shareholders may receive.

**Guernsey law**

The Company is a limited company incorporated under the Law. Guernsey law does not make a distinction between private and public companies and some of the protections and safeguards that investors may expect to find in relation to a public company under the Act are not provided for under Guernsey law.

**Concentration risk**

Certain investments may represent a significant proportion of the portfolio. As a result, the impact on the Company's performance and the potential returns to Shareholders will initially be more adversely affected if any one of the investments performs badly than would be the case if the portfolio was more diversified.

**Dependence on Manager and Investment Adviser**

The Company is dependent on the diligence, skill and network of the Advisers, their senior management and business contacts. They, together with other investment professionals, will



evaluate, negotiate, structure, realise, monitor and service the Company's investments. For more information, please refer to Part I (under the sub-heading "Manager and Investment Adviser") of this document.

Whilst the Company has entered into contractual arrangements with the Manager and the Investment Adviser the retention of the services of the Manager and Investment Adviser, cannot be guaranteed. Accordingly, the loss of the services of the Investment Adviser and/or the Manager may have a material adverse effect on the future of the Company's business. In particular, Richard Bernstein is a shareholder and a director in the Investment Manager and a member of the Investment Adviser, and the loss of him at such service providers, could have a material adverse effect on the Fund's performance as it may not be possible to replace him at all or in a timely manner.

In addition, both the Manager and the Investment Adviser are recently established entities without any track record or historical investment performance. It is possible that the staffing of the Advisers will need to be augmented following Admission and there can be no guarantee that they will be able to identify and/or engage appropriately qualified individuals.

### **Gearing**

Under the Articles, the Company is able to borrow an amount equal to up to 50 per cent. of the Net Asset Value at the time of the borrowing. However, it is intended that the Company's aggregate borrowings, except in exceptional circumstances, will be limited to no more than 25 per cent. of the Net Asset Value at the time of borrowing. The Company's borrowings, if any, may be secured on the Company's assets. Where the cost of the Company's borrowing exceeds the return on the Company's assets, such borrowing will have a negative effect on the Company's performance. In addition, if the Company cannot generate adequate cash flows to meet its debt service obligations, it may suffer a partial or total loss of its capital. A relatively small movement in the value of the portfolio or the amount of income derived therefrom may result in a disproportionately large movement, unfavourable as well as favourable, in the value of a Share or the amount of income received in respect thereof.

In the event that the Company enters into a bank facility agreement, such agreement(s) may contain financial covenants. In particular, the agreement(s) may require that the Company has assets exceeding a fixed percentage of the value of any loan drawn down. If the value of the Company's assets falls such that any such financial covenant is breached, or if any other covenant is breached, the Company may be required to repay the borrowings in whole or in part, together with any attendant costs. In such circumstances the Company may be required to sell, in a limited time and potentially in circumstances where there has been a downturn in values of quoted companies generally, part or all of the portfolio, such that the realisation proceeds do not reflect the valuation of the investments. Amounts owing under any bank facilities will rank ahead of Shareholders' entitlements and Shareholders' returns may therefore be adversely affected by an early repayment.

The Company's ability to use gearing effectively will depend substantially upon the attractiveness of interest rates which it can obtain and upon the ease with which the Company is able to secure debt finance. An increase in interest rates or in the risk spread demanded by lenders will make debt facilities more expensive and may impair the Company's competitive position to make investments as compared to industry purchasers whose cost of capital may be lower. Similarly, if the Company is unable to secure or renew debt facilities due to market conditions or otherwise, the Company's ability to make investments may be impaired.

### **Difficulty of terminating the Management Agreement and Investment Advisory Agreement**

The Management and Investment Advisory Agreements (the "Agreements") are both terminable on 12 months' notice but such notice may not be served before the second anniversary of Admission, thus providing the Advisers with a three year initial period. The Agreements may only be terminated summarily by the Company in certain limited circumstances. Even if the Company had grounds to terminate the Agreements summarily, or would otherwise wish to do so, it may not wish to exercise any termination rights because of the difficulty in identifying suitable replacements as investment manager or investment adviser.

### **Conflicts of interest**

Richard Bernstein is a director and majority shareholder of the Investment Manager and a member of the Investment Adviser. Richard Bernstein is also a director and the Chief Executive of Eurovestech and has a shareholding in Eurovestech of approximately 8.4 per cent. of its issued share capital. Eurovestech is a pan-European development capital fund focused on high-technology enterprises which is admitted to trading on AIM.

The Directors consider that the investment strategy and target investments (in terms of size, sector and listing) of the Fund are largely distinct from those of Eurovestech and, accordingly, consider that it would be unlikely for a target investment of the Fund to fall within the scope of Eurovestech's own investment parameters and vice versa. However, conflicts of interest could potentially arise in exceptional circumstances and so the Fund, the Investment Adviser, the Manager, Eurovestech and Richard Bernstein have entered into a Memorandum of Understanding to set out the understanding of each of the parties as to how Richard Bernstein will perform his various roles in relation to each party without Richard Bernstein being in breach of any of the duties which he owes to any of the parties. Please see paragraph 7.8 of Part VI of this document for further detail.

Mr Bernstein will not therefore devote the whole of his working time to the business of the Company and the Advisers and this could have a material adverse affect on the performance of the Fund. However, the Board is satisfied that the arrangements it has made and protections it has taken are sufficient for the Company's purposes.

## PART III

### Financial Information on the Company

#### Income Statement for the period from 22 June 2007 to 31 December 2007.

During the period from incorporation on 22 June 2007 to 31 December 2007 the Company has not traded and has received no income and incurred no expenditure and has no other recognised gains or losses. Consequently, the Company has made neither a profit nor a loss and therefore no Income Statement and Statement of Recognised Income and Expense have been prepared.

#### Balance Sheet

	At 31 December 2007 £
<b>Assets</b>	
Cash and cash equivalents	—
<b>Total Assets</b>	—
<b>Equity and liabilities</b>	
<b>Capital</b>	
Issued capital, two Ordinary Shares (Note 4)	—
<b>Total Equity</b>	—

#### Cash Flow Statement

For the period from incorporation on 22 June 2007 to 31 December 2007, the Company did not receive or expend any cash and therefore no cash flow statement has been prepared.

#### Notes to the Financial Information

##### 1. Introduction

The Company was incorporated on 22 June 2007 as Crystal Amber Fund Limited. The Company has not yet completed its first accounting period. The Company has not yet commenced business and no statutory financial statements have been prepared or audited since incorporation.

##### 2. Accounting policies

###### (a) *Statement of compliance*

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS).

###### (b) *Basis of preparation*

The financial information has been prepared under the historical cost convention.

###### (c) *Functional and presentation currency*

The financial information is presented in Sterling, which is the Company's functional currency.

###### (d) *Share capital*

Share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any distributions are discretionary.

###### (e) *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are not yet effective at the date of this financial information, and have not been applied in preparing this financial information. Based on the nature of the Company's operations at 31 December 2007 these would not have any impact.

### **3. Share issue expenses**

During the period to 31 December 2007, the Company incurred £10,000 of share issue expenses of which £10,000 was outstanding at the period end. This will be deducted from equity and written off against the share premium account when funds are raised.

### **4. Share capital**

As at the date of this document, the authorised share capital of the Company was £3 million divided into 300,000,000 Ordinary Shares. The issued share capital of the Company at the date of this document consists of two fully paid Ordinary Shares.

### **5. Financial Instruments and related risks**

Based on the Company's operations at 31 December 2007, it is not exposed to any significant financial instrument risk.

## PART IV

### Taxation

*The following information, which relates only to Guernsey and UK taxation, is applicable to the Company and, in the case of information relating to the UK, to persons who are resident or ordinarily resident in the UK and who hold Ordinary Shares as investments. It is based on the law and practice currently in force in Guernsey and the UK. The information is not exhaustive and, if potential investors are in any doubt as to their taxation position, they should consult their professional adviser without delay. Investors should note that tax law and interpretation can change and that, in particular, the levels and bases of, and reliefs from, taxation may change and that changes may alter the benefits of investment in the Company.*

#### **Guernsey Taxation**

##### ***The Company***

Guernsey currently does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax) gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration.

The Company will apply for and expects to be granted exempt status for Guernsey tax purposes.

In return for the payment of a fee, currently £600, a company is able to apply annually for exempt status for Guernsey tax purposes. A company that has exempt status for Guernsey tax purposes is exempt from tax in Guernsey on both bank deposit interest and any income that does not have its source in Guernsey.

Payments of dividends and interest by a company that has exempt status for Guernsey tax purposes are regarded as having their source outside Guernsey and hence are payable without deduction of tax in Guernsey.

In response to the review carried out by the European Union Code of Conduct Group, the States of Guernsey has decided to abolish exempt status for the majority of companies with effect from January 2008 and to introduce a zero rate of tax for companies carrying on all but a few specified types of activity. However, the States of Guernsey has also agreed that because collective investment schemes, including closed-ended investment vehicles, were not one of the regimes in Guernsey that were classified by the European Union Code of Conduct Group as being harmful, that collective investment schemes, including closed-ended investment vehicles, will continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

Document duty is payable on the creation or increase of authorised share capital at the rate of one half of one per cent. of the nominal value of the authorised share capital of a company incorporated in Guernsey up to a maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of shares.

##### ***The Shareholders***

Any Shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will suffer no deduction of tax by the Company from any dividends payable by the Company but the Administrator will provide details of distributions made to Shareholders resident in the Islands of Guernsey, Alderney and Herm to the Administrator of Income Tax in Guernsey. Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of any Shares owned by them.

Guernsey has introduced measures that are the same as the European Union Savings Tax Directive. However paying agents located in Guernsey are not required to operate the measures on distributions made to Shareholders by closed ended investment companies.

## **UK taxation**

### ***The Company***

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK and so that the Company does not carry out any trade in the UK (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for UK taxation on its income and gains other than certain income deriving from a UK source.

Certain interest and other income received by the Company which has a UK source may be subject to withholding taxes in the UK. However, under current UK law, dividends paid by UK companies to non-UK residents can be paid free of withholding taxes in the UK.

### ***UK Shareholders***

#### ***UK Taxation of dividends***

Shareholders who are resident in the UK for tax purposes may, depending on their circumstances, be liable to UK income tax or corporation tax in respect of dividends paid by the Company whether directly or by way of reinvestment of income.

Dividends received by an individual who is resident or ordinarily resident in the UK for taxation purposes will be chargeable to UK income tax. For such Shareholders who are liable to income tax at the starting or basic rates, dividends received from the Company would be liable to income tax at the dividend ordinary rate, currently 10 per cent. of the dividend paid. For individual Shareholders who are liable to income tax at the higher rate, dividends received from the Company would be subject to income tax at the dividend higher rate, currently 32.5 per cent. of the dividend paid.

The government has announced its intention that with effect from 6 April 2008, UK resident individuals and certain non-UK resident individuals who, either alone or with connected persons, hold less than a 10 per cent. shareholding in the Company may receive under current circumstances a non-payable tax credit equal to one-ninth of the net dividend. For individual Shareholders who are liable to UK income tax at the higher rate, the effect of this tax credit is to reduce the effective rate of income tax payable in respect of such dividends from 32.5 per cent. of the gross dividend received to 25 per cent. of the gross dividend received. For individual Shareholders who are liable to UK income tax at the starting or basic rates, the effect of this tax credit is that they will have no further tax to pay on such dividends.

A UK resident corporate Shareholder will be liable to corporation tax in respect of dividends paid by the Company.

#### ***UK taxation of capital gains***

In the case of those Shareholders who are individuals or otherwise not within the charge to corporation tax, capital gains tax may be payable on a disposal, or deemed disposal, of Shares at the flat rate of 18 per cent. in respect of assets disposed of on or after 6 April 2008. No indexation allowance will be available to such holders. Certain individual Shareholders are entitled to an annual exemption from capital gains. For the 2008/2009 tax year this is £9,600.

Shareholders within the charge to UK corporation tax may be subject to corporation tax on chargeable gains in respect of any gain arising on a disposal of Ordinary Shares. Indexation allowance may apply to reduce any chargeable gain arising on disposal of the Ordinary Shares but will not create or increase an allowable loss.

#### ***Other UK taxation matters***

The Company may be regarded as a close company if it were resident in the UK. If this is the case, a portion of capital gains realised by the Company can be attributed to a UK resident or ordinarily resident Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the Ordinary Shares under section 13 of the Taxation of Chargeable Gains Act 1992.

The Directors intend to manage the Company's affairs such that it should not be regarded as a collective investment scheme for the purposes of section 235 Financial Services and Markets Act 2000 (as deemed to be amended for UK tax purposes by the Finance Act 2007). On this basis a shareholding in the Company should not be regarded as a material interest in an offshore fund for the purposes of Sections 756A to 764 of the Income



and Corporation Taxes Act 1988 (the “Taxes Act”). Accordingly, gains realised on such holdings should not be subject to tax as income under that legislation. However, Shareholders should note that the offshore funds taxation regime is subject to change and the UK government is currently engaged in an ongoing process of consultation regarding possible reforms.

A UK resident corporate Shareholder who, together with connected or associated persons, would broadly be entitled to at least 25 per cent. of the profits of the Company were such profits to be distributed should note the provisions of the controlled foreign companies legislation contained in Sections 747 to 756 of the Taxes Act.

The attention of individuals ordinarily resident in the UK is drawn to the provisions of sections 714 to 751 of the Income Tax Act 2007. These sections contain anti-avoidance provisions dealing with the transfer of assets to overseas persons in circumstances which may render such individuals liable to taxation in respect of undistributed profits of the Company.

The attention of UK residents and domiciled investors is drawn to Sections 682 to 694 of the Income Tax Act 2007 under which HM Revenue and Customs may seek to cancel tax advantages from certain transactions in securities.

### ***Non-UK Shareholders***

Shareholders who are not resident or ordinarily resident in the UK and do not carry on a trade, profession or vocation through a branch, agency or other form of permanent establishment in the UK with which the Ordinary Shares are connected will not normally be liable to UK taxation on capital gains arising on the sale or other disposal of their Ordinary Shares. However, non-UK Shareholders will need to take specific professional advice about their individual tax position.

### ***Individual Savings Accounts (“ISAs”)***

Ordinary Shares in the Company will qualify for inclusion within the stocks and shares component of an ISA provided they are officially listed on a recognised stock exchange (the CISX is so recognised). UK tax resident Shareholders who acquire their investment in Ordinary Shares through an ISA and who satisfy the requirements for tax exemption in the relevant regulations will not be subject to either UK income tax or UK capital gains tax on income and gains realised from their investment but any losses on their investment will be disregarded for the purposes of UK capital gains tax.

### ***Self-invested Personal Pension Schemes (“SIPPs”)***

Ordinary shares in the Company may be held for the purposes of a SIPP where such shares are considered suitable investments by the scheme administrator.

### ***Stamp Duty and Stamp Duty Reserve Tax***

The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”) position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services to whom special rules apply. No UK Stamp Duty or SDRT will be payable on the issue of the Placing Shares. UK Stamp Duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5, of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases brought into, the UK. Provided that Ordinary Shares are not registered in any register of the Company kept in the UK, any agreement to transfer Ordinary Shares should not be subject to SDRT.

**Any person who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional advisers.**

## PART V

### Valuation

The Administrator shall calculate the Net Asset Value of the Ordinary Shares quarterly as at 31 March, 30 June, 30 September and 31 December in each year (the “Valuation Dates”).

The price will be quoted in Sterling and rounded to two decimal places. For the purpose of calculating the Net Asset Value, the investments of the Fund will be valued by the Administrator according to the following valuation principles:

- (a) the value of any investment which is quoted, listed or normally dealt in on a securities market will normally be based on the bid price for such security on the Valuation Date unless a bid price is unavailable in which case the mid market price will be used. Where such investment is listed or dealt in on more than one securities market, the price on the market on which the security was initially purchased will be used. If the price is not available as at the Valuation Date, the last available price will be used;
- (b) the value of any investment which is not listed or dealt in on a securities market will be at fair value as determined by the Directors in accordance with the IPEV Guidelines;
- (c) at all times, any valuation of an unlisted investment will assess whether changes or events subsequent to the previous valuation would imply a change in the investment’s fair value;
- (d) the value of any cash in hand or on deposit, pre-paid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the face value thereof unless, in any case, the Directors are of the opinion that the same is unlikely to be paid or received in full, in which case the value thereof will be arrived at after making such adjustment as the Directors consider appropriate in such case to reflect the true value thereof;
- (e) the value of any demand notes, promissory notes and accounts receivable will be deemed to be the face value or full amount thereof after making such adjustment as the Directors consider appropriate to reflect the true current value thereof;
- (f) certificates of deposit, treasury bills, bank acceptances, trade bills, and other negotiable instruments and any liabilities (where applicable) shall each be marked to market as at the Valuation Date;
- (g) if extraordinary circumstances render a valuation pursuant to the above principles impracticable or inadequate, the Directors will determine whether alternative methodologies should be adopted and, if so, decide what these alternative methodologies should be. The relevant assets would then be valued accordingly. Notices of the Net Asset Value sent to the Shareholders will describe any such alternative methodology used which is material in the circumstances;
- (h) if in any case a particular value is not ascertainable in accordance with the above principles or if the Directors consider that some other method of valuation better reflects the fair value of the relevant investment, then in such circumstances the method of valuation of the relevant investment will be such as the Directors, in their absolute discretion, determine; and
- (i) notwithstanding the foregoing, where at the time of any valuation any asset has been realised or contracted to be realised, there will be included in the assets in place of such asset the net amount receivable by the Fund in respect thereof provided that, if such amount is not then known exactly, its value will be the net amount estimated by the Directors to be receivable by the Fund provided that if the net amount receivable is not payable until some future time after the time of any valuation the Directors will make such adjustment as they consider appropriate to reflect the true current value thereof.

The making of calculations will be suspended in circumstances where the underlying data necessary to value the investments cannot readily, or without undue expenditure, be obtained. Details of any suspension in the making of such announcements will be announced to the London Stock Exchange through a RIS.

## PART VI

### Additional Information

#### 1. Directors' responsibility

- 1.1 The Company and the Directors, whose names are set out on page 4 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

- 2.1 The Company was incorporated on 22 June 2007 with limited liability in Guernsey under the Law with registered number 47213. The Company has been incorporated with an unlimited life, but in accordance with the Articles the Directors are obliged to propose an extraordinary resolution that the Company ceases to continue as constituted at the annual general meeting to be held after the Company's eighth anniversary of Admission and if this resolution is not passed a similar resolution will be proposed at every fifth annual general meeting thereafter.
- 2.2 The Company's registered office and its principal place of business are in Guernsey and are located at Polygon Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY, tel: +44 (0) 1481 716000.
- 2.3 The Company's website address, at which the information required by Rule 26 of the AIM Rules, can be found is [www.crystalamber.com](http://www.crystalamber.com).
- 2.4 Save for its entry into the material contracts summarised in paragraph 7 of this Part VI and certain non-material contracts, since its incorporation, the Company has not carried on business nor incurred borrowings.
- 2.5 For statutory purposes under the provisions of the Law, and in accordance with the Articles, the Company may not proceed to allotments unless a minimum of two Ordinary Shares have been subscribed for.

#### 3. Share capital

- 3.1. At incorporation the authorised share capital of the Company was £3,000,000 divided into 300,000,000 Ordinary Shares of £0.01 each, of which two were issued as subscriber shares to the two subscribers to the Memorandum of Association and Articles. There have been no alterations to the capital of the Company since the date of its incorporation.
- 3.2 The authorised share capital and the maximum issued share capital of the Company (all of which will be fully paid-up) immediately following the Placing will be as follows:

	Authorised Number of Ordinary Shares	£0.01 Nominal	Issued Number of Ordinary Shares	£0.01 Nominal
Ordinary Shares	300,000,000	£3,000,000	60,000,000	£600,000.00

- 3.3 By an ordinary resolution dated 28 February 2008, the Company took authority, in accordance with clause 5 of the Companies (Purchase of Own Shares) Ordinance 1998 (the "Ordinance"), to make market purchases of fully paid Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased shall be 14.99 per cent. of the issued ordinary share capital of the Company issued pursuant to the Placing. The Company is permitted to fund the payments for purchases of Ordinary Shares in any manner permitted by the Ordinance. Such authority shall expire at the annual general meeting of the Company in 2008 unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting. Ordinary Shares which are purchased by the Company may be held as treasury shares provided that the aggregate nominal value of Ordinary Shares held as treasury stock must not exceed 10 per cent. of the nominal value of the issued Ordinary Shares at any time. Ordinary Shares purchased by the Company in excess of this limit will be cancelled.

- 3.4 By a special resolution dated 28 February 2008 it was resolved that, conditional on the Placing becoming unconditional and the approval of the Court, the amount standing to the credit of the share premium account of the Company following completion of the Placing be cancelled and the amount of the share premium account so cancelled be credited as a distributable reserve to be established in the books of account of the Company which shall be able to be applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Law) are able to be applied, including the purchase of the Company's own Shares and payment of dividends. In deciding whether to give its confirmation, the Court will be concerned to protect the interests of any creditors of the Company as at the date the reduction takes effect. The Court will require all such creditors to have been paid or to have consented to the reduction. Until the Court has confirmed the reduction of the share premium account (and the terms of any undertaking regarding creditors required by the court to be complied with), the Company will only be able to distribute dividends out of existing distributable profits and, to the extent permitted by the Ordinance, to repurchase Ordinary Shares out of existing distributable profits or the proceeds of a fresh issue of Shares.
  - 3.5 In accordance with the power granted to the Directors by the Articles, it is expected that the Ordinary Shares to be issued under the Placing will be allotted (conditional upon Admission) pursuant to a resolution of the Board to be passed shortly before Admission. There are no provisions of Guernsey law equivalent to sections 89 to 96 of the Act which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash.
  - 3.6 The liability of Shareholders is limited to the amount payable in respect of Ordinary Shares held.
  - 3.7 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.
  - 3.8 Save pursuant to the Placing and for the subscription of the two Ordinary Shares referred to above, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
  - 3.9 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
  - 3.10 As of the date of this document, the Company has no listed or unlisted securities not representing share capital.
- 4. Directors' and other interests**
- 4.1 The maximum amount of fees payable to the Directors permitted under the Articles is £250,000 in aggregate in any financial year or such higher amount as may be determined from time to time by an ordinary resolution of Shareholders.
  - 4.2 It is estimated that the aggregate emoluments (including benefits in kind and pension contributions (of which none is to be made)) of the Directors for the period from Admission to 30 June 2009 will amount to no more than £105,000.
  - 4.3 On 16 June 2008, each of the Directors signed letters of appointment in respect of their roles as non-executive directors. The letters provide that the Directors' appointment may be terminated on 3 months' notice with no benefits arising on termination. Save as described above, there are no existing or proposed service contracts between any of the Directors and the Company. William Collins, as Chairman, is entitled to receive an annual fee of £30,000 and Sarah Evans, as Chairman of the Audit Committee, is entitled to receive an annual fee of £25,000. The remaining Directors are entitled to receive an annual fee of £20,000.
  - 4.4 Mark Huntley, a director of the Company, is a director of the Manager and of the Administrator with whom the Company has entered into the Management Agreement and Administration Agreement respectively. He is also a director of the CISX.
  - 4.5 Save to the extent disclosed in this paragraph 4 and in paragraph 7 below, there are no contracts entered into by the Company in which any of the Directors has a material interest.
  - 4.6 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.

- 4.7 No Director has any interest in any transactions which are or were unusual in their nature or significant to the business of the Company and which have been effected by the Company since incorporation and remain in any way outstanding or unperformed.
- 4.8 No Director (nor any member of a Director's family) has a related financial product (as defined in the AIM Rules) referenced to Ordinary Shares.
- 4.9 Based on the intentions of the Directors (and persons connected with the Directors) and Richard Bernstein to subscribe under the Placing, the Directors (and persons connected with the Directors) and Richard Bernstein are expected to hold, following Admission, the number of Ordinary Shares set out below:

<b>Name</b>	<b>Number of Ordinary Shares</b>	<b>%</b>
Richard Bernstein	360,000	0.60
William Collins	25,000	0.04
Sarah Evans	25,000	0.04
Mark Huntley	—	—
Nigel Ward	—	—

- 4.10 Pursuant to Rule 7 of the AIM Rules, each of the Directors and their related parties (as defined in the AIM Rules) has undertaken to the Company and JEP (subject to certain limited exceptions including the acceptance of a general offer made in accordance with the City Code on Takeovers and Mergers for the whole or part of the issued share capital of the Company) not to dispose or agree to dispose of any Ordinary Shares for the time being owned by him/her or his/her related parties for a period of 12 months from the date of Admission.
- 4.11 Save as set out in this paragraph 4, no Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known, or who could with reasonable diligence be ascertained by each Director) an interest in the share capital of the Company or any options in respect of such capital.
- 4.12 The Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control of the Company.
- 4.13 As at 11 June 2008 (being the latest practicable date prior to the publication of this document), insofar as is known to the Company, the direct or indirect interests (within the meaning of Chapter 5 of the DTRs) in three per cent. or more of the total voting rights in the Company at Admission will be as set out below:

<b>Name</b>	<b>Number of Ordinary Shares</b>	<b>%</b>
Invesco Perpetual Asset Management Limited	17,700,000	29.50
Baring Asset Management Limited	6,000,000	10.00
Merseyside Pension Fund	6,000,000	10.00
Artemis Investment Management Limited	5,000,000	8.33
Midas Capital Partners Limited	4,000,000	6.67
CCLA Investment Management Limited	2,500,000	4.17
Simpson Financial Limited	2,000,000	3.33

- 4.14 Save as disclosed above, there are no persons, so far as the Company is aware, who will immediately following Admission be interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital.
- 4.15 The Company intends to purchase directors' and officers' liability insurance for the benefit of the Directors.
- 4.16 No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.

- 4.17 Sarah Evans was a director of Brimbul Limited until 30 March 1994. Brimbul Limited went into voluntary liquidation on 22 March 1995. The statement of affairs prepared on 6 March 1995 showed an estimated total deficiency to shareholders and creditors of £64,238. William Collins was a director of Katahdin Limited until 28 November 1985, when it was placed into compulsory liquidation. The liquidator assessed the total deficiency to shareholders and creditors to be approximately US\$500,000.
- 4.18 Save as disclosed above, none of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors. None of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been the subject of receivership.
- 4.19 None of the Directors has been publicly criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 4.20 The directorships held by each of the Directors (other than the directorships of the Company) over the five years preceding the date of this document and the partnerships in which they have been partners in the five years preceding the date of this document are as follows:

	<i>Current</i>	<i>Past</i>
<b>William Collins</b>	None	BAM AG, Frankfurt BAM France, SA BAM Institutional Umbrella Fund Barfield Nominees Limited Baring Asset Management (CI) Limited Baring Collier Secondaries Fund II Limited Baring-Collier Secondaries Fund Baring Global Investment Umbrella Fund Barings (Guernsey) Limited Baring International Fund Managers (Ireland) Limited Baring Korea Fund Baring Multi-Manager Funds Plc Baring Mutual Fund Management (Ireland) Limited Baring Peacock Fund Baring Private Investment Management Limited Baring Umbrella Fixed Income Fund plc El Duro Property Inc. Montpellier Investments Limited
<b>Sarah Evans</b>	Celadon PCC Limited Evans Property Holdings Limited La Bigoterie Holdings Limited Japan Leisure Hotels Limited FAP Hedge Fund Opportunities Fund Limited	None
<b>Mark Huntley</b>	AAC Capital NEBO Carry GP Limited AAC Capital NEBO Feeder GP Limited Aile Limited Baring Collier Secondaries Fund II Limited Bream Limited Cannonball Limited Celadon Management Limited Channels Islands Stock Exchange, LBG Civet Limited Collingwood Holdings Limited Crystal Amber Asset Management (Guernsey) Limited	Heritage Fiduciaries Limited



	<i>Current</i>	<i>Past</i>
<b>Mark Huntley</b> (continued)	DCB Investments Limited	
	Falcon Carry (GP) Limited	
	Fun Capital Limited	
	Genesis Administration Limited	
	Genesis Taihei Investments, LLC	
	Healthcare Investments	
	Heritage Group Limited	
	Heritage International Fund	
	Managers Limited	
	Heritage Management Holdings Limited	
	Heritage Partners GP Limited	
	Heritage Partners Limited	
	Hologram Holdings Limited	
	International Hospitals Network (GP) Limited	
	Japan Leisure Hotels Limited	
	Lehman Brothers Merchant Banking Europe	
	Capital Partners Management Limited	
	London Asia Chinese Private Equity	
	Fund Limited	
	MPOF (Antonio) Limited	
	MPOF (Domingos) Limited	
	MPOF (Guia) Limited	
	MPOF (Jose) Limited	
	MPOF Mainland Company 1 Limited	
	MPOF (Monte) Limited	
	MPOF (Paulo) Limited	
	MPOF (Penha) Limited	
	MPOF (Senado) Limited	
	MPOF (Sun) Limited	
	MPOF (Taipa) Limited	
	MPOF (6A) Limited	
	MPOF (6B) Limited	
	MPOF (7A) Limited	
	MPOF (7B) Limited	
	MPOF (8A) Limited	
	MPOF (8B) Limited	
	MPOF (9A) Limited	
	MPOF (9B) Limited	
	MPOF (10A) Limited	
	MPOF (10B) Limited	
	NEBO I Carry GP Limited	
	NEBO I GP Limited	
	Pieterse Holdings Limited	
	Plein Limited	
	P25 (GP) Limited	
	P25 Investments Limited	
	Stirling Mortimer (Channel Islands) Limited	
	Stirling Mortimer Global Property Fund	
	PCC Limited	
	Stirling Mortimer (Guernsey) Limited	
	Stirling Mortimer Property Fund	
	PCC Limited	
<b>Nigel Ward</b>	<i>Current</i>	<i>Past</i>
	Braemar Group PCC Limited	Barfield Nominees Limited
		Baring Asset Management (CI) Limited
		El Duro Property Inc.
		Gerrard International Limited
		Montpelier Investments Limited
		Nordic Leisure Limited

## 5. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the objects of the Company include carrying on business as an investment company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association, a copy of which is available for inspection at the addresses specified in paragraph 10 below.

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

#### 5.1 *Voting*

Members have the right to receive notice of, and to vote at, general meetings of the Company. Each member who is present in person at a general meeting on a show of hands has one vote and, on a poll, every such member who is present in person or by proxy has one vote in respect of each Share held.

#### 5.2 *Shares*

- (a) If at any time the Shares of the Company are divided into different classes, all or any of the rights for the time being attached to any Share or class of Shares may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued Shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such Shares of the class. The necessary quorum (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one-third of the capital committed or agreed to be committed in respect of the issued Shares of the class in question. The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not be deemed to be varied by (a) the creation or issue of further Shares ranking *pari passu* or (b) the purchase or redemption by the Company of any of its own Shares.
- (b) Subject to the Articles, the unissued Shares shall be at the disposal of the Directors, who may allot, grant options over, or otherwise dispose of them to such persons, on such terms and conditions, and at such times as they determine.
- (c) The Company may also pay brokerages and/or commissions provided that the rate or amount of commission shall be fixed by the Board and disclosed in accordance with the Law.
- (d) The Company shall not be affected or bound by or compelled in any way to recognise any equitable contingent future or partial interest in any Share except an absolute right of the registered holder to the entirety of the Share.
- (e) The Shares carry no redemption rights.

#### 5.3 *Ownership, thresholds and capital changes*

- (a) Each significant Shareholder is required to notify the Company of any relevant changes to their shareholdings in the Company as if the provisions of the Disclosure and Transparency Rules published from time to time by the Financial Services Authority of the United Kingdom in respect of significant shareholder notifications were set out in full in the Articles. For these purposes a “significant shareholder” means a shareholder holding 3 per cent. or more of any class of securities of the Company (excluding treasury shares); and “relevant changes” means changes to the holding of a significant shareholder above 3 per cent. (excluding treasury shares) which increase or decrease such holding through any single percentage.
- (b) In addition, the Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the Shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors shall determine. Directors may be required to exercise their powers under the relevant Articles on the requisition of members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company.
- (c) If any member is in default in supplying to the Company the information required by the Company within the prescribed period, the Directors in their absolute discretion may at any time thereafter serve a direction notice on the member. The direction notice may direct that in respect of the Shares in relation to which the default has occurred (the “default Shares”) and any other Shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default Shares represent at least 0.25 per cent. of the class of Shares concerned, the direction notice may additionally direct that dividends on such Shares will be retained by the Company (without interest) and that no transfer of the Shares (other than a transfer authorised under the Articles) shall be registered, unless the member is not himself in default in supplying the information and when

presented for registration the transfer is accompanied by a certificate stating that the member is satisfied that no person in default in supplying the information is interested in any Shares the subject of the transfer.

#### 5.4 *Transfer of and transmission of Shares*

- (a) Subject to the Law, the Board may issue Shares as certificated Shares and/or as uncertificated Shares in its absolute discretion.
- (b) The Articles are consistent with CREST membership and, *inter alia*, allow for Shares to be admitted to settlement by means of the CREST UK system.
- (c) Any member may transfer all or any of his certificated Shares by instrument of transfer in any form which the Board may approve. The instrument of transfer of a certificated Share shall be signed by or on behalf of the transferor.
- (d) The Board may refuse to register any transfer of certificated Shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant Share certificate(s) and such other evidence as the Directors may reasonably require to prove the title of the transferor or his right to transfer the Shares.
- (e) The Directors may refuse to register a transfer of any certificated or uncertificated Share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis on the London Stock Exchange.
- (f) The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any one year except that, in respect of any Shares which are participating securities, the register shall not be closed without the consent of Euroclear.

#### 5.5 *Alteration of capital*

- (a) The Company may by ordinary resolution increase the share capital by such sum to be divided into Shares of such amount as the resolution prescribes.
- (b) The Company may from time to time, subject to the provisions of the Law, purchase its own Shares (including any redeemable Shares) in any manner authorised by the Law.
- (c) The Company may by ordinary resolution consolidate and divide all or any of its share capital into Shares of larger amounts than its existing Shares; subdivide all or any of its Shares into Shares of a smaller amount than is fixed by the Memorandum; cancel any Shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; convert all or any fully paid up Shares into stock and reconvert that stock into paid-up Shares of any denomination; and convert its fully paid Shares expressed in one currency into fully paid Shares of a nominal amount of a different currency.
- (d) The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner permitted by the Law.

#### 5.6 *General meetings*

- (a) Not less than 14 days' clear notice specifying the time and place of any general meeting and specifying also in the case of any special business the general nature of the business to be transacted shall be given by notice sent by post to such members as are entitled to receive notices provided that, with the consent in writing of all the members entitled to receive notices of such meeting, a meeting may be convened by a shorter notice or at no notice and in any manner they think fit.
- (b) In every notice there shall appear a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend or vote instead of him and that a proxy need not be a member.
- (c) The accidental omission to give notice of any meeting to or the non-receipt of such notice by any member shall not invalidate any resolution passed or proceeding at any meeting.

### 5.7 *Powers and duties of the Board*

- (a) Save as mentioned below, a Director may not vote (or be counted in the quorum) on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest in Shares or debentures or other securities of the Company).
- (b) This prohibition shall not apply in relation to the following matters:
  - (i) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
  - (ii) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
  - (iii) a contract, arrangement, transaction or proposal concerning an offer of Shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to participate;
  - (iv) a contract, arrangement, transaction or proposal concerning any other company in which he (and any persons connected with him) is interested, directly or indirectly, as an officer, creditor, shareholder or otherwise if he does not to his knowledge hold an interest in shares representing one per cent. or more of either a class of the equity share capital (or of any third party company through which his interest is derived) or of the voting rights in the relevant company;
  - (v) any contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiaries which does not award to the Director any privilege or benefit not generally awarded to the employees to which such arrangement relates; and
  - (vi) a contract, arrangement, transaction or proposal for the purchase and/or maintenance of any insurance policy for the benefit of Directors or persons including the Directors.
- (c) Any Director may act by himself or by his firm act in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (d) Any Director may continue to be or become a director, managing director, manager or other officer or member of any company promoted by the Company or in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

### 5.8 *Appointment of Directors*

- (a) The Board and the Company, by ordinary resolution, have the power at any time to appoint any person to be a Director either to fill a casual vacancy or as an additional director. Any such Director appointed by the Board shall hold office only until the next annual general meeting and shall then be eligible for election.
- (b) No person other than a Director retiring at a general meeting shall be eligible for election by the Company to the office of Director unless prior notice of the intention to propose such person for election is given to the Company's registered office not less than 7 nor more than 42 days before the date of the meeting.
- (c) A Director need not be a member of the Company.

### 5.9 *Remuneration of Directors*

- (a) The Directors shall be entitled to receive by way of fees for their services such sum as the Board shall determine provided that the aggregate amount paid to all directors shall not exceed £250,000 in any financial year (or such higher amount as may be determined from time to time by ordinary resolution of the Company). The Directors shall also be entitled to be paid all reasonable out of pocket expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.
- (c) The Directors may from time to time appoint one or more of their body (other than a Director resident in the UK) to be holder of any executive office including the office of managing director on such terms and for such periods as they may determine.

#### 5.10 *Retirement and Removal of Directors*

At each annual general meeting, any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation.

The office of a Director shall be *ipso facto* vacated if:

- (a) he resigns;
- (b) he is absent from meetings without leave for a consecutive period of 12 months and the Board resolves that his office shall be vacated;
- (c) he becomes bankrupt, insolvent, suspends payment or compounds with his creditors;
- (d) he is requested to resign by written notice of all his co-Directors;
- (e) the Company declares by ordinary resolution that he shall cease to be a Director;
- (f) he becomes resident in the United Kingdom and, as a result, a majority of Directors are resident in the United Kingdom; or
- (g) he shall be prohibited by law from acting as a Director.

There is no age limit for the retirement of any Director.

#### 5.11 *Dividends and distribution of assets on a winding up*

- (a) The Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. No dividend shall be paid otherwise than out of the profits of the business of the Company.
- (b) The Directors may at any time declare and pay such interim dividends as appear to be justified by the position of the Company.
- (c) No dividend or other amount payable to any Shareholder shall bear interest against the Company.
- (d) All unclaimed dividends may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall be forfeited and shall revert to the Company.
- (e) If the Company should be wound up the liquidator may, with the authority of a special resolution, divide amongst the members in specie the whole or any part of the assets of the Company, whether or not the assets shall consist of assets of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes or assets, and may determine how such division should be carried out as between the members or different classes of members.

#### 5.12 *Borrowing*

The Company has power under the Articles to borrow an amount equal to 50 per cent. of the Company's Net Asset Value at the time of borrowing. This limit can be relaxed by the passing of an ordinary resolution by Shareholders. However, it is the intention of the Company that, save in exceptional circumstances where the Board resolves that it is in the interests of the Company to incur borrowings, borrowings will be limited to no more than 25 per cent. of the Company's Net Asset Value at the time of borrowing.

#### 5.13 *Life of the Company*

At the annual general meeting of the Company to be held following the eighth anniversary of Admission an extraordinary resolution will be proposed that the Company ceases to continue as constituted. If the

resolution is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter. If the resolution is passed, the Directors shall formulate proposals to be put to the Shareholders to reorganise, reconstruct, or wind up the Company. If no investments are made within two years of Admission, a special resolution will be put to Shareholders to wind up the Company.

#### 5.14 *Register of Shareholders*

The Company shall keep the register of Shareholders at its registered office, in accordance with the Law.

#### 5.15 *Untraceable Members*

The Company shall be entitled to sell at the best price reasonably obtainable the Shares of a Shareholder or any Shares to which a person is entitled by transmission on death or bankruptcy if and provided that:

- (a) for a period of twelve years no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the Shareholder or to the person so entitled to the Share has been cashed and no communication has been received by the Company from the Shareholder or the person so entitled provided that in any such period of twelve years the Company has paid at least three dividends whether interim or final;
- (b) the Company has at the expiration of the said period of twelve years by advertisement in a newspaper circulating in the area in which the address of the Shareholder or the person so entitled is located given notice of its intention to sell such Shares;
- (c) the Company has not during the period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the Shareholder or person so entitled; and
- (d) if any part of the share capital of the Company is quoted on any stock exchange the Company has given notice in writing to the quotations department of such stock exchange of its intention to sell such Shares.

The net proceeds of sale shall belong to the Company which shall be obliged to account to the former Shareholder or other person previously entitled as aforesaid for an amount equal to such proceeds and shall enter the name of such former Shareholder or other person in the books of the Company as a creditor for such amount. No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments (other than Shares) as the Directors may from time to time think fit.

### 6. **Overseas investors**

**No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the UK, may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Ordinary Shares nor should he in any event acquire, subscribe for or purchase Ordinary Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the UK wishing to acquire, subscribe for or purchase Ordinary Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.**

**THE ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS. THE ORDINARY SHARES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS THE ORDINARY SHARES ARE REGISTERED UNDER THE SECURITIES ACT AND THE COMPANY IS**



**REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”) OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE INVESTMENT COMPANY ACT ARE AVAILABLE.**

**The Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”), any U.S. state securities commission or any other regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this document. Any representation to the contrary is unlawful.**

**The Company’s Articles contain provisions designed to restrict the holding of Shares by persons, including US Persons, where in the opinion of the Directors such a holding could cause or be likely to cause the Company some legal, regulatory, pecuniary, tax or material administrative disadvantage. Ordinary Shares held by ERISA Plan Investors are subject to provisions requiring a compulsory transfer as set out in the Articles.**

**This document does not constitute an issue prospectus pursuant to Art. 652a or Art. 1156 of the Swiss Code of Obligations nor a listing prospectus under the listing rules of SWX Swiss Exchange. The Company has not and will not register with the Swiss Federal Banking Commission as a foreign investment fund. The Ordinary Shares are not and may not be offered or distributed to the public in or from Switzerland. The Ordinary Shares are only offered to Qualified Investors, as defined under Art. 10 (3) and (4) of the Federal Act on Collective Investment Schemes and Art. 6 (2) of the Ordinance on Collective Investment Schemes. This document is personal and confidential to each recipient and does not constitute an invitation to any other person. This document may only be used by those persons to whom it has been handed out in connection with the Placing described therein and may neither be copied or directly nor indirectly be distributed or made available to other persons without express consent of the Company, JEP and West Hill.**

## **7. Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

- 7.1 The Investment Management Agreement dated 16 June 2008 between the Company and the Manager pursuant to which the Manager has agreed to provide investment management services to the Company in relation to the assets held by it from time to time.

The Manager will receive a management fee at the annual rate of 2 per cent. of the Net Asset Value payable quarterly in advance and calculated on the Net Asset Value on the relevant quarterly accounting date.

In addition, the Manager will be entitled to a performance fee in certain circumstances. This fee is payable by reference to the increase in NAV per Ordinary Share over the course of each performance period. The first performance period begins on Admission and ends on 30 June 2009; each subsequent performance period is a period of one financial year commencing on 1 July and ending on 30 June the following year.

Payment of the performance fee is subject to:

- (i) the achievement of a performance hurdle condition: the NAV per Ordinary Share at the end of the relevant performance period must exceed an amount equal to the Placing Price increased at a rate of 7 per cent. per annum on an annual compounding basis up to the end of the relevant performance period (the “Basic Performance Hurdle”); and
- (ii) the achievement of a ‘high watermark’: the NAV per Ordinary Share at the end of the relevant performance period must be higher than the highest previously reported NAV per Ordinary Share at the end of a performance period in relation to which a performance fee, if any, was last earned (or if no performance fee has been earned since Admission must be higher than the Placing Price).

If the Basic Performance Hurdle is met, and the high watermark exceeded, the performance fee will be an amount equal to 20 per cent. of the excess of the NAV per Ordinary Share at the end of the relevant performance period over the higher of (i) the Basic Performance Hurdle; (ii) the NAV per Ordinary Share

at the start of the relevant performance period; and (iii) the high watermark (in each case on a per Share basis), multiplied by the time weighted average of the number of Ordinary Shares in issue in the performance period (or since Admission in the first performance period) (together, if applicable, with an amount equal to the VAT thereon).

The Manager will be responsible for the payment of all fees to the Investment Adviser.

The Manager has the benefit of an indemnity from the Company in relation to liabilities incurred by the Manager in the discharge of its duties other than those arising by reason of any negligence, wilful default or fraud or failure to comply with any obligations under the agreement or under any applicable law on the part of the Manager.

The Manager's appointment as investment manager is terminable by the Manager or the Company on not less than 12 months' notice, such notice not to be given before the second anniversary of Admission. The Management Agreement may be terminated with immediate effect by either the Manager or the Company if the other party has gone into liquidation, administration or receivership or has committed a material breach of the Management Agreement and in so far as such breach is capable of remedy, such breach is not remedied within 30 days' notice. The Management Agreement is also terminable with immediate effect by the Company in the event that (i) Richard Bernstein leaves the Manager and the Manager fails to find a competent replacement within 3 months; (ii) there is a change of control of the Manager or the Investment Adviser; or (iii) if the Investment Adviser has committed a material breach of the Investment Advisory Agreement. The Management Agreement provides (*inter alia*) that the Manager will ensure that the Company is given the right of first refusal in respect of all relevant investment opportunities available to the Advisers which fall within the investment objective and/or investment policy of the Company.

- 7.2 The Investment Advisory Agreement dated 16 June 2008 between the Company, the Manager and the Investment Adviser pursuant to which the Investment Adviser agrees to provide the Manager with advisory services delegated to it pursuant to the Management Agreement.

The Investment Advisory Agreement is subject to termination, *inter alia*, on 12 months' notice such notice not to be given before the second anniversary of Admission. The Investment Advisory Agreement may also be terminated with immediate effect by the Investment Adviser, the Company or the Manager if the other parties go into liquidation, administration or receivership or has committed a material breach of the agreement and in so far as such breach is capable of remedy, such breach is not remedied within 30 days' notice. The Investment Advisory Agreement is also terminable with immediate effect by the Company in the event that there is a change of control of the Manager or the Investment Adviser. The Investment Advisory Agreement shall automatically terminate in the event that the Management Agreement is terminated in accordance with the terms of that agreement.

The Investment Adviser has the benefit of an indemnity from the Manager under the terms of the Investment Advisory Agreement in relation to liabilities incurred by the Investment Adviser in the discharge of its duties other than those arising by reason of any negligence, wilful default or fraud or failure to comply with any obligations under the agreement or under any applicable law on the part of the Investment Adviser.

Under the terms of the Investment Advisory Agreement, the Investment Adviser acknowledges that the provisions of the Management Agreement dealing with conflicts of interest apply to it and agrees with the Company as a direct covenant to comply with the same. The Investment Advisory Agreement provides that the Investment Adviser shall be entitled to such fees as agreed with the Manager from time to time and that the Manager shall be responsible for the payment of the fees of the Investment Adviser.

- 7.3 The Administration Agreement dated 16 June 2008 between the Company and the Administrator whereby the Company has appointed the Administrator to provide administrative and secretarial services to the Company. Under the Administration Agreement the Company has also appointed the Administrator as secretary to the Company. Under the Administration Agreement, the Administrator has the authority to delegate the discharge of its functions thereunder. The Administration Agreement is terminable on 90 days' notice in writing (given so as to expire on the last day of any calendar month) and on shorter notice in the event of a material breach of contract where such breach, in so far as it is capable of remedy, is not remedied within 30 days' notice or in the event of insolvency. The Administrator will be

paid an annual fee of 0.1 per cent. per annum of the Net Asset Value payable quarterly in arrears (subject to a minimum of £75,000). The Company will reimburse the Administrator in respect of reasonable out of pocket expenses properly incurred in the performance of its duties.

- 7.4 The Custodian Agreement dated 16 June 2008 between the Company and the Custodian under which the Custodian has agreed to act as custodian of such investments of the Company as may be delivered to it from time to time. The Custodian has the benefit of an indemnity from the Company against liabilities arising in the absence of the Custodian's negligence, fraud, wilful default or breach of applicable law or regulations or breach of the agreement. For these services, the Custodian will be entitled to receive a fee, calculated and payable quarterly in arrears at the rate of not more than 0.05 per cent. of the NAV per annum, subject to a minimum fee of £25,000 per annum, together with the reimbursement of all legal and out of pocket expenses, in certain cases, and the reimbursement of any sub-custodians' fees. Transaction fees of £150 per trade are also payable. The Custodian Agreement is terminable by either party on three months' notice but may be terminated in the event of material breach of the agreement or in the event of insolvency of either party.
- 7.5 An offshore Registrar Agreement dated 16 June 2008 between the Company and the Registrar whereby the Registrar is appointed to act as registrar of the Company. The Registrar shall be entitled to receive a fee from the Company at the basic fee of £2.00 per Shareholder account per annum, subject to an annual minimum charge of £4,750, payable quarterly in arrears. Additional fees payable by the Company include, *inter alia*, fees in the sum of £1,000 per annum for maintenance of the register in Guernsey. The Registrar shall also be entitled to reimbursement of all reasonable out of pocket expenses properly incurred on behalf of the Company. The Registrar Agreement is terminable by either party giving not less than three months' notice, and on shorter notice in the event of breach of contract or insolvency save that the Company may not give notice to terminate the agreement until three months prior to the first anniversary of the date of the agreement.
- 7.6 The Placing Agreement dated 16 June 2008 between the Company, the Directors, the Manager, the Investment Adviser, Richard Bernstein, West Hill and JEP under which JEP has agreed, *inter alia*, to act as the Company's nominated adviser and broker as required by the AIM Rules. JEP has agreed to provide such advice and guidance to the Company to ensure compliance by the Company on an on-going basis with the AIM Rules as the Directors may reasonably request from time to time. JEP will receive an annual fee of £30,000 (plus VAT) for acting as nominated adviser and an annual fee of £6,000 (plus VAT) for acting as broker, payable quarterly in advance, the first such payments to be made upon Admission. The Company and the Directors have also given certain undertakings to JEP in connection with its appointment as nominated adviser and broker. In respect of its appointment as nominated adviser this agreement is terminable by either JEP or the Company on three months' notice, such notice not to expire before the second anniversary of Admission. In respect of its appointment as the Company's broker, this agreement is terminable by either the Company or JEP on three months' notice, such notice not to expire before the first anniversary of Admission. Under certain circumstances, *inter alia*, due to a material breach of the agreement by the Company and in certain other circumstances JEP is entitled to terminate the agreement prior to Admission and accordingly in such circumstances Admission will not occur. In addition, JEP has agreed to use its reasonable endeavours as agent for the Company to procure placees at the Placing Price for the Placing Shares. Conditionally upon Admission, in consideration for its services, JEP will be paid by the Company a corporate finance fee of £265,000, an administration fee of £10,000 for arranging and documenting the Placing and a broking commission of up to four per cent., being commissions to introducers of placees as set out in paragraph 9.9 below which will be paid on by JEP to such introducers of placees. The Placing Agreement contains certain indemnities from the Company, the Investment Adviser and the Manager in favour of JEP and indemnities from the Investment Adviser and the Manager in favour of the Company. The Placing Agreement also contains warranties (which are of a customary nature) given by the Company, Richard Bernstein, the Investment Manager, the Investment Adviser and the Directors in favour of JEP and a warranty from the Investment Manager and the Investment Adviser in favour of the Company.

In addition, each of the Directors has undertaken that (i) during the 12 months following Admission, she/he and their connected persons will not dispose of any Ordinary Shares, and (ii) so as to maintain an orderly market in the Ordinary Shares, for a period of 12 months after the expiry of the initial 12 month period, she/he and their connected persons will not dispose of any Ordinary Shares other than with the

prior written consent of JEP, such consent not to be unreasonably withheld or delayed and then only through a broker nominated or approved by JEP provided that JEP or such broker charges market rate brokerage fees. These undertakings do not apply in certain limited circumstances, including an intervening court order, acceptance of a takeover offer for the share capital of the Company made in accordance with the City Code on Takeovers and Mergers, an agreement to dispose of shares pursuant to a compromise or arrangement between the Company and its members or the death of such Director.

- 7.7 An agreement dated 12 June 2008 between the Company, the Directors and West Hill under which West Hill has agreed to act as the Company's financial adviser in connection with the launch of the Company. On successful completion of a capital raising for the Fund and in consideration for the provision of its services, West Hill will receive an advisory success fee of £400,000 conditional upon Admission.
- 7.8 A Memorandum of Understanding between the Company, the Investment Adviser, the Manager, Eurovestech and Richard Bernstein dated 16 June 2008 which sets out the understanding of each of the parties as to how Richard Bernstein will perform his various roles in relation to each party without Richard Bernstein being in breach of any of the duties which he owes to any of the parties. Eurovestech agrees that it is not interested in non-technology investments which fall within the Company's investment strategy and in relation to such investment opportunities Richard Bernstein will not be under an obligation to present these to Eurovestech and the Company, the Investment Adviser and the Investment Manager will be free to pursue such investment opportunities without any further recourse or consultation with Eurovestech. The agreement will be terminated when Richard Bernstein ceases to be on the board of Eurovestech or ceases to be a member of the Investment Adviser and a director of the Manager. If there are competing interests for Richard Bernstein's time between Eurovestech on the one hand and the Company, the Investment Adviser and the Manager (together the "Crystal Amber Parties") on the other, in respect of a matter of material importance to Eurovestech, as determined by the non-executive directors of Eurovestech, acting reasonably and in good faith, (including but not limited to matters such as fundraisings and emergency board meetings etc.), the interests of Eurovestech and the performance of Richard Bernstein's duties for Eurovestech shall be paramount and take priority over Richard Bernstein's duties for the Crystal Amber Parties.
- 7.9 A lock-in deed dated 16 June 2008 between JEP, the Company and Richard Bernstein pursuant to which Richard Bernstein has undertaken not to dispose of or agree to dispose of, any interests in Shares held by him for a period of 12 months from Admission and for the following 12 months dispose of any interests in Shares only with the prior written consent of JEP, such consent not to be unreasonably withheld and then only through a broker nominated or approved by JEP provided that JEP or such broker charges market rate brokerage fees, so as to preserve an orderly market in the Shares. These undertakings do not apply in certain limited circumstances including a disposal of Shares pursuant to an intervening court order, transfers to a personal representative on the death of the covenantor, by way of a gift to certain individuals provided that the transferee has agreed to be bound by the provisions of the lock-in deed or the acceptance of, or the giving of an irrevocable undertaking to accept, a takeover offer for the Company which is open to all Shareholders whether or not such offer is conditional or unconditional.
- 7.10 A CISX Sponsorship Agreement dated 16 June 2008 between the Company and Heritage Corporate Services Limited pursuant to which the Company has appointed Heritage Corporate Services Limited to act as the Company's CISX Listing Sponsor in return for the relevant fees set out in paragraph 9.11 below. The agreement may be terminated on not less than three months' notice in writing provided that termination will be immediate *inter alios* where (i) either party commits a material breach of the terms of the agreement (ii) the Company fails to pay sums due and payable under the agreement within 20 business days of such sums becoming due and payable (iii) the Company or any of the Directors commits a material breach of the applicable laws, or any fraudulent act or (iv) the Company commences insolvency proceedings.

## **8. Working Capital**

In the Directors' opinion, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements (that is for at least twelve months from Admission).

## **9. Miscellaneous**

- 9.1 The Company will be applying to Euroclear for the Ordinary Shares to be admitted to CREST as a participating security. It is expected that the admission of the Ordinary Shares to CREST as a participating security will be effective from or soon after Admission. Shareholders who are direct or sponsored members of Euroclear will be able to dematerialise their Ordinary Shares in accordance with the rules and practices instituted by Euroclear.
- 9.2 The Company has not been and is not currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such legal or arbitration proceedings pending or threatened by or against the Company which may have or have had since the Company's incorporation a significant effect on the Company's financial position.
- 9.3 The Directors confirm that the Company was incorporated and registered on the date referred to in paragraph 2.1 above and that, save for its entry into the material contracts described in paragraph 7 above, the Company has not traded, no accounts have been made up and no dividends have been declared.
- 9.4 There has been no significant change in the financial or trading position of the Company since the date of its incorporation or any factors which have influenced its activities. The Company does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.
- 9.5 The total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, the costs of printing, other fees payable and sales commission) are estimated to be approximately £2.9 million.
- 9.6 The Company is not dependent on any patents or other intellectual property rights or licences.
- 9.7 The Company currently has no significant investments in progress.
- 9.8 Save as disclosed in paragraphs 7, 9.9 and 9.10 of this Part VI, no person has received (excluding professional advisers otherwise disclosed in this document), directly or indirectly, from the Company since 22 June 2007 (the date of incorporation of the Company) or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 9.9 Pursuant to the arrangements described in relation to the Placing Agreement in paragraph 7.6 above, subject to Admission, introductory commissions of up to 4 per cent. will be payable to Compagnie Financière Aval SA, Nimrod Capital LLP ("Nimrod"), which has been appointed as an appointed representative of the Investment Adviser, Cenkos Securities plc, Hargreave Hale Limited and Credo Capital Plc in respect of Ordinary Shares to be allotted to placees under the Placing introduced by those entities. Neither the Manager nor the Investment Adviser will receive any commissions under the Placing.
- 9.10 The Manager, the Investment Adviser and Nimrod have entered into an agreement dated 16 June 2008 whereby (*inter alia*), in addition to setting out certain commission payments referred to in paragraph 9.9 above, the Manager and the Investment Adviser have agreed to pay, subject to Admission, a trail commission to Nimrod at a rate equivalent to 0.25 per cent. per annum of the Net Asset Value attributable to the Ordinary Shares allotted to placees under the Placing introduced by Nimrod for so long as the Manager and/or the Investment Adviser are engaged in respect of the Company. This payment will come out of payments received by the Manager under the Management Agreement.
- This agreement also contains certain undertakings given by the Manager and Investment Adviser in connection with the non-solicitation of investors introduced to the Company by Nimrod and sales commissions payable in respect of such investors on a secondary fundraising of the Company.
- 9.11 An initial fee of £3,100 and an annual fee of £1,500 are payable to the CISX in connection with the continuation of the admission of the Ordinary Shares to the Daily Official List of the CISX. In addition, an upfront fee of £6,000 and an annual fee of £2,250 is payable by the Company to Heritage Corporate Services Limited in connection with acting as Listing Agent for the continuation of the admission of the Ordinary Shares to the Daily Official List of the CISX.



- 9.12 The accounting reference date of the Company is 30 June.
- 9.13 KPMG Channel Islands Limited is a member of the Institute of Chartered Accountants in England and Wales and have been the only auditors of the Fund since its incorporation and is independent.
- 9.14 JEP and West Hill have given and not withdrawn their written consent to the inclusion in this document of references to their respective names in the form and context in which they appear.
- 9.15 JEP and West Hill are authorised and regulated by the FSA.
- 9.16 The maximum amounts of fees which are payable by the Company under the custody arrangements, which are or may be material, are calculated by reference to the location and value of the assets held for safekeeping and the number of transactions undertaken and cannot therefore be quantified.
- 9.17 The ISIN number of the Ordinary Shares is GG00B1Z2SL48. The SEDOL code of the Ordinary Shares is B1Z2SL4.
- 9.18 The Company will not make any material change in the investment policy and strategy of the Company without the approval of Shareholders by ordinary resolution. Further details of the provisions relating to changes to the investment policy and strategy are set out in Part I of this document.
- 9.19 Other than as provided in the City Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory takeover bids in relation to the Ordinary Shares. There are no rules or provisions relating to squeeze-out and/or sell-out rules relating to the Ordinary Shares.
- 9.20 If no investments are made within two years of Admission, a special resolution will be put to Shareholders to wind up the Company.
- 9.21 Information sourced from a third party has been accurately reproduced and as far as the Company is aware and is able to ascertain, no facts have been omitted which would render the information inaccurate or misleading.
- 9.22 The statutory records of the Company are kept at its registered office.

#### **10. Documents available for inspection**

Copies of this document, the memorandum and articles of association of the Company, and each of the material contracts set out in paragraph 7 above will be available for inspection at the registered office of the Company and at the offices of Norton Rose, 3 More London Riverside, London SE1 2AQ during business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until the date of Admission and, in the case of this document, until one month from the date of Admission in accordance with Rule 3 of the AIM Rules.

Dated: 16 June 2008





CRYSTAL  AMBER

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