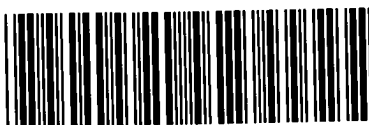

Fabergé (UK) Limited
(formerly Fabergé Services Limited)

Report and Financial Statements
for the year ended 30 June 2016

Company Number: 6236931

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Contents

Other Information.....	3
Strategic Report.....	4
Directors' Report.....	6
Independent auditor's report	8
Statement of Comprehensive Income	10
Statement of Financial Position	11
Cash Flow Statement.....	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14

Other Information

Country of Incorporation

Great Britain

Legal Form

Limited company

Directors

Janet Boyce

David Lovett

Sean Gilbertson

Claude Reininger (appointed 1 September 2015)

Secretary

Jesujuwonlo Williams

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") during the year were:

- management and administration of the Fabergé wholesale channel in the United Kingdom, Middle East, Europe and Australia; and
- the provision of advisory services and administrative support in connection with the Fabergé brand to Fabergé Limited and Fabergé Suisse SA; and
- acting as the Fabergé authorised retailer in the United Kingdom.

Business Review

During the financial year, Fabergé underwent further optimisation of the business, including retail management appointments, as part of the medium term strategy of becoming a standalone profitable business unit within the Gemfields Company.

Fabergé refurbished both London stores, at Harrods and Grafton Street in Mayfair, between May and June 2016. The Harrods refurbishment included relocating to an area of improved footfall and achieving 50% greater linear 'shop front' in the Fine Jewellery Room.

Turnover for the year was £6,067,592 (2015: £13,558,685), 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.

The underlying comparison of year-on-year revenue shows flat performance against £6,066,683 recorded in 2015.

Despite recording an overall increase in administrative expenses to £12,131,489 (FY15: £8,213,451), after excluding foreign exchange charges in the year of £4,602,290 (FY15: £40,019), management have reduced costs by £644,233, or 7%.

Exhibitions and Product Developments

Fabergé again exhibited at both BaselWorld in Switzerland March 2016 and The Couture Show in Las Vegas in June with both jewellery and timepiece collections well received. Orders of record levels were placed at these events, for production, delivery and revenue recognition through FY17 with both existing & new wholesale partners to the Fabergé brand.

Fabergé won the 'Ladies Hi-Mechanical' category at the prestigious Grand Prix d'Horlogerie de Genève ("GPHG") awards held in October 2015, the Swiss watchmaking industry's highest honour, for its 'Lady Compliquée Peacock' timepiece. The 'Lady Peacock Emerald' variant of the timepiece also won the 'Ladies Complication' award at Watchfair Luxemburg in June, 2016, cementing Fabergé's position as a future leader in the watch-making industry.

The reimagining of slow moving jewellery stock continued to build momentum with a number of pieces reworked into the popular Sasha jewellery line and three significant, bespoke pink-diamond pieces sold in June 2016. Further materials and gemstones have been identified and allocated to new and existing successful designs to continue to improve inventory turnover.

Marketing & Communications

Fabergé rebranded all point of sale assets, with new materials installed in both Fabergé operated boutiques and its wholesale distribution outlets. This was timed to coincide with Fabergé's first significant print advertising campaign since Christmas 2013, which began in September 2015, continuing through to June 2016. The campaign focussed on key Emotion, Three Colours of Love and Timepiece collections.

Strategic Report (continued)

Fabergé's social media present became a focus during the latter part of the financial year to great effect, growing the company's following significantly and broadening Fabergé's digital reach and client engagement.

Year Ahead

Fabergé followed up winning the Ladies Hi-Mechanical category award at the 2015 Grand Prix d'horlogerie de Genève (GPHG) by winning the Travel Time Watch Prize at the 2016 edition of the revered timepiece industry awards ceremony. The winning timepiece, the 'Visionnaire DTZ', has enjoyed a very positive reception and, following a successful product launch campaign, Fabergé looks forward to monitoring sales after becoming available for delivery in late October, 2016.

Fabergé are also continuing to draw on inspiration from the past with a new range of coloured gemstone engagement rings, featuring fluting detail on the shanks employed by early Fabergé workmasters.

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.

The exposure to the cyclical nature 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



David Lovett, Finance Director

Date 7/3/17

Directors' Report

The Directors present their report and financial statements for the year to 30 June 2016.

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 (2015 – 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 £26,970 (2015: £721,263) 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 2016 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 listed on page 3. 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:

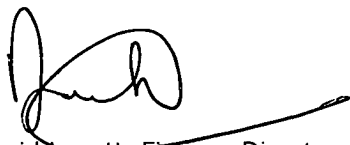
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



David Lovett, Finance Director

Date 7/3/17

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

We have audited the financial statements of Fabergé (UK) Limited for the year ended 30 June 2016 which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

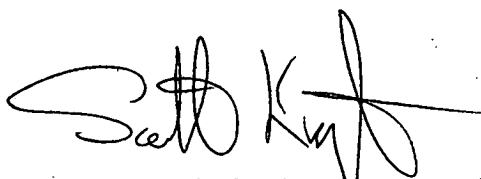
Independent auditor's report

to the shareholders of Fabergé (UK) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



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

Date 07 March 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 2016

		30 Jun 2016	30 Jun 2015
	Note	GBP	GBP
Revenue	4	6,067,592	13,558,685
Cost of Sales		(3,881,759)	(5,340,950)
Gross Profit		2,185,833	8,217,735
Administrative expenses		(12,131,489)	(8,213,451)
Loss from operations	5	(9,945,656)	4,284
Finance expense	7	(1,276,947)	(529,942)
Loss from continuing operations		(11,222,603)	(525,658)
Corporation tax		-	-
Loss for the year attributable to equity holders		(11,222,603)	(525,658)
Total comprehensive expense relating to the year		(11,222,603)	(525,658)

The notes on pages 14 to 28 form part of these Financial Statements.

Statement of Financial Position

As at 30 June 2016

		30 Jun 2016	30 Jun 2015
	Note	GBP	GBP
Assets			
Non-current assets			
Fixed assets	9	503,774	167,027
Rent Deposit	11	200,786	200,786
Current assets			
Inventory	10	26,993,405	22,809,350
Trade and other receivables	11	22,063,843	15,721,096
Cash and cash equivalents		898,704	1,088,243
		<u>49,955,952</u>	<u>39,618,689</u>
Total assets		<u>50,660,512</u>	<u>39,986,502</u>
Liabilities			
Current liabilities			
Trade and other payables	12	(28,862,761)	(24,638,565)
Loan borrowings	13	<u>(35,424,674)</u>	<u>(17,752,257)</u>
		<u>(64,287,435)</u>	<u>(42,390,822)</u>
NET ASSETS / (LIABILITIES)		<u>(13,626,923)</u>	<u>(2,404,320)</u>
Capital and reserves			
Share capital	15	1	1
Retained deficit		<u>(13,626,924)</u>	<u>(2,404,321)</u>
EQUITY		<u>(13,626,923)</u>	<u>(2,404,320)</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:

David Lovett

Date

 7/3/17

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

Cash Flow Statement

for the year ended 30 June 2016

	Note	30 Jun 2016	30 Jun 2015
CASH FLOWS FROM OPERATING ACTIVITIES		GBP	GBP
Loss for the year		(11,222,603)	(525,658)
Adjustments for:			
Depreciation and Amortisation	9	171,283	173,019
Interest payable	7	1,275,451	529,942
Foreign exchange differences		4,602,290	40,019
Share-based payments credit		(36,422)	(39,801)
(Increase) in inventory	10	(4,184,055)	(144,535)
(Increase) in trade and other receivables	11	(6,373,190)	(12,584,517)
Increase in trade and other payables	12	4,224,195	794,291
Total Adjustments		(320,448)	(11,231,582)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(11,543,051)	(11,757,240)
Investing activities			
Purchase of intangible assets		-	(6,070)
Purchase of property, plant and equipment	9	(508,030)	(110,619)
NET CASH USED IN INVESTING ACTIVITIES		(508,030)	(116,689)
Financing activities			
Loan received	13	11,861,542	12,404,594
NET CASH GENERATED FROM FINANCING ACTIVITIES		11,861,542	12,404,580
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(189,539)	530,651
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,088,243	557,592
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		898,704	1,088,243

The notes on pages 14 to 28 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 30 June 2016

	Share capital	Retained deficit	Total
	GBP	GBP	GBP
Balance at 1 July 2014	1	(1,878,663)	(1,878,662)
Loss for the year ended 30 June 2015	-	(525,658)	(525,658)
Balance at 30 June 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)

The notes on pages 14 to 28 form part of these Financial Statements.

Notes to the Financial Statements

for the year ended 30 June 2016

1. Accounting policies

First-time adoption of IFRS

These financial statements, for the year ended 30 June 2016, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 30 June 2015, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2016, together with the comparative period data as at and for the year ended 30 June 2015, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 July 2014.

The transition from UK GAAP to IFRS has had no material impact to the Company's financial statements for the year ended 30 June 2016.

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 Company. These new standards and interpretations had no effect on reported results, financial position or disclosure in the financial statements:

Annual Improvements to IFRSs – 2010-2012 Cycle

Annual Improvements to IFRSs – 2011-2013 Cycle

IFRIC 21 Levies

New standards and interpretations not yet adopted

The Company has elected not to early adopt the following revised and amended standards. The list below includes only standards and interpretations that could have an impact on the Financial Statements of the Company.

IFRS 9 Financial instruments

The complete standard has been 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 Company will assess the impact on its Financial Statements.

1. Accounting policies (continued)

Amendment to IFRS 11 Joint arrangements – acquisition of interests in joint operations

The amendment was issued in May 2014 and provides guidance in respect of the accounting for acquisitions in interests of joint operations. The amendment becomes mandatory for financial years beginning on or after 1 January 2016. The Company does not expect an impact on its Financial Statements from this amendment.

IFRS 15 Revenue from contracts with customers

The new standard was issued in May 2014 and establishes the principles for the disclosure of useful information in the financial statements in respect of contracts with customers. The new standard becomes mandatory for financial years beginning on or after 1 January 2017. The effect from the additional disclosure requirements will be assessed and disclosure will be made once the Company has fully assessed the impact of applying IFRS 15.

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 Company will review its arrangements in place in order to evaluate the potential impact of the new standard.

Amendment to IAS 27 Separate financial statements – equity method

The amendment to the standard was issued in August 2014 and becomes effective for financial years beginning on or after 1 January 2016. The amendment allows the use of the equity method to account for investments in subsidiaries, associates and joint ventures in an entity's separate IFRS financial statements if local regulation requires using the equity method. This amendment applies only to the separate Financial Statements of the Parent Company and is irrelevant for the Financial Statements of the Company.

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.

1. Accounting policies (continued)

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.

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

1. Accounting policies (continued)

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 11) 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 £72,366 (£2,029 in 2015) *note 14*. 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.

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.

	<i>30 Jun 2016 30 Jun 2015</i>	
<u>Maximum exposure to credit risk</u>	GBP	GBP
Amounts due from Group	20,936,201	14,116,678
Trade receivables	815,515	1,148,446
Cash and cash equivalents	898,704	1,088,243
	<u>22,650,420</u>	<u>16,353,367</u>

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 2016 the Company spent GBP 11.5 million on its operating activity (GBP 11.7 million in 2015). The Company made a net investment of GBP 4.1 million in inventory. At the year end, cash and cash equivalents were GBP 898,704 on the Statement of Financial Position (GBP 1.09 million at 30 June 2015).

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 \$25 million loan facility that expired in June 2016 and has rolled forward to 2017.

3. Financial Instruments – Risk Management (continued)

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 2015					
Trade and other payables	1,244,114	-	-	-	1,244,114
Amounts payable to Gemfields plc	-	17,752,257	-	-	17,752,257
Employee benefits	98,390	-	-	-	98,390
Corporation tax liability	-	-	-	-	-
	1,342,504	17,752,257	-	-	19,094,761
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

Total trade and other payables excluding Loan and Intercompany balances amount to £1,610,128 (2015: £2,142,714) as per Note 12.

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 4% of the Company's current assets as at 30 June 2016 (5% as at 30 June 2015).

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).

3. Financial Instruments – Risk Management (continued)

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 2016	30 Jun 2015
	GBP	GBP
Cash and cash equivalents	1,880,665	1,913,927
Less: Cash and cash equivalents in GBP	(1,072,642)	(1,636,537)
Total currency exposure	808,023	277,390
Represented by:		
US Dollars	229,097	136,251
Hong Kong Dollars	88	164
Euro	268,745	48,785
Swiss Franc	310,093	92,190
Total	808,023	277,390

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 £4,156,251 (2015: £2,586,286). A 10% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £3,778,410 (2015: £2,351,169).

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 2016	30 Jun 2015
	GBP	GBP
Advisory services	-	7,492,002
Retail sales	2,134,074	1,231,626
Wholesale sales	1,743,571	1,988,500
International direct sales	378,245	645,001
Online sales	29,624	23,603
Intercompany sales	1,782,078	2,177,953
	6,067,592	13,558,685

4. Revenue (continued)

Turnover for the year was £6,067,592 (2015: £13,558,685), representing a combination of sales to other Faberge 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 2016	30 Jun 2015
This has been arrived at after charging/(crediting):		GBP	GBP
	Note		
Foreign exchange differences		4,602,290	40,019
Salaries and wages	6	2,672,642	2,547,577
Rent, rates and utilities		1,183,478	823,160
Auditors' remuneration - audit		6,000	6,000
Share based payments, including national insurance contribution		(36,422)	(39,801)
Depreciation and Amortisation	9	171,283	173,019
Research and development costs		26,970	721,263

6. Staff costs

	30 Jun 2016	30 Jun 2015
Staff costs comprise:	GBP	GBP
Wages and salaries	2,359,077	2,160,818
Employer's national insurance contributions and similar taxes	239,707	251,774
Recruitment costs	56,210	88,078
Medical insurance	17,648	46,907
	2,672,642	2,547,577

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.

	30 Jun 2016	30 Jun 2015
The Directors' and key management personnel aggregate emoluments in respect of qualifying services were:	GBP	GBP
Aggregate emoluments in respect of qualifying services	136,997	621,402
Share based payment provision/(release) including national insurance contribution	-	-
	136,997	621,402

Emoluments of the highest paid Director amounted to £111,997 during the year (£507,500 in 2015).

7. Finance income and expense

	30 Jun 2016 GBP	30 Jun 2015 GBP
Finance expense		
Interest payable on loans from related parties (note 20)	1,275,451	529,793
Other interest payable	1,496	149
	<u>1,276,947</u>	<u>529,942</u>

8. Tax expense

	30 Jun 2016 GBP	30 Jun 2015 GBP
<i>Current tax expense:</i>		
Corporation tax in Great Britain	-	-
Tax (credit)/expense	<u>-</u>	<u>-</u>

9. 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 2014	205,000	505,238	143,935	47,284	901,457
Additions	-	98,510	12,109	6,070	116,689
Balance at 30 June 2015	<u>205,000</u>	<u>603,748</u>	<u>156,044</u>	<u>53,354</u>	<u>1,018,146</u>
Additions	-	502,082	5,948	-	508,030
Balance at 30 June 2016	<u>205,000</u>	<u>1,105,830</u>	<u>161,992</u>	<u>53,354</u>	<u>1,526,176</u>
Depreciation					
Balance at 1 July 2014	129,572	390,880	116,058	41,590	678,100
Charge for year	45,552	104,655	18,663	4,149	173,019
Balance at 30 June 2015	<u>175,124</u>	<u>495,535</u>	<u>134,721</u>	<u>45,739</u>	<u>851,119</u>
Charge for year	29,876	123,606	13,587	4,214	171,283
Balance at 30 June 2016	<u>205,000</u>	<u>619,141</u>	<u>148,308</u>	<u>49,953</u>	<u>1,022,402</u>
Net Book Value					
At 30 June 2014	75,428	114,358	27,877	5,694	223,357
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

10. Inventories

	30 Jun 2016	30 Jun 2015
	GBP	GBP
Finished product	22,485,411	21,630,761
Raw material, work in progress and aftersales inventory	4,507,994	1,178,589
	<u>26,993,405</u>	<u>22,809,350</u>

£3,852,555 was recognised as an expense in cost of sales relating to inventories during the year (2015: £5,082,090).

£29,203 was expensed as a write down and alterations of inventories during the year (2015: £258,680).

11. Trade and Other Receivables

	30 Jun 2016	30 Jun 2015
	GBP	GBP
Trade and other receivables (due within one year)		
Trade receivables	815,515	1,148,446
Amounts due from Group	20,936,201	14,116,678
Prepayments and accrued income	134,405	284,381
VAT	177,722	172,156
Other receivables	-	(565)
	<u>22,063,843</u>	<u>15,721,096</u>
Other receivables (due after one year)		
Rent Deposit	<u>200,786</u>	<u>200,786</u>

Trade receivables have been impaired by bad debt write off by the amount of £72,366 (£2,029 in 2015).

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 2016	30 Jun 2015
	GBP	GBP
Trade and other receivables currency denomination		
Pound Sterling	860,846	683,672
US Dollar	21,403,448	15,238,210
Swiss Francs	335	-
	<u>22,264,629</u>	<u>15,921,882</u>

12. Trade and other payables

	30 Jun 2016	30 Jun 2015
	GBP	GBP
Trade payables	1,231,054	1,244,114
Intercompany payables	27,252,633	22,495,851
Accruals	294,025	762,461
Other payables	78,973	99,926
Share based payments provision	6,076	36,213
	<u>28,862,761</u>	<u>24,638,565</u>

The fair value of trade and other payables is the same as the carrying value.

12. Trade and other payables (continued)

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

	30 Jun 2016	30 Jun 2015
	GBP	GBP
Trade and other payables currency denomination		
Pound Sterling	780,012	945,106
Euro	378,642	74,467
US Dollar	27,541,285	23,348,816
Swiss Francs	150,795	233,933
Hong Kong Dollars	1,900	2,364
Japanese Yen	5,749	-
Canadian Dollar	4,378	33,879
	<u>28,862,761</u>	<u>24,638,565</u>

13. Loan borrowings

	30 Jun 2016	30 Jun 2015
	GBP	GBP
Amounts payable to Gemfields plc (note 17)	<u>35,424,674</u>	<u>17,752,257</u>

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 £1,275,451 (2015: £529,793). The loan facility agreement terminates on 30 June 2017 which may be extended to 30 June 2018, at which point the loan becomes repayable.

Cash received in the year to 30 June, 2016 amounted to £11,861,542 (2015: £12,404,580).

14. Share based payments

Liabilities for cash settled share based payments comprise:

	30 Jun 2016	30 Jun 2015
	GBP	GBP
Amounts owed under long term incentive scheme, including national insurance contributions	<u>6,076</u>	<u>36,213</u>
Categorised as:		
Due after more than one year	<u>6,076</u>	<u>36,213</u>

The value of liabilities relating to the awards that had vested by 30 June 2016 is GBP nil (GBP nil by 30 June 2015).

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.

14. Share Based Payments (continued)

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.

	30 Jun 2016		30 Jun 2015	
	Units	Weighted Average Value per unit GBP	Units	Weighted Average Value per unit GBP
Outstanding at the beginning of the year	6,811	4	9,082	7
Granted during the year	-	-	-	-
Exercised during the year	-	-	2,271	7
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	6,811	1	6,811	4
Exercisable at the end of the year	6,811	1	6,811	4

The scheme resulted in a credit of £36,422 being recognised in the Statement of Comprehensive Income for the year (credit of £39,801 in 2015).

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 2015).

None of the awards were exercised during the year (2,271 in 2015) at a weighted average of GBP nil (GBP 7 in 2015).

The value of awards outstanding during the year end ranged between GBP 1 and GBP 4 (GBP 4 and GBP 12 per in 2015) 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:

	2016	2015
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%	0.50%

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 2016 GBP	30 Jun 2015 GBP
1 Ordinary shares of £ 1 each	1	1

Issued and fully paid

	2016 Number of Shares	2016 GBP	2015 Number of Shares	2015 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 £13,739 (2015: nil) of which nil was outstanding as of 30 June 2016 (2015: nil).
Gemfields PLC	Ultimate Parent Company	Gemfields provided a loan of £13.13million during the year (2015: £12.4 million), including interest of £1.27m, and purchases and expenses paid on behalf of the Company by Gemfields amounting to £501,548 during the year (2015: £49,242). A total net of £35,424,674 was outstanding at the reporting date (2015: £17,703,015). 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 £199,886 (2015: £247,561) and charged this amount as a receivable to Fabergé Limited. At reporting date the total amount outstanding was, however, a payable balance to Fabergé Limited of £17,021,692 (2015: £17,223,293), 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 £4,984,766 (2015: £7,067,433) during the year, leaving a receivable balance at reporting date of £12,155,378 (2015: £7,170,612). 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 £4,560,582 (2015: £587,223) during the year, with a payable balance of £3,964,061 (2015: £596,521) 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 £1,646,679 (2015: £756,596). At reporting date the total amount outstanding was £3,219,229 (2015: £1,572,550).

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 2016 or 2015 regarding related party transactions.

18. Operating lease

	30 Jun 2016 GBP	30 Jun 2015 GBP
	Land and Building	Land and Building
Operating leases which expire:		
Within one years	150,000	145,098
In two to five years	112,500	-
	<u>262,500</u>	<u>145,098</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

There were no significant post reporting date events.