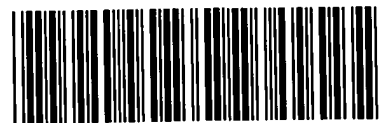

Fabergé (UK) Limited

Report and Financial Statements

for the year ended 30 June 2017

Company Number: 06236931

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Other Information

Country of Incorporation
Great Britain

Legal Form
Limited company

Directors

David Lovett
Sean Gilbertson
Ian Christopher Jones
Claude Reininger

Secretary
Jesujuwonlo Williams (resigned 28th July 2017)

Date of Incorporation
3 May 2007

Registered Office
4th Floor
1 New Burlington Place
London
W1S 2HR

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Bankers
Barclays Bank PLC
Baker Street
Leicestershire
LE87 2BB

HSBC Bank PLC
70 Pall Mall
London
SW1Y 5EZ

Strategic Report

Principal activity

The principal activities of Fabergé (UK) Limited (the "Company") are:

- management of the Fabergé brand; and
- acting as the Fabergé authorised retailer in the United Kingdom.

Strategy

The objective of the company is to grow sales while controlling expenses in order to maximise shareholder's investment.

This will be achieved through a combination of:

- Increasing awareness of the Fabergé brand through advertising, marketing and trade events; and
- Delivering award-winning jewellery and timepieces; and
- Controlling expenditure and cash flow.

Business Review

The result for the year is provided in the attached statement of comprehensive income on page 10

The Company uses a number of financial measures to monitor progress against these objectives, which can be summarised as below:

Financial Measure	FY17	FY16
Revenue (GBP)	£4,754,211	£6,067,592
Administrative Expenses (£000)	(£9,605,445)	(£12,131,489)

Revenue for the year ending June 30, 2017 includes credit memos issued by the Company in lieu of bringing back stock to the United Kingdom which had been sold by the Company in periods prior to FY15 to Fabergé Suisse SA (in Switzerland) and Fabergé Inc (in the USA) totalling £3,407,710. Year on Year, FY17 revenue has decreased by £1,313,381 however there were no such stock-transfer related adjustments in FY16. Excluding one off items, underlying revenue shows growth of £2,094,328. This growth is attributable to improved sales at both the Fabergé Harrods concession and Grafton St. store in London and auction sales.

Management controlled expenditure to the extent that Administrative Expenses reduced £2,526,044 from prior period. A breakdown of loss from operations is provided in the attached Note 5.

Product Development

For the second year running Fabergé won the prestigious Grand Prix d'Horlogerie de Genève (GPHG) held in November 2016, the Swiss watchmaking industry's highest honour, with the Visionnaire DTZ timepiece winning the award in the 'Travel Time' category. The award cements Fabergé's position as a leader in the watch-making industry.

Fabergé's acclaimed Secret Garden suite won the 'Best Colourful Jewellery' category at the Middle East Jewellery of the Year Awards 2016 in November 2016, highlighting Fabergé's position as a market leader in coloured gemstone jewellery.

The Year Ahead

Fabergé is once again shortlisted for an award at the prestigious GPHG awards with the Fabergé Visionnaire Chronograph men's watch. Fabergé is particularly pleased with the reception of this timepiece having received great editorial support from key platforms, including Révolution, Forbes and Bloomberg. With the results announced in Geneva in early November 2017, the Company looks forward to monitoring sales when the timepiece becomes available in the Christmas sales period 2017.

Fabergé will ensure consistency across Marketing and Communications by employing the same advertising campaign as the previous year, across print and digital platforms, focusing on coloured gemstone jewellery and high complication timepieces. Alongside the expanded points of sale across the globe, these initiatives set the stage for further increases in sales over the next year.

Principal risks and uncertainties

Economic environment

There are a number of risks and uncertainties that can influence consumer demand and impact the performance of the Company, some of which are beyond the control of Fabergé and its Board. These include the general economic environment and the cyclical nature inherent in the luxury goods sector.

Strategic Report (continued)

The exposure to the cyclicity of any one market is partially mitigated by the Company's diversification, both channel and by product, and by the Company's portfolio of products (see the description of the Distribution model below).

The Company's management closely monitor market trends and risks on an ongoing basis. These trends and risks are the focus of monthly management meetings where the business' performance is assessed versus budget, forecast and prior year.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and principal repayments on its debt instruments. It represents the risk that the Company will encounter difficulty in meeting its financial obligations.

The Company's policy is to ensure sufficient cash levels to allow it to meet its liabilities when they become due. To achieve this aim, the Company's performance against budget and associated cash flow forecast is evaluated on a monthly basis. At the reporting date, these projections indicated that the Company expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances, given that the Company has received confirmation of full financial support from its parent company, Gemfields plc.

Other risks

Other risks include the ability to create a strategy to enhance Fabergé's value through product design, marketing, and management execution of the strategy while adhering to the ethical standards by which Fabergé aims to operate. This has been strengthened since acquisition by Gemfields plc, given Gemfields' transparency in the gemstone sourcing process.

On behalf of the Board



Ian Christopher Jones, Finance Director

Date: 11th December 2017

Directors' Report

The Directors present their report and financial statements for the year to 30 June 2017.

Results and dividends

The results for the year are shown in the Statement of Comprehensive Income on page 10.

The Directors do not recommend payment of a dividend (2016 – GBP nil).

Principal activity

The principal activities of Fabergé (UK) Limited (the "Company") during the year were:

- management of the Fabergé brand; and
- acting as the Fabergé authorised retailer in the United Kingdom.

Distribution model

The Company presently relies on a combination of online sales, a directly operated boutique in London, a concession in Harrods (London), wholesale sales and international direct-client sales. The focus of the Company during the reporting period was to expand the range of products which would attract retail and wholesale clients from different countries, to expand its global retail presence and initiate innovative marketing activities to attract new potential customers and retain the existing clientele.

Failure of the distribution model either wholly or partially would have a material adverse impact on the Company.

Product design

Fabergé continually faces competition in the markets in which it has a presence. The competitive environment in any one market is a function of a number of factors including the number of competitors, the economic/demand characteristics of that market and the reputation and awareness of the brand.

The strategy of the Company relies on creating products attractive to its target customers, and which will motivate them to develop an enduring relationship with Fabergé. If this strategy fails either wholly or partially, the Company would suffer a material adverse impact. The Directors seek to mitigate this risk by developing product ranges which meet demand in the chosen markets.

Research and Development

During the year the Company has incurred £8,015 (2016: £26,970) of research and development cost in respect of the design and prototyping of new products, which has been expensed through the Statement of Comprehensive Income.

Going Concern

The Financial Statements have been prepared on a going concern basis. Gemfields plc will provide financial support for Fabergé Limited to enable it to continue its activities and to meet its financial obligations as they fall due. This commitment extends for a period of not less than 12 months from the date on which the 2017 financial statements are approved and Gemfields will not recall in this time.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are:

Janet Boyce (resigned 28th July 2017)
David Lovett
Sean Gilbertson
Ian Christopher Jones (appointed 7th August 2017)
Claude Reininger

Having made enquiries of fellow Directors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of the financial statements of which the Company's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Directors Report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with the Company's Articles of Association.

Company law requires the Directors to prepare financial statements for each financial year. Under the company's Articles of Association the Company financial statements are prepared in accordance with International Financial Reporting Standards.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO LLP was appointed as the Company's auditor in accordance with the elective resolution passed by the Company under the Memorandum and Articles of the Company. BDO has expressed its willingness to remain as auditor to the Company.

On behalf of the Board



Ian Christopher Jones, Chief Financial Officer

Date : 11th December 2017

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF FABERGÉ (UK) LIMITED

Opinion

We have audited the financial statements of Fabergé (UK) Limited ("the Company") for the year ended 30 June 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF FABERGÉ (UK) LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

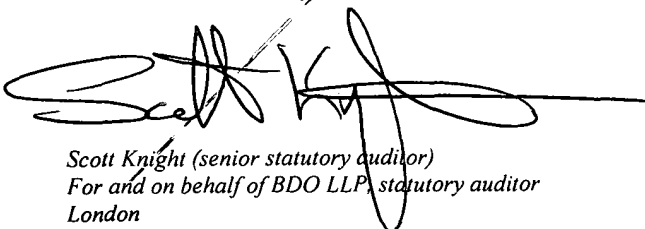
In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Scott Knight (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date
11 December 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

for the year ended 30 June 2017

		30 Jun 2017	30 Jun 2016
	Note	GBP	GBP
Revenue	4	4,754,211	6,067,592
Cost of Sales		(6,531,647)	(3,881,759)
Gross Profit		(1,777,436)	2,185,833
Administrative expenses		(9,605,445)	(12,131,489)
Loss from operations	5	(11,382,880)	(9,945,656)
Finance expense	7	(2,358,345)	(1,276,947)
Loss from continuing operations		(13,741,225)	(11,222,603)
Corporation tax		-	-
Loss for the year attributable to equity holders		(13,741,225)	(11,222,603)
Total comprehensive expense relating to the year		(13,741,225)	(11,222,603)

Fabergé (UK) Limited

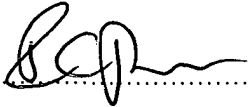
The notes on pages 14 to 29 form part of these Financial Statements.

Statement of Financial Position

As at 30 June 2017

		30 Jun 2017	30 Jun 2016
	Note	GBP	GBP
Assets			
Non-current assets			
Fixed assets	9	1,038,762	503,774
Rent Deposit	11	0	200,786
Non-current receivables		1,246,174	-
Current assets			
Inventory	10	22,698,445	26,993,405
Trade and other receivables	11	25,892,787	22,063,843
Cash and cash equivalents		2,287,762	898,704
		<u>50,878,994</u>	<u>49,955,952</u>
Total assets		<u>53,163,930</u>	<u>50,660,512</u>
Liabilities			
Current liabilities			
Trade and other payables	12	(31,195,292)	(28,862,761)
Loan borrowings	13	(35,541,005)	(35,424,674)
		<u>(66,736,297)</u>	<u>(64,287,435)</u>
Non-current liabilities			
Non-current loan borrowings	13	(13,795,780)	-
Total liabilities		<u>(80,532,077)</u>	<u>(64,287,435)</u>
NET ASSETS / (LIABILITIES)		<u>(27,368,147)</u>	<u>(13,626,923)</u>
Capital and reserves			
Share capital	15	1	1
Retained deficit		(27,368,148)	(13,626,924)
EQUITY		<u>(27,368,147)</u>	<u>(13,626,923)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 7 March 2017 and were signed on its behalf by:

Ian Christopher Jones:.....

Date: 11th December 2017

The notes on pages 14 to 29 form part of these Financial Statements.

Cash Flow Statement

for the year ended 30 June 2017

	Note	30 Jun 2017	30 Jun 2016
CASH FLOWS FROM OPERATING ACTIVITIES		GBP	GBP
Loss for the year		(13,741,225)	(11,222,603)
Adjustments for:			
Depreciation and Amortisation	9	394,025	171,283
Interest payable	7	2,257,969	1,275,451
Foreign exchange differences		1,047,724	4,602,290
Share-based payments credit		1,613	(36,422)
Decrease/(Increase) in inventory	10	4,294,960	(4,184,055)
(Increase) in trade and other receivables	11	(4,874,332)	(6,373,190)
Increase in trade and other payables	12	4,840,640	4,224,195
Total Adjustments		7,962,599	(320,448)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(5,778,626)	(11,543,051)
Investing activities			
Purchase of intangible assets		-	-
Purchase of property, plant and equipment	9	(929,014)	(508,030)
NET CASH USED IN INVESTING ACTIVITIES		(929,014)	(508,030)
Financing activities			
Loan received & Interest paid	13	8,096,697	11,861,542
NET CASH GENERATED FROM FINANCING ACTIVITIES		8,096,697	11,861,542
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,389,057	(189,539)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		898,705	1,088,243
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		2,287,762	898,704

The following significant non-cash transactions occurred during the year:

Fabergé's loan with Gemfields was reduced by £11,895,980 with a loan facility from Gordon Brothers.

This was paid directly by Gordon Brothers in two instalments, with the first payment of £8,001,686 made directly to Macquarie and the remaining £3,894,294 to Pallinghurst Resources in consideration of the outstanding balances owed by Gemfields. Furthermore, an additional \$3,924,306 was drawn down on the Gordon Brothers loan during the year, but was not received until after 30 June 2017. Details of the Group's borrowings can be found on note 13. Fabergé also recognised an inventory impairment of £1,706,584.

Statement of Changes in Equity

for the year ended 30 June 2017

	Share capital	Retained deficit	Total
	GBP	GBP	GBP
Balance at 1 July 2015	1	(2,404,321)	(2,404,320)
Loss for the year ended 30 June 2016		(11,222,603)	(11,222,603)
Balance at 30 June 2016	1	(13,626,924)	(13,626,923)
Loss for the year ended 30 June 2017	-	(13,741,224)	(13,741,224)
Balance at 30 June 2017	1	(27,368,148)	(27,368,147)

Notes to the Financial Statements

for the year ended 30 June 2017

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

These Financial Statements have been prepared in accordance with International Financial Reporting Standards, International Accounting standards and Interpretations (collectively "IFRSs") as adopted by the EU and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for cash-settled share based payments (Note 14).

Amounts are rounded to the nearest pound-sterling (£).

New standards and amendments in the year

The following were amendments to published standards and interpretations to existing standards effective in the year and adopted by the Group. These new standards and interpretations had no effect on reported results, financial position or disclosure in the financial statements:

- Annual Improvements to IFRSs – 2012 - 2014 Cycle
- IAS 27 – Amendment – Equity method in separate financial statements
- IAS 16 & 38 – Amendments – clarification of acceptable methods of depreciation and amortisation

New standards and interpretations not yet adopted

The Group has elected not to early adopt the following revised and amended standards, which are not yet mandatory in the EU. The list below includes only standards and interpretations that could have an impact on the

Consolidated Financial Statements of the Group.

		Effective period commencing on or after
IFRS 9	Financial instruments	1 Jan 2018
IFRS 15	Revenue from contracts with customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019
IAS 12	Amendment – Recognition of deferred tax assets for unrealised losses	1 Jan 2017
IAS 7	Amendment – Disclosure initiative	1 Jan 2017
IFRS 2	Amendment – Classification and measurement of share based payment transactions	1 Jan 2018

IFRS 9 Financial instruments

The complete standard was issued in July 2014 including the requirements previously issued and additional amendments. The new standard replaces IAS 39 and includes a new expected loss impairment model, changes to the classification and measurement requirements of financial assets as well as to hedge accounting. The new standard becomes effective for financial years beginning on or after 1 January 2018. The Group will assess the impact on its Consolidated Financial Statements.

IFRS 15 Revenue from contracts with customers

The new standard was issued in May 2014. IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The new standard becomes mandatory for financial years beginning on or after 1 January 2018. The effect will be assessed and disclosure will be made once the Group has assessed the impact of applying IFRS 15.

Accounting policies (continued)

IFRS 16 Leases

The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019 subject to EU endorsement. The Group will review its arrangements in place in order to evaluate the potential impact of the new standard.

Revenue

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance or product. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty.

Retail, wholesale and web sales

Revenue from retail, wholesale and web sales is recognised when goods are delivered to the customer, title passes and the Company's managerial involvement ceases.

Bespoke sales

Revenue may be recognised when a customer has committed to a purchase a bespoke design piece and paid a deposit.

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to profit and loss on a straight-line basis over the term of the lease.

Reverse premium and similar incentives received to enter into operating lease agreements are released to profit or loss over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Premiums paid on the acquisition of short leasehold properties are transferred to profit or loss on a straight line basis over the shorter of period to the first rent review or over the length of the lease.

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest Company of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the administrative expenses in the statement of comprehensive income, except to the extent they reverse gains previously recognised in the statement of changes in equity.

Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost and subsequently carried at depreciated cost.

Depreciation

Depreciation is provided on all items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives.

The assessed useful economic lives for individual classes of asset are as follows:

Shorthold Lease Improvements	-	Term of lease
Fixtures and fittings	-	3 years
Computer equipment	-	3 years
Computer software	-	3 years

The carrying values of tangible fixed assets are also reviewed when events or changes in economic circumstances indicate the carrying value may be impaired.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Accounting policies (continued)

Financial assets

All financial assets arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets.

The Company has the following financial assets:

- cash and cash equivalents;
- trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and are subsequently carried at amortised cost using the effective interest rate method, less any applicable provisions for impairment.

Impairment provisions are recognised when there is objective evidence that the Company will be unable to collect all the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of future expected cash flows associated with the impaired receivable. For receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that the taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Foreign currency transactions and translation

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transaction occurred.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Financial liabilities

The Company classifies its financial liabilities as trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Capital

The Company monitors 'adjusted capital' which comprises all components of equity (i.e. share capital, share premium, retained deficit, and foreign exchange reserve), as disclosed in the statement of changes in equity.

The Company's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

Share-based payments

IFRS 2 requires the fair value of options and share awards which ultimately vest to be charged to the statement of comprehensive income over the vesting period.

The cost of cash-settled share based payments is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and is re-measured at each reporting date thereafter until the awards are settled. During the vesting period a liability is

recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the reporting date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the reporting date. Changes in the carrying amount for the liability are recognised in the statement of comprehensive income for the year.

If an award fails to vest as the result of certain types of performance conditions not being satisfied, the impact on the statement of comprehensive income will be adjusted to reflect this.

2. Critical accounting judgements and areas of estimation and uncertainty

In the process of applying the Company's accounting policies, which are described above, the Directors have made judgements, estimations and assumptions regarding the future. The judgements, estimations, and assumptions that have the most significant effect on the amounts recognised in the financial statements are detailed below.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Estimate and assumptions

Useful lives of tangible assets

Tangible assets are depreciated over their useful lives. Useful lives are those other than with an indefinite useful economic life based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods. Further details including carrying values are included in note 9.

Share based payment

The Company has one cash-settled share-based remuneration scheme for employees. The liability created is measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of awards is estimated by using valuation models, such as Black-Scholes binomial model, on the date of grant based on certain assumptions. Those assumptions are described in note 14 and include, among others, the dividend growth rate, expected volatility, expected life of the options and number of options expected to vest. Many of the inputs are factual. Others are based on market data and strategic Board decision.

Income tax

During the ordinary course of business, there are calculations for which the ultimate tax determination is uncertain. As a result, the Company recognises tax liabilities based on estimates of whether additional taxes will be due. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

The Company believes that its accruals for tax liabilities are adequate based on its assessment of many factors including past experience and interpretations of tax law, and continue to monitor on an ongoing basis. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events.

Inventory

Inventory relating to finished products and raw materials (stones and metals) are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated based upon the expected net sales price after an estimated retail discount.

3. Financial instruments - Risk Management

General objectives, policies and processes

The Company considers its capital to comprise its ordinary share capital and accumulated retained deficit. See Statement of Changes in Equity (page 13) for more detail.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the relevant function within the Company. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company policy, implemented locally, to assess the credit risk of new customers before entering into contracts.

The Company impaired receivables during the year for the amount of £0, (£72,366 in 2016) note 11. The Company considers there to be no material difference between the remaining fair value of trade and other receivables and their carrying amount in the statement of financial position.

Financial instruments - Risk Management (continued)

The Company also manages its exposure to credit risk in respect of financial institutions. The Company nominates and approves banks with whom it will deal with. The cash of the Company is held with Barclays Bank plc and HSBC Bank plc.

The Company's other loan receivable balances are loans to employees and rent deposits. The credit risk on loans and rent deposits is considered to be low and are not past due.

	30 Jun 2017	30 Jun 2016
Maximum exposure to credit risk	GBP	GBP
Amounts due from Group	22,343,577	20,936,201
Trade receivables	3,120,105	815,515
Cash and cash equivalents	2,287,762	898,704
	27,751,444	22,650,420

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Company aims to maintain cash balances (or agreed facilities) to meet expected payment requirements for a period of at least 60 days.

During the year to 30 June 2017 the Company spent GBP 9.6 million on its operating activity (GBP 12.1 million in 2016). The Company had a net reduction of GBP 4.3 million in its inventory (This is after making provision based on the realisable values of its inventory). At the year end, cash and cash equivalents were GBP 2,287,762 on the Statement of Financial Position (GBP 898,704 at 30 June 2016).

During the year to 30 June 2017 the Company has taken a loan from Gordon Brothers Finance Company and GB Europe Management Services Limited jointly. The loan facility totals USD \$25 million and has an interest rate of 6.1% plus LIBOR (3 month USD), with a LIBOR floor of 1.25%.

The Company is reliant upon support from parent company, Gemfields plc, to fund ongoing commitments. The Company has received confirmation of ongoing support from Gemfields plc with a loan facility that expired in June 2017 and has rolled forward to 2018.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
	GBP	GBP	GBP	GBP	GBP
30 June 2016					
Trade and other payables	1,231,054	-	-	-	1,231,054
Amounts payable to Gemfields plc	-	35,424,674	-	-	35,424,674
Employee benefits	67,776	-	-	-	67,776
Corporation tax liability	-	-	-	-	-
	1,298,830	35,424,674	-	-	36,723,504
30 June 2017					
Trade and other payables	1,652,701	-	-	-	1,652,701
Loan payable to Gordon Brothers	-	14,449,430	-	-	14,449,430
Amounts payable to Gemfields plc	-	34,887,355	-	-	34,887,355
Employee benefits	117,339	-	-	-	117,339
Corporation tax liability	-	-	-	-	-
	1,770,040	49,336,785	-	-	51,106,825

Total trade and other payables excluding Loan and Intercompany balances amount to £2,415,002 (2016: £1,610,128) as per Note 12.

Financial instruments - Risk Management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in:

- interest rates (interest rate risk)
- foreign exchange rates (foreign exchange risk)
- other market factors (price risk)

Interest rate risk

During the reporting period, the Company's exposure to interest rates was limited to the interest bearing deposits in which the Company invests surplus funds, and the interest on loan from Gemfields plc.

The Company's policy is to invest surplus funds in low risk money market funds.

Cash and cash equivalents represent 8% of the Company's current assets as at 30 June 2017 (4% as at 30 June 2016).

The loan facility held with Gemfields has a 3 month USD libor plus 4.5% until 30 June 2017 and may be renegotiated to a suitable market rate thereafter.

Foreign exchange risk

Foreign exchange risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Company companies (transactional exposure) and where the results of overseas companies are into the Company's reporting currency (translational exposures).

Only in exceptional circumstances does the Company manage its transactional exposure to foreign currency risks through the use of forward exchange contracts. The Company's policy is not to hedge the translational exposure that arises on consolidation of the statement of comprehensive income of the overseas subsidiaries.

The Company's exposure to foreign exchange risk on cash and cash equivalents is presented below:

	30 Jun 2017 GBP	30 Jun 2016 GBP
Cash and cash equivalents	2,287,762	1,880,665
Less: Cash and cash equivalents in GBP	(413,408)	(1,072,642)
Total currency exposure	<u>1,874,354</u>	<u>808,023</u>
Represented by:		
US Dollars	1,859,110	229,097
Hong Kong Dollars	3	88
Euro	18,059	268,745
Swiss Franc	(2,818)	310,093
Total	<u>1,874,354</u>	<u>808,023</u>

Exposure to foreign exchange risk on trade and other receivables is disclosed in Note 11, on trade and other payables in Note 12, and on loan borrowings in Note 13.

In terms of sensitivity to movements in exchange rates, the Company considers Intercompany Receivables, Payables and loan amounts payable to Gemfields denominated in USD to be most relevant to foreign exchange fluctuations. The effect of a 10% strengthening of the US dollar against GBP at the reporting date on the US dollar denominated balances carried at that date would, all other variables held constant, have resulted in a decrease of net assets of £3,715,150 (2016: £4,156,251). A 10% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £2,488,013 (2016: £3,778,410).

Price risks

Price risks include pressure on pricing and higher costs. This in turn could lead to impairment of inventory and decreased profitability.

The Company has exposure to price risk from the purchase of raw materials used in its production. The relationship with parent company Gemfields plc, allows the Company to gain some reasonable foresight into the pricing of Gemstones in the market.

4. Revenue

Revenue arises from:

30 Jun 2017 30 Jun 2016

	GBP	GBP
Retail sales	4,466,964	2,134,074
Wholesale sales	1,724,400	1,743,571
International direct sales	603,537	378,245
Online sales	107,406	29,624
Intercompany sales	(2,148,095)	1,782,078
	<u>4,754,212</u>	<u>6,067,592</u>

Turnover for the year was £4,754,212 (2016: £6,067,592), representing a combination of sales to other Fabergé Company companies, retail sales, web sales and wholesale sales. Historically turnover has included fee income related to the provision of services to fellow affiliates. Management are in the process of reviewing the fee income agreement across the Company and in the current year no fee income has been received.

5. Loss from operations

30 Jun 2017 30 Jun 2016

This has been arrived at after charging:

	Note	GBP	GBP
Foreign exchange differences		690,473	4,602,290
Rent, rates and utilities		1,436,876	1,183,478
Auditors' remuneration		12,625	6,000
Share based payments, including national insurance contribution		1,613	(36,422)
Depreciation and Amortisation	9	394,025	171,283
Research and development costs		<u>8,015</u>	<u>26,970</u>

6. Staff costs

Staff costs comprise:

30 Jun 2017 30 Jun 2016

	GBP	GBP
Wages and salaries	2,317,179	2,359,077
Employer's national insurance contributions and similar taxes	320,446	239,707
Recruitment costs	6,709	56,210
Medical insurance	38,327	17,648
	<u>2,682,661</u>	<u>2,672,642</u>

Directors and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors of the Company listed on page 3.

Sean Gilbertson and Janet Boyce received no remuneration for their services as Directors of the Company.

Claude Reininger and David Lovett were employed by the company for the year. There were no other key management personnel in the Company.

Fabergé (UK) Limited

Staff Costs (continued)

	30 Jun 2017 GBP	30 Jun 2016 GBP
The Directors' and key management personnel aggregate emoluments in respect of qualifying services were:		
Aggregate emoluments in respect of qualifying services	159,896	136,997
	<u>159,896</u>	<u>136,997</u>

Emoluments of the highest paid Director amounted to £129,896.59 during the year (£111,997 in 2016)

7. Finance income and expense

	30 Jun 2017 GBP	30 Jun 2016 GBP
Finance expense		
Interest payable on loans from related parties (note 17)	2,257,968	1,275,451
Other interest payable	100,377	1,496
	<u>2,358,345</u>	<u>1,276,947</u>

8. Tax expense

	30 Jun 2017 GBP	30 Jun 2016 GBP
Loss on ordinary activities before tax	(13,741,225)	(11,222,603)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.75% (2016- 20%)	(2,713,892)	(2,244,521)
Effects of:		
Expenses not deductible for tax purposes	427,576	167,815
Tax losses carried forward	(13,313,650)	(8,978,082)
Other applicable line items	(2,191,204)	(2,139,937)
	<u>(27,368,147)</u>	<u>(13,626,923)</u>

The Group has carried forward losses amounting to £27,368,147 as at 30 June 2017 (2016: £13,626,923). As the timing and extent of taxable profits are uncertain, the deferred tax asset arising on these losses has not been recognised in the Financial Statements.

8. Property, plant and equipment

	Shorthold Lease Improvements GBP	Fixtures and Fittings GBP	Computer Equipment GBP	Computer Software GBP	Total GBP
Cost					
Balance at 1 July 2015	205,000	603,748	156,044	53,354	1,018,146
Additions	-	502,082	5,948	-	508,030
Balance at 30 June 2016	205,000	1,105,830	161,992	53,354	1,526,176
Additions	-	868,492	60,522	-	929,014
Balance at 30 June 2017	205,000	1,974,321	222,514	53,354	2,455,189
Depreciation					
Balance at 1 July 2015	175,124	495,535	134,721	45,739	851,119
Charge for year	29,876	123,606	13,587	4,214	171,283
Balance at 30 June 2016	205,000	619,141	148,308	49,953	1,022,402
Charge for year	-	371,281	20,375	2,369	394,025
Balance at 30 June 2017	205,000	990,422	168,683	52,322	1,416,427
Net Book Value					
At 30 June 2015	29,876	108,213	21,323	7,615	167,027
At 30 June 2016	-	486,689	13,684	3,401	503,774
At 30 June 2017	-	983,899	53,831	1,032	1,038,762

10. Inventories

	30 Jun 2017 GBP	30 Jun 2016 GBP
Finished product	22,236,648	22,485,411
Raw material, work in progress and aftersales inventory	461,797	4,507,994
	<u>22,698,445</u>	<u>26,993,405</u>

£6,531,647 was recognised as an expense in cost of sales relating to inventories during the year (included provisions after carrying out net realisable test on inventory and making specific provisions) (2016: £3,881,759).
£1,836,829 was expensed as a write down and alterations of inventories during the year (2016: £29,203).

11. Trade and Other Receivables

	30 Jun 2017 GBP	30 Jun 2016 GBP
Trade and other receivables (due within one year)		
Trade receivables	3,120,105	815,515
Amounts due from related parties (Note 13)	22,343,577	20,936,201
Prepayments and accrued income	199,434	134,405
VAT	229,671	177,722
	<u>25,892,787</u>	<u>22,063,843</u>
Other receivables (due after one year)		
Rent Deposit	-	200,786
Restricted cash	1,246,174	-
	<u>1,246,174</u>	<u>200,786</u>

Trade and Other Receivables (continued)

Fabergé (UK) Limited

Amounts due from related parties are due on demand but are unlikely to be paid within 12 months. Trade receivables have been impaired by bad debt write off by the amount of £0,0 (£72,366 in 2016). The fair value of trade and other receivables is the same as the carrying value. The carrying values of trade and other receivables are denominated in the following currencies:

	30 Jun 2017	30 Jun 2016
	GBP	GBP
Trade and other receivables currency denomination		
Pound Sterling	89,245	860,846
US Dollar	29,508,086	21,403,448
EUROS	44,277	-
Swiss Francs	(2,502,647)	335
	<u>27,138,961</u>	<u>22,264,629</u>

12. Trade and other payables

	30 Jun 2017	30 Jun 2016
	GBP	GBP
Trade payables	1,652,701	1,231,054
Amounts due to related parties	28,780,290	27,252,633
Accruals	637,100	294,025
Other payables	119,125	78,973
Share based payments provision	6,076	6,076
	<u>31,195,292</u>	<u>28,862,761</u>

The amounts payable to related parties are due on demand but not likely to be paid within 12 months. The fair value of trade and other payables is the same as the carrying value.

The carrying values of trade and other payables are denominated in the following currencies:

	30 Jun 2017	30 Jun 2016
	GBP	GBP
Trade and other payables currency denomination		
Pound Sterling	2,859,468	780,012
Euro	638,091	378,642
US Dollar (Including Loans)	27,533,797	27,541,285
Swiss Francs	72,177	150,795
Hong Kong Dollars	-	1,900
Japanese Yen	-	5,749
QAR	2,316	-
AED	34,668	-
Canadian Dollar	54,775	4,378
	<u>31,195,292</u>	<u>28,862,761</u>

13. Loan borrowings

	30 Jun 2017	30 Jun 2016
	GBP	GBP
Gemfields Plc (related party)	34,887,355	35,424,674
Gordon Brothers (third party)	653,650	-
Non-current borrowings:		
Gordon Brothers (third party)	13,795,780	-

Loan borrowings (continued)

Third party loan reconciliation	30 Jun 2017	30 Jun 2016
	GBP	GBP
Drawdowns	15,577,173	-
Repayments	-	-
Interest charged	100,376	-
Associated Fees	(1,228,119)	-
Total	14,449,430	-
Non-current	13,795,780	-
Current	653,650	-

Within amounts payable to Gemfields plc, is the interest payable on a loan amount, which bears a floating three-month GBP LIBOR interest rate plus 4.5%, amounting to £2,257,968 (2016: £1,275,451). The loan facility agreement terminates on 30 June 2017. This loan is due on demand, however it is not likely that it will be paid within 12 months.

Fabergé (UK) Ltd entered into a syndicated loan facility of £19.23 million with Gordon Brothers Finance Company and GB Europe Management Services Limited in May 2017. £15.38 million has been drawn at year end and the loan carries an interest rate of 6.1% plus LIBOR (3 month USD), with a LIBOR floor of 1.25%. The facility terminates in May 2020 and is repayable in quarterly instalments. The loan is secured over Fabergé Limited intellectual property (refer to note 9) and Fabergé (UK) Ltd inventory (refer to note 10) and contains a performance-related revenue target

14. Share based payments

Liabilities for cash settled share based payments comprise:

	30 Jun 2017	30 Jun 2016
	GBP	GBP
Amounts owed under long term incentive scheme, including national insurance contributions	6,076	6,076
Categorised as:		
Due after more than one year	6,076	6,076

The value of liabilities relating to the awards that had vested by 30 June 2017 is GBP nil (GBP nil by 30 June 2016).

The Company operates a cash-settled share-based remuneration scheme which is open to officers or employees of the Company ("Qualified Persons") as determined by the Board of Fabergé Limited. The Board determines the level of award granted to each Qualified Person. Qualified Persons are entitled to a grant of awards at the commencement date of their employment. Further grants of awards may be made at a future date. The value of the award is based on the value of the Company.

The awards are measured at fair value using an appropriate pricing model. The fair value of the awards is charged to the profit and loss account over the vesting period.

Under the terms of the scheme, awards vest in three equal parts on the first, second and third anniversary of the date of grant and can only be settled in cash. Awards lapse on the tenth anniversary of the date of grant. In addition, any award shall lapse six months following an Award Holder ceasing to be employed by any Company under the terms of his/her contract.

Fabergé (UK) Limited

	30 Jun 2017		30 Jun 2016	
	Units	Weighted Average Value per unit GBP	Units	Weighted Average Value per unit GBP
Outstanding at the beginning of the year	6,811	1	6,811	1
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	6,811	0.8	6,811	1
Exercisable at the end of the year	6,811	0.8	6,811	1

The scheme resulted in a credit of £574 being recognised in the Statement of Comprehensive Income for the year (credit of £36,422 in 2016).

The share based payment provisions are accounted for in US Dollars.

The earliest vesting date is the first anniversary of the Date of Grant of any award. No awards vested during the period (none in 2016).

None of the awards were exercised during the year (0, in 2016) at a weighted average of GBP nil (GBP 0 in 2015).

The value of awards outstanding during the year end ranged between GBP 1 and GBP 4 (GBP 1 and GBP 4 per in 2016) and their weighted average remaining contractual life was two years (three years in 2015).

The following information is relevant in the determination of the fair value of awards granted during the period under the cash-settled share-based remuneration scheme operated by the Company:

	2017	2016
Pricing model	Binomial Model	Binomial Model
Average value per unit at the date of grant	USD 28	USD 28
Contractual life of award	10 years	10 years
Expected volatility	40%	40%
Dividend yield and growth rate	0%	0%
Risk-free interest rate	0.25%	0.25%

The expected volatility was based on the historical volatility data of Gemfields plc's share price.

15. Authorised and issued share capital

Authorised share capital

	30 Jun 2017 GBP	30 Jun 2016 GBP
1 Ordinary shares of £ 1 each	1	1

Issued and fully paid

	2017 Number of Shares	2017 GBP	2016 Number of Shares	2016 GBP
Ordinary shares of £1 each	1	1	1	1

16. Reserves

The following describes the nature and purpose of each reserve within shareholders' equity:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Retained deficit	Cumulative net gains and losses recognised in the statement of comprehensive income.

17. Related party transactions

During the year, Company companies entered into the following transactions with related parties who are not members of the Company.

Related party	Relationship	Transactions
Pallinghurst Advisors LLP	Related party of Pallinghurst Resources Limited, significant shareholder of Gemfields plc	Shared operating costs recharged by Pallinghurst Advisors LLP to Fabergé Services Ltd in the amount of £0, (2016: £13,739) of which nil was outstanding as of 30 June 2017 (2016: 6,241).
Gemfields PLC	Ultimate Parent Company	Gemfields provided a loan of £8.11 million during the year (2016: £13.13 million), including interest of £2.26 million (2016: £1.27million) Purchases and expenses paid on behalf of the Company by Gemfields amounting to £2,240,499 during the year (2016: £501,548). A total net of £34,887,355 was outstanding at the reporting date (2016: £35,424,674). The loan amount is repayable on demand and bears a floating three-month GBP LIBOR interest rate plus 4.5%.
Fabergé Limited	Fabergé Group – Parent	Fabergé UK paid amounts due on behalf of Fabergé Limited during the year to the value of £141,444 (2016: £199,886) and charged this amount to Fabergé Limited. Balance owing to Fabergé Limited of £16,880,248 (2016: £17,021,692), due to transfer of Inventory from Fabergé Limited to Fabergé (UK) Limited in FY14.
Fabergé Suisse SA	Fabergé Limited – Subsidiary	Fabergé UK made cash transfers to Fabergé Suisse to fund timepiece production to £3,734,520 (2016: £4,984,766 during the year, leaving a receivable balance at reporting date of £16,489,177 (2016: £12,155,378). Fabergé UK also has a payable balance with Fabergé Suisse arising from sales of timepieces to both UK retail locations and UK managed wholesale accounts of £9,593,150 (2016: £4,560,582) during the year, with a payable balance of £3,964,061 (2016: £3,964,061) at reporting date.
Fabergé Inc	Fabergé Suisse – Subsidiary	Fabergé UK sold jewellery to Fabergé Inc for its retail location in New York and its wholesale channel accounts to the amount of £535,543 (2016: £1,646,679). At reporting date, the total amount outstanding was £3,793,712 (2016: £3,219,229).

The Company has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2017 or 2016 regarding related party transactions.

18. Operating lease

	30 Jun 2017 GBP	30 Jun 2016 GBP
	Land and Building	Land and Building
Operating leases which expire:		
Within one years	1,059,326	150,000
In two to five years	1,929,327	112,500
	<u>2,988,654</u>	<u>262,500</u>

19. Ultimate parent undertaking and controlling party

Fabergé (UK) Ltd is a 100% subsidiary of Fabergé Limited, which is wholly owned by Gemfields plc, and is the ultimate parent company and controlling party of the Company. Gemfields plc is listed on the AIM market of the London Stock Exchange.

20. Post balance sheet events

On 28 July 2017, Gemfields plc largest shareholder Pallinghurst Resources Limited completed acquisition of the shares that it did not own thus increasing its shareholding to above 95% of the total Gemfields issued share capital. On this date, Gemfields' Board of Directors resigned from the Board. Following the transaction, the Company's ultimate controlling party is now Pallinghurst Resources Limited while the immediate parent company remains Gemfields plc. On this date Gemfields plc was also delisted from the AIM Market.

