

CRYSTAL  AMBER

Crystal Amber Fund Limited

Interim Report and Unaudited Condensed Financial Statements
For the six months ended 31 December 2023

Company No. 47213

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Key Points

- Net Asset Value ("NAV") per share increased by 13.7% over the six-month period to 31 December 2023 to 107.33p.
- According to Trustnet over the last six months, the Fund is second out of 24 peer group funds and over one and three years, first out of 23 peer group funds.
- £5 million asset enhancing share buyback announced within the period. Further buybacks anticipated in the second quarter of 2024.
- Further realisations since the period end, with more than half of the Prax Exploration Deferred Consideration Units now sold.
- De La Rue plc share price increased by more than 75% over the six months to 31 December 2023.
- Strong operational progress at Morpich Medical Inc. Regulatory approval expected in the coming months.
- In February 2024, Morpich Medical Inc's competitor, Fractyl Health Inc ("Fractyl") listed on NASDAQ, raising \$110 million. Current enterprise value of Fractyl is \$275 million. Fractyl had historic revenues of \$102,000. This peer group comparison serves to demonstrate the potential significant upside in the value of Morpich Medical Inc.

⁽¹⁾ All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 24 to 25 unless separately defined.

Chairman's Statement

During the six month period to 31 December 2023, net asset value increased from £77.7 million (93.33 pence per share) to an unaudited NAV of £88.3 million (107.33 pence per share) representing an increase of 13.7% in NAV. This compares to a 5.5% increase in the Numis Small Cap Index over the same period.

This strong absolute and relative performance continues the trend of the last three years, where according to Trustnet, the Fund's share price has risen by 20.8% over six months, 19.1% over one year and 35.6% over three years. This compares with returns for the Investment Trust UK Smaller Companies index of 5.2%, -2.8% and 0.1% over the equivalent periods.

July 2023 also saw the payment of an interim dividend of 25p per share in respect of the year to 30 June 2023, with £20.8 million returned to shareholders. This brings the total returned to shareholders since the new investment strategy was proposed in February 2022, excluding buybacks, to £45.8 million.

During the period under review, the largest contributor to the increase in net asset value was the 79% rise in the share price of De La Rue. In September 2023 we reported that following a prolonged period of intense and successful activism at De La Rue, the Fund purchased 15.3 million shares at a cost of £6.3 million, equivalent to 41.2p a share. Whilst the Fund's investment strategy remains to maximise value through returns of capital, this well-timed purchase demonstrates the benefit to shareholders of retaining a degree of flexibility in respect of existing holdings.

In December 2023, De La Rue reported operating profits ahead of previous guidance, net debt below previous guidance and a currency order book that had more than doubled over the previous three months to £220 million. The Fund notes both the cross-selling revenue benefits and the elimination of a substantial plc and head office overhead that would accrue to a trade acquirer. The Fund is De La Rue's largest shareholder, with a holding close to 17 per cent of its issued share capital. Crystal Amber remains of the view that the strategic value of De La Rue is substantially more than its operational value and that it is now a highly attractive takeover target in an industry requiring consolidation.

In December 2023, the Fund announced the recommencement of on-market purchases under a share buyback programme to repurchase Ordinary shares to an aggregate amount of £5 million, pursuant to the authority obtained at the Company's annual general meeting on 22 November 2023 (the "Buyback"). The purpose of the Buyback is to reduce the share capital of the Company and continue the process of returning cash to shareholders. In addition, the Buyback is intended to help narrow the discount of the share price to NAV. The Buyback has been funded from the Company's existing surplus cash resources. By 31 December 2023, close to one million shares had been acquired at an average cost of 71.38p a share. The Buyback continued after the period end, and to date, over 6.2 million shares have been acquired, reducing the total voting rights by 7.5% and increasing net asset value per share by approximately 1.9%.

Chairman's Statement (continued)

Last month, the Fund announced that it had disposed of over one-third of its holding of Deferred Consideration Units (“DCUs”) in Prax Exploration & Production plc at a 20% premium to carrying value. Combined with the anticipated payment in the coming days from the DCUs, this is expected to increase cash receipts by £5.7 million, equivalent to 7.3p a share. In aggregate, these are expected to increase net asset value by 2.3p a share. Earlier this month, the Fund realised an additional £1.2 million from the sale of further DCUs. More than half of this unquoted holding has now been sold at a 20% premium to the carrying value at 31 December 2023.

It is now two years since the current investment strategy was approved and the Investment Manager continues to work to maximise the value received within the portfolio to allow for timely returns of capital. In the resolution proposing this strategy, it was envisaged that “predominantly all of the Company’s assets” would have been sold by the end of 2023, with the noted exception of the unlisted Morpnic Medical Inc. Aside from De La Rue, this has been substantially achieved in respect of the listed positions and, as noted here and in previous reports, we believe that careful engagement and management of the De La Rue position will yield a significantly better outcome for shareholders than a forced sale.

As detailed below in the Investment Manager’s Report, the Fund’s primary focus beyond De La Rue is to achieve the regulatory approval at Morpnic Medical Inc that will enable sales to re-commence. This should not only underpin but should significantly enhance the value of this core holding. At this point, the Board will seek to consult with the Fund’s shareholders and advisors over the future structure of the Fund, given that almost all of its assets may well be unlisted by then.

Christopher Waldron

Chairman

27 March 2024

Investment Manager's Report

Performance

During the six month period to 31 December 2023, net asset value increased from £77.7 million (93.33 pence per share) to an unaudited NAV of £88.3 million (107.33 pence per share).

Investee companies

Morphic Medical Inc (“MMI”) formerly GI Dynamics Inc (“GI Dynamics”)

The Fund has a fully diluted equity interest of 81.5%, in addition to interest bearing loan notes.

Last summer, GI Dynamics changed its name to Morpich Medical Inc. MMI is a privately held company, headquartered in Boston, MA, that develops an endoscopically delivered medical device for patients with Type 2 Diabetes and Obesity. The device is called RESET, formerly known as the Endobarrier. RESET is a thin, flexible implant that lines the proximal intestine and mimics gastric bypass bariatric surgery as food bypasses the duodenum and the upper intestines.

Unlike gastric bypass surgery, RESET is reversible, minimally invasive, and temporary. It does not permanently alter the patient's anatomy but uniquely targets the body's own blood glucose control mechanisms. This is achieved through a 20-minute endoscopic procedure. The patient will typically retain the device for nine months, after which the device is removed.

According to the World Obesity Federation, the impact of being overweight and obese on the UK economy will continue to grow and is projected to reach 2.4% of GDP or £125 billion by 2060. This is both a global problem and a global market.

Over the last year, treatments for Type 2 Diabetes and Obesity have become a huge area of focus in both the general and the financial press. Novo Nordisk, the manufacturer of Ozempic and Wegovy has seen its market capitalisation surpass that of Tesla, with its share price rising by 85% over the last year. The “trickle down” effect of investor attention has found its way to MMI's close competitor, Fractyl Health. This is a company with historic annual revenues of \$102,000. Last month, it successfully raised \$110 million on NASDAQ. Its current market capitalisation is \$385 million, equivalent to an enterprise value of \$275 million.

Whilst MMI still requires CE Mark certification, it believes that its RESET device can deliver superior and durable results without change to the anatomy. A UK study by Dr Bob Ryder of the Sandwell and West Birmingham NHS Trust demonstrated an average 17.9 Kg reduction in weight and a 2% reduction in HBA1C at the end of treatment with RESET. Three years after treatment, 75% of patients maintained most of the improvement achieved.

During the period under review and in anticipation of the re-instatement of the CE Mark which will enable sales to re-commence, the board of MMI was significantly strengthened by the appointment of an ex-Medtronic Executive and by the appointment of the former Chairman of Apollo Endosurgery, which, last year, was acquired by Boston Scientific for an enterprise value of \$615 million.

Investment Manager's Report (continued)

Investee companies (continued)

De La Rue

Following a prolonged period of intense and successful activism at De La Rue, the Fund purchased 15.3 million shares in De La Rue during the summer of 2023 at a cost of £6.3 million, equivalent to 41.2p a share.

In December 2023, De La Rue reported first-half operating profits ahead of previous guidance at £7.9 million, net debt of £82 million, which was £18 million below previous guidance. Its currency order book had more than doubled over the previous three months to £220 million, with a very high win rate.

The Fund is De La Rue's largest shareholder, with a holding close to 17 per cent of its issued share capital. The Investment Manager remains of the view that the strategic value of De La Rue is substantially more than its operational value and that it is now a highly attractive takeover target in an industry requiring consolidation. The Fund notes both the cross-selling revenue benefits and the elimination of a substantial plc and head office overhead that would accrue to a trade acquiror.

Allied Minds

Allied Minds is an investor in technology and life science sectors and operates as a private equity firm of early-stage companies. The first Fund invested in November 2018 and it owns 18.4% of the company's issued share capital.

In late 2022, the company delisted from the market to reduce costs and preserve cash as it pursues its strategy to realise assets. After delisting, the company undertook a review of internal costs and external providers. It is understood that Allied Minds has sufficient cash to continue until 2027. Nevertheless, Allied Minds has failed to provide positive news flow from its remaining portfolio, with news from Federated Wireless, where Allied Minds has a 24% interest, particularly scant. Earlier in the month, portfolio company Orbital Sidekick launched two satellites, which to date are responding as expected. Given the continuing lack of evidence of realisations and returns of capital at Allied Minds, the Investment Manager is currently in discussions with Allied Minds regarding its optimal structure.

Hedging activity

The Fund did not engage in hedging activity during the period.

Outlook

Following two years of successful realisations and consequential shareholder distributions, the remaining portfolio is, as a consequence, intensely concentrated. With two remaining listed investments, De La Rue represents 95% of the value of the quoted portfolio. Overall, MMI comprises more than 40% of net asset value and the Investment Manager is heavily focused on the re-instatement of MMI's CE Mark, which is expected in the coming months.

Crystal Amber Asset Management (Guernsey) Limited

27 March 2024

Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 31 December 2023

| Note | Six months ended 31 December 2023 | | | Six months ended 31 December 2022 | | |
|--|--------------------------------------|--------------|---------------|--------------------------------------|------------------|------------------|
| | Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ |
| Income | | | | | | |
| Interest received | 60,955 | – | 60,955 | 10,182 | – | 10,182 |
| | 60,955 | – | 60,955 | 10,182 | – | 10,182 |
| Net gains on financial assets designated at FVTPL | | | | | | |
| Equities | | | | | | |
| Net realised gains | 4 | – | 6,128,586 | 6,128,586 | – | 7,135,460 |
| Movement in unrealised gains/(losses) | 4 | – | 5,982,219 | 5,982,219 | – | (2,393,065) |
| Debt Instruments | | | | | | |
| Movement in unrealised gains | 4 | – | 329,851 | 329,851 | – | 327,869 |
| | | – | 12,440,656 | 12,440,656 | – | 5,070,264 |
| Total income | | 60,955 | 12,440,656 | 12,501,611 | 10,182 | 5,070,264 |
| | | | | | 5,080,446 | |
| Expenses | | | | | | |
| Transaction costs | | – | 9,716 | 9,716 | – | 38,624 |
| Exchange movements on revaluation of investments and working capital | | 215,315 | 292,123 | 507,438 | (3,401) | (40,747) |
| Management fees | 9 | 270,000 | – | 270,000 | 540,000 | – |
| Directors' remuneration | | 65,000 | – | 65,000 | 65,000 | – |
| Administration fees | | 44,155 | – | 44,155 | 60,435 | – |
| Custodian fees | | 18,037 | – | 18,037 | 27,626 | – |
| Audit fees | | 30,075 | – | 30,075 | 30,488 | – |
| Other expenses | | 253,303 | – | 253,303 | 184,066 | – |
| | | 895,885 | 301,839 | 1,197,724 | 904,214 | (2,123) |
| Return/(loss) for the period | | (834,930) | 12,138,817 | 11,303,887 | (894,032) | 5,072,387 |
| | | | | | | 4,178,355 |
| Basic and diluted earnings per share (pence) | | | | | | |
| | 2 | (1.00) | 14.59 | 13.59 | (1.07) | 6.09 |
| | | | | | | 5.02 |

All items in the above statement derive from continuing operations.

The total column of this statement represents the Company's Statement of Profit or Loss and Other Comprehensive Income prepared in accordance with IFRS. The supplementary information on the allocation between revenue return and capital return is presented under guidance published by the AIC.

Condensed Statement of Financial Position (Unaudited)**As at 31 December 2023**

| | As at 31 December 2023 | As at 30 June 2023 | As at 31 December 2022 |
|---|---------------------------------------|-----------------------------------|---------------------------------------|
| | <i>(Unaudited)</i> | <i>(Audited)</i> | <i>(Unaudited)</i> |
| Note | £ | £ | £ |
| Assets | | | |
| Cash and cash equivalents | 3,905,308 | 12,254,948 | 177,083 |
| Trade and other receivables | 62,223 | 71,338 | 77,314 |
| Financial assets designated at FVTPL | 4 84,664,567 | 69,859,825 | 108,290,491 |
| Total assets | 88,632,098 | 82,186,111 | 108,544,888 |
| Liabilities | | | |
| Trade and other payables | 343,983 | 4,509,400 | 306,148 |
| Total liabilities | 343,983 | 4,509,400 | 306,148 |
| Equity | | | |
| Capital and reserves attributable to the Company's equity shareholders | | | |
| Share capital | 6 997,498 | 997,498 | 997,498 |
| Treasury shares reserve | 7 (20,459,580) | (19,767,097) | (19,767,097) |
| Distributable reserve | 40,586,958 | 40,586,958 | 61,394,708 |
| Retained earnings | 67,163,239 | 55,859,352 | 65,613,631 |
| Total equity | 88,288,115 | 77,676,711 | 108,238,740 |
| Total liabilities and equity | 88,632,098 | 82,186,111 | 108,544,888 |
| NAV per share (pence) | 3 107.33 | 93.33 | 130.05 |

The Interim Financial Statements were approved by the Board of Directors and authorised for issue on 27 March 2024.

Christopher Waldron*Chairman*

27 March 2024

Jane Le Maitre*Director*

27 March 2024

The Notes to the Unaudited Condensed Financial Statements on pages 11 to 23 form an integral part of these Interim Financial Statements.

Condensed Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2023

| Note | Share | Treasury | Distributable | Retained earnings | | Total | Total |
|---|---------|--------------|---------------|-------------------|-------------|------------|-------------------|
| | Capital | Shares | Reserve | Capital | Revenue | | |
| | £ | £ | £ | £ | £ | £ | £ |
| Opening balance at 1 July 2023 | 997,498 | (19,767,097) | 40,586,958 | 64,910,222 | (9,050,870) | 55,859,352 | 77,676,711 |
| Purchase of Ordinary shares into Treasury | 7 | – | (692,483) | – | – | – | (692,483) |
| Return for the period | | – | – | 12,138,817 | (834,930) | 11,303,887 | 11,303,887 |
| Balance at 31 December 2023 | 997,498 | (20,459,580) | 40,586,958 | 77,049,039 | (9,885,800) | 67,163,239 | 88,288,115 |

For the six months ended 31 December 2022

| Note | Share | Treasury | Distributable | Retained earnings | | Total | Total |
|--------------------------------|---------|--------------|---------------|-------------------|-------------|------------|---------------------|
| | Capital | Shares | Reserve | Capital | Revenue | | |
| | £ | £ | £ | £ | £ | £ | £ |
| Opening balance at 1 July 2022 | 997,498 | (19,767,097) | 78,040,908 | 68,401,964 | (6,966,688) | 61,435,276 | 120,706,585 |
| Dividends paid in the period | 8 | – | – | (16,646,200) | – | – | (16,646,200) |
| Return for the period | | – | – | 5,072,387 | (894,032) | 4,178,355 | 4,178,355 |
| Balance at 31 December 2022 | 997,498 | (19,767,097) | 61,394,708 | 73,474,351 | (7,860,720) | 65,613,631 | 108,238,740 |

The Notes to the Unaudited Condensed Financial Statements on pages 11 to 23 form an integral part of these Interim Financial Statements.

Condensed Statement of Cash Flows (Unaudited)

For the six months ended 31 December 2023

| | Six months ended 31 December 2023 <i>(Unaudited)</i> £ | Six months ended 31 December 2022 <i>(Unaudited)</i> £ |
|--|---|---|
| Cash flows from operating activities | | |
| Bank interest received | 60,955 | 10,182 |
| Management fees paid | (270,000) | (540,000) |
| Directors' fees paid | (97,500) | (65,000) |
| Other expenses paid | (432,284) | (277,090) |
| Net cash outflow from operating activities | <u>(738,829)</u> | <u>(871,908)</u> |
| Cash flows from investing activities | | |
| Purchase of equity investments | (1,556,709) | (1,152,316) |
| Sale of equity investments | 1,778,758 | 19,612,051 |
| Purchase of debt instruments | (7,666,911) | (2,273,290) |
| Sales of debt instruments | 536,250 | 1,500,000 |
| Transaction charges on purchase and sale of investments | (9,716) | (38,624) |
| Net cash (outflow)/inflow from investing activities | <u>(6,918,328)</u> | <u>17,647,821</u> |
| Cash flows from financing activities | | |
| Purchase of Company shares into Treasury | (692,483) | – |
| Dividends paid | – | (16,646,200) |
| Net cash outflow from financing activities | <u>(692,483)</u> | <u>(16,646,200)</u> |
| Net (decrease)/increase in cash and cash equivalents during the period | (8,349,640) | 129,713 |
| Cash and cash equivalents at beginning of period | 12,254,948 | 47,370 |
| Cash and cash equivalents at end of period | <u>3,905,308</u> | <u>177,083</u> |

The Notes to the Unaudited Condensed Financial Statements on pages 11 to 23 form an integral part of these Interim Financial Statements.

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023

General Information

Crystal Amber Fund Limited (the “Company”) was incorporated and registered in Guernsey on 22 June 2007 and is governed in accordance with the provisions of the Companies Law. The registered office address is PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY. The Company was established to provide Shareholders with an attractive total return, which was expected to comprise primarily capital growth with the potential for distributions of up to 5 pence per share per annum following consideration of the accumulated retained earnings as well as the unrealised gains and losses at that time. Following changes to the Company’s investment policy in March 2022, the Company’s strategy is to optimise outcomes for a limited number of special situations where the Company believes value can be realised regardless of market direction.

Morphic Medical Inc is an unconsolidated subsidiary of the Company and was incorporated in Delaware. As at 31 December 2023 it had 5 wholly-owned subsidiaries and its principal place of business is Boston. Refer to Note 9 for further information.

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

All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 24 to 25 unless separately defined.

1. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

The Interim Financial Statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Company’s Annual Financial Statements for the year to 30 June 2023. The Annual Financial Statements have been prepared in accordance with IFRS.

The same accounting policies and methods of computation are followed in the Interim Financial Statements as in the Annual Financial Statements for the year ended 30 June 2023.

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. Where presentational guidance set out in the SORP “Financial Statements of Investment Trust Companies and Venture Capital Trust (issued by the AIC in November 2014 and updated in February 2018, October 2019, April 2021 and July 2022) is consistent with the requirements of IFRS, the Directors have sought to prepare the Interim Financial Statements on a basis compliant with the recommendations of the SORP. In particular, supplementary information which analyses the Statement of Profit or Loss and Other Comprehensive Income between items of a revenue and capital nature has been presented alongside the total Statement of Profit or Loss and Comprehensive Income.

Going concern

As at 31 December 2023, the Company had net assets of £88.3 million (30 June 2023: £77.7 million) and cash balances of £3.91 million (30 June 2023: £12.25 million) which are sufficient to meet current obligations as they fall due.

In relation to the Company’s investment portfolio, 44% of the Company’s investments are valued by reference to the market bid price as at the balance sheet date.

As these are quoted prices in an active market, any volatility in the global economy is reflected within the value of the financial assets designated at fair value through profit or loss. As such, the Company has not included any fair value impairments in relation to its investments.

Following extensive Shareholder consultation in the early part of 2022, a change of investment policy was approved by Shareholders which prioritised the intention to maximise the return of capital, representing a change of strategy, as noted above.

The Company has a track record of returning cash to Shareholders via share buybacks and dividends: the Company has returned £114.9 million to Shareholders via such means since 2013 when the requirement for the continuation vote to be proposed at the 2021 AGM was introduced.

The Directors have considered the contributing factors set out above and are confident that the Company has adequate resources to continue in operational existence for the foreseeable future, and do not consider there to be any threat to the going concern status of the Company. Accordingly, they continue to adopt the going concern basis of accounting in preparing these financial statements.

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

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

2. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is based on the following data:

| | Six months ended 31 December 2023 <i>(Unaudited)</i> | Six months ended 31 December 2022 <i>(Unaudited)</i> |
|---|--|--|
| Return for the period | £11,303,887 | £4,178,355 |
| Weighted average number of issued Ordinary shares | 83,177,141 | 83,231,000 |
| Basic and diluted earnings per share (pence) | <u>13.59</u> | <u>5.02</u> |

3. NAV PER SHARE

NAV per share is based on the following data:

| | As at 31 December 2023 <i>(Unaudited)</i> | As at 30 June 2023 <i>(Audited)</i> | As at 31 December 2022 <i>(Unaudited)</i> |
|---|--|--|--|
| NAV per Condensed Statement of Financial Position | £88,288,115 | £77,676,711 | £108,238,740 |
| Total number of issued Ordinary shares (excluding Treasury shares) | <u>82,261,500</u> | <u>83,231,000</u> | <u>83,231,000</u> |
| NAV per share (pence) | <u>107.33</u> | <u>93.33</u> | <u>130.05</u> |

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

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

| | 1 July 2023 to 31 December 2023 <i>(Unaudited)</i> £ | 1 July 2022 to 30 June 2023 <i>(Audited)</i> £ | 1 July 2022 to 31 December 2022 <i>(Unaudited)</i> £ |
|---|--|--|--|
| Equity investments | 68,854,742 | 57,258,110 | 96,525,470 |
| Debt instruments | 15,809,825 | 12,601,175 | 11,765,021 |
| Financial assets designated at FVTPL | 84,664,567 | 69,859,825 | 108,290,491 |
| Total financial assets designated at FVTPL | 84,664,567 | 69,859,825 | 108,290,491 |
| Equity investments | | | |
| Cost brought forward | 94,072,155 | 132,232,346 | 132,232,346 |
| Purchases | 1,556,709 | 16,692,050 | 1,152,316 |
| Sales Proceeds | (1,778,758) | (65,588,276) | (19,612,051) |
| Net realised gain | 6,128,586 | 10,736,035 | 7,135,460 |
| Cost carried forward | 99,978,692 | 94,072,155 | 120,908,071 |
| Unrealised losses brought forward | (37,704,443) | (24,168,635) | (24,168,635) |
| Movement in unrealised gains/(losses) | 5,982,218 | (13,535,808) | (2,393,065) |
| Unrealised (losses) carried forward | (31,722,225) | (37,704,443) | (26,561,700) |
| Effect of exchange rate movements | 598,275 | 890,398 | 2,179,100 |
| Fair value of equity investments | 68,854,752 | 57,258,110 | 96,525,471 |
| Debt instruments | | | |
| Cost brought forward | 10,713,124 | 8,965,416 | 8,965,416 |
| Purchases | 3,629,824 | 3,867,708 | 2,273,290 |
| Debt Repayments | (536,250) | (2,120,000) | (1,500,000) |
| Cost carried forward | 13,806,698 | 10,713,124 | 9,738,706 |
| Unrealised gains brought forward | 2,311,120 | 1,682,934 | 1,682,934 |
| Movement in unrealised gains | 329,851 | 628,186 | 327,869 |
| Unrealised gains carried forward | 2,640,971 | 2,311,120 | 2,010,803 |
| Effect of exchange rate movements | (637,844) | (422,529) | 15,511 |
| Fair value of debt instruments | 15,809,825 | 12,601,715 | 11,765,020 |
| Total financial assets designated at FVTPL | 84,664,567 | 69,859,825 | 108,290,491 |

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

5. FINANCIAL INSTRUMENTS

Fair value measurements

The Company measures fair values using the following fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs that are not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

5. FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

The following tables analyse, within the fair value hierarchy, the Company's financial assets measured at fair value at 31 December 2023 and 30 June 2023:

| | Level 1 <i>(Unaudited)</i> | Level 2 <i>(Unaudited)</i> | Level 3 <i>(Unaudited)</i> | Total <i>(Unaudited)</i> |
|--|-------------------------------|-------------------------------|-------------------------------|-----------------------------|
| | £ | £ | £ | £ |
| 31 December 2023 | | | | |
| Financial assets designated at FVTPL | | | | |
| Equity instruments – listed equity investments | 28,380,000 | 1,817,225 | – | 30,197,225 |
| Equity instruments – unlisted equity investments | – | 8,410,246 | 30,247,271 | 38,657,517 |
| Debt instruments – loan notes | – | – | 15,809,825 | 15,809,825 |
| | <u>28,380,000</u> | <u>10,227,471</u> | <u>46,057,096</u> | <u>84,664,567</u> |
| | | | | |
| | Level 1 <i>(Audited)</i> | Level 2 <i>(Audited)</i> | Level 3 <i>(Audited)</i> | Total <i>(Audited)</i> |
| | £ | £ | £ | £ |
| 30 June 2023 | | | | |
| Financial assets designated at FVTPL | | | | |
| Equity instruments – listed equity investments | 14,261,875 | 2,376,371 | – | 16,638,246 |
| Equity instruments – unlisted equity investments | – | 10,189,005 | 30,430,859 | 40,619,864 |
| Debt instruments – loan notes | – | – | 12,601,715 | 12,601,715 |
| | <u>14,261,875</u> | <u>12,565,376</u> | <u>43,032,574</u> | <u>69,859,825</u> |

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

The Level 2 equity investment relates to Sutton Harbour due to the low volume of trading activity in the market for this investment and has been valued by reference to the closing bid price in the investee company on the reporting date. Prax Exploration & Production PLC is traded on an over-the-counter basis by JP Jenkins and has been valued by reference to the closing bid price in the investee company on the reporting date.

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

5. FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

The Level 3 equity investment in Allied Minds (which delisted on 30 November 2022) was valued at the net asset value per share on 31 December 2023 converted at an exchange rate of \$1.2736 to £1 and reduced by a 25% liquidity discount. The Level 3 equity and debt investments in MMI. were valued by reference to the discounted cash flow valuation of the company with an additional discount for dilution risk. The total valuation was then allocated through a waterfall to the loan note, Series A shares and common stock owned by the Company. The Level 3 equity investment in Sigma Broking Limited was valued by reference to a third party funding of the company. The third party is an external investor buying the investment for equity.

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

Fair value hierarchy – Level 3

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

| | Six months ended 31 December 2023 <i>(Unaudited)</i> £ | Year ended 30 June 2023 <i>(Audited)</i> £ | Six months ended 31 December 2022 <i>(Unaudited)</i> £ |
|--|---|--|---|
| Reconciliation in Level 3 | | | |
| Opening balance | 43,032,574 | 40,628,276 | 40,628,276 |
| Purchases | 3,629,824 | 3,867,708 | 2,273,290 |
| Allied Minds transferred in from Level 1 | – | 15,007,031 | – |
| Movement in unrealised (losses)/gains | – | (10,315,139) | 1,761,952 |
| Sales | – | (2,000,000) | (3,500,000) |
| Repayments of debt instruments | (536,250) | (2,120,000) | – |
| Net realised loss | – | (352,974) | (352,974) |
| Effect of exchange rate movements | (69,052) | (1,682,328) | 44,415 |
| Closing balance | <u>46,057,096</u> | <u>43,032,574</u> | <u>40,854,959</u> |

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

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

5. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy – Level 3 (continued)

The table below provides information on significant unobservable inputs used at 31 December 2023 in measuring equity financial instruments categorised as Level 3 in the fair value hierarchy. It also details the sensitivity to changes in significant unobservable inputs used to measure value in each case.

| | Valuation Method | Fair Value at 31 December 2023 | Unobservable inputs | Factor | Sensitivity to changes in significant unobservable inputs |
|------------------------------|----------------------------|--------------------------------|-------------------------------------|--------|---|
| Morphic Medical Inc | Discount cash flow | 18,981,489 | Discount rate | 43% | An increase (decrease) in the discount rate to 48% (38%) would reduce (increase) FV by £6.2m (£8.9m) |
| | | | High growth rate over 9 year period | 48% | A decrease (increase) in the near-term growth rate to 38% (58%) would decrease (increase) FV by £4.1m |
| | | | Dilution discount | 20% | An increase (decrease) in the dilution discount to 30% (to 10%) would reduce (increase) FV by £3.6m |
| Sigma Broking Limited | Third party funding | 6,794,101 | N/A | N/A | N/A |
| Allied Minds | NAV | 4,471,681 | Illiquidity discount | 25% | An increase (decrease) in the liquidity discount to 35% (to 15%) would reduce (increase) FV by £0.6m |

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

5. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy – Level 3 (continued)

| | Valuation Method | Fair Value at 30 June 2023 | Unobservable inputs | Factor | Sensitivity to changes in significant unobservable inputs |
|------------------------------|----------------------------|----------------------------|-------------------------------------|--------|---|
| Morphic Medical Inc | Discount cash flow | 19,165,077 | Discount rate | 43% | An increase (decrease) in the discount rate to 48% (38%) would reduce (increase) FV by £6.3m (£8.1m) |
| | | | High growth rate over 9 year period | 48% | A decrease (increase) in the near term growth rate to 38% (58%) would decrease (increase) FV by £4.1m |
| | | | Dilution discount | 20% | An increase (decrease) in the dilution discount to 30% (to 10%) would reduce (increase) FV by £3.6m |
| Sigma Broking Limited | Third party funding | 6,794,101 | N/A | N/A | N/A |
| Allied Minds | NAV | 4,471,681 | Illiquidity discount | 25% | An increase (decrease) in the liquidity discount to 35% (to 15%) would reduce (increase) FV by £0.6m |

6. SHARE CAPITAL AND RESERVES

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

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

| | 31 December 2023 (Unaudited) | | 30 June 2023 (Audited) | |
|--|---------------------------------|---------|---------------------------|---------|
| | Number | £ | Number | £ |
| Issued, called up and fully paid Ordinary shares of £0.01 each | 99,749,762 | 997,498 | 99,749,762 | 997,498 |

During the period, the Company did not create or issue any Ordinary shares (2022: nil).

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

7. TREASURY SHARES RESERVE

| | Six months ended 31 December 2023 <i>(Unaudited)</i> | | Year ended 30 June 2023 <i>(Audited)</i> | |
|---|--|-------------------|--|-------------------|
| | Number | £ | Number | £ |
| Opening balance | 16,518,762 | 19,767,097 | 16,518,762 | 19,767,097 |
| Treasury shares purchased during the period/year | 969,500 | 692,483 | – | – |
| Closing balance | <u>17,488,262</u> | <u>20,459,580</u> | <u>16,518,762</u> | <u>19,767,097</u> |

During the period ended 31 December 2023, 969,500 Treasury shares were purchased at an average price of 71.43 pence per share (2022: nil), representing an average discount to NAV at the time of purchase of 33.4%. All of these shares will be subsequently cancelled. No Treasury shares were sold during the period ended 31 December 2023 or 31 December 2022.

8. DIVIDENDS

No Dividend has been declared for the six months ended 31 December 2023.

9. RELATED PARTIES

Richard Bernstein is a director and a member of the Investment Manager, a member of the Investment Adviser and a holder of 10,000 (30 June 2023: 10,000) Ordinary shares in the Company, representing 0.01% (30 June 2023: 0.01%) of the voting share capital of the Company at 31 December 2023.

During the period the Company incurred management fees of £270,000 (2022: £960,000), none of which was outstanding at 31 December 2023 (30 June 2022: £Nil). No performance fees were payable during the period (2022: £Nil) (30 June 2023: £Nil) and none outstanding at the period end.

As at 31 December 2023, the Company's investment in MMI is treated as an unconsolidated subsidiary due to the Company's percentage holding in the voting share capital of MMI. As MMI is a private company and its shares are not listed on a stock exchange, the percentage held is not disclosed. During the period, the Company purchased convertible loan notes (not driven by any contractual obligation) for the purpose of supporting MMI in pursuing its strategy.

There is no restriction on the ability of MMI to pay cash dividends or repay loans, but it is unlikely that MMI will make any distribution or loan repayments given its current strategy.

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

9. RELATED PARTIES (continued)

MMI was incorporated in Delaware, had five wholly-owned subsidiaries as at 31 December 2023 and its principal place of business is Boston. The five subsidiaries were as follows:

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

In accordance with the revised Investment Management Agreement approved by shareholders on 7 March 2022 the management fee payable to the investment manager was intended to cease on 31 December 2023. In order to ensure that the Fund continued to have active portfolio management in 2024, a new Investment Management Agreement was agreed with the Investment Manager on 25th October 2023. It has been agreed that the Fund will continue to pay a monthly management fee to the Investment Manager calculated on the basis of amounts paid in 2023. Accordingly, the IMA has been amended such that from 1 January 2024, the monthly fee due to the Investment Manager is £57,500 (£690,000 annually, as per 2023). This fee equates to approximately 0.83% of the current NAV on an annual basis. The monthly management fee will be subject to review by the Fund on one month's notice and will be formally reviewed by the Board at regular intervals. It is intended that this will provide the Fund with flexibility and control, depending on the status of the portfolio and progress with realisations.

In accordance with the revised Investment Management Agreement, the performance fee will continue to be calculated by reference to the aggregate cash returned to Shareholders after 1 January 2022. The Investment Manager will receive 20% of the aggregate cash paid to Shareholders after 1 January 2022 (including the interim dividend of 10 pence per Ordinary Share declared on 22 December 2021) in excess of a threshold of £216,000,000.

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

9. RELATED PARTIES (continued)

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

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

As at 31 December 2023, the Investment Manager held 6,899,031 Ordinary shares (30 June 2023: 6,899,031) of the Company, representing 8.30% (30 June 2023: 8.30%) of the voting share capital.

Performance fee for period ended 31 December 2023

At 31 December 2023, the Basic Performance Hurdle was £Nil (as adjusted for all dividends paid during the performance period on their respective payment dates, compounded at the applicable annual rate) (June 2023: Nil pence).

The aggregate cash returned to Shareholders after 1 July 2022 was £Nil. Accordingly, no performance fee was earned during the period ended 31 December 2023 (2022: £Nil).

The interests of the Directors in the share capital of the Company at the period/year end, and as at the date of this report, are as follows:

| | 31 December 2023 | | 30 June 2023 | |
|---------------------------------------|---------------------------|---------------------|---------------------------|---------------------|
| | Number of Ordinary shares | Total voting rights | Number of Ordinary shares | Total voting rights |
| Christopher Waldron ⁽¹⁾⁽²⁾ | 30,000 | 0.03% | 30,000 | 0.03% |
| Jane Le Maitre ⁽²⁾ | 13,500 | 0.01% | 13,500 | 0.01% |
| Fred Hervouet | 7,500 | 0.01% | 7,500 | 0.01% |
| Total | 51,000 | 0.05% | 51,000 | 0.05% |

⁽¹⁾ Chairman of the Company

⁽²⁾ Ordinary shares held indirectly

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

Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2023 (continued)

10. POST BALANCE SHEET EVENTS

On 22 February 2024, the Company reported that its unaudited NAV at 31 January 2024 was 109 pence per Ordinary share.

11. AVAILABILITY OF INTERIM REPORT

Copies of the Interim Report will be available to download from the Company's website www.crystalamber.com.

Glossary of Capitalised Defined Terms

“**AGM**” means the annual general meeting of the Company;

“**AIC**” means the Association of Investment Companies;

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

“**Annual Financial Statements**” means the audited annual financial statements of the Company, including the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and associated notes;

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

“**Buyback**” means the share buyback programme announced in December 2023, up to an aggregate amount of £5 million;

“**Company**” or “**Fund**” means Crystal Amber Fund Limited;

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

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

“**Fractyl**” means Fractyl Health Inc;

“**FV**” means Fair Value;

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

“**General Meeting**” means a general meeting of the Company;

“**GID**” or “**GI Dynamics**” means GI Dynamics, Inc;

“**HBA1C**” means Hemoglobin A1C test;

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

“**IFRS**” means the International Financial Reporting Standards, being the principles-based accounting standards, interpretations and the framework by that name issued by the International Accounting Standards Board, as adopted by the European Union

“**IMA**” means the investment management agreement between the Company and the Investment Manager dated 16 June 2008, as amended on 21 August 2013, further amended on 27 January 2015, further amended on 12 June 2018 and further amended and restated on 7 March 2022.

Glossary of Capitalised Defined Terms (continued)

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

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

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

“**MMI**” means Morphic Medical Inc;

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

“**NAV per share**” means the net asset value per Ordinary share of the Company and is expressed in pence;

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

“**Small Cap Index**” means an index of small market capitalisation companies;

“**SMEs**” means small and medium-sized enterprises and businesses whose personnel numbers fall below certain limits. The abbreviation “SME” is used by international organizations such as the World Bank, the European Union, the United Nations and the World Trade Organization;

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

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

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

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

“**US\$**” or “**\$**” means United States dollars; and

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

Directors and General Information

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

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For your Notes

For your Notes

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