

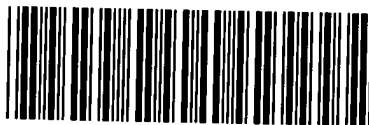
Fabergé (UK) Limited

Report and Financial Statements

for the period ended 31 December 2018

Company Number: 06236931

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Fabergé (UK) Limited

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

Fabergé (UK) Limited

General Information

Country of Incorporation

Great Britain

Legal Form

Limited company

Directors

David Lovett

Sean Gilbertson

Claude Reininger

Ian Christopher Jones (Appointed August 2017)

Antony Lindsay (Appointed September 2017)

Janet Boyce (Resigned July 2017)

Secretary

Toby Hewitt (Appointed November 2017)

Jesujuwonlo Williams (Resigned July 2017)

Date of Incorporation

3 May 2007

Registered Office

1 Cathedral Piazza

London

SW1E 5BP

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 5E

Comparative information

The company has changed its financial period end from June to December. These financial statements to 31 December 2018 have been prepared for 18 months and compared to 12 months from July 2016 to June 2017.

Fabergé (UK) Limited

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

Revenue for the 18 months period to 31 December 2018 amounted to £11,214,627 (12 months to 30 June 2017 - £4,754,211). The loss for the 18 months to 31 December 2018 after taxation amounted to £10,312,698 (12 months to 30 June 2017 - £13,741,225).

Product Development

Fabergé again achieved shortlisted status for the prestigious Grand Prix d’Horlogerie de Genève (GPHG) awards, this year for two timepieces. The pieces nominated include the Fabergé Clover from the Fabergé Dalliance collection for the category ‘Artistic Crafts’ and the Visionnaire Chronograph Dynamique within the ‘Sports’ category.

Fabergé’s best-selling jewellery lines were expanded during the period to include bangles and cross-over rings, further building the customer offering based around the iconic Fabergé egg motif and championing coloured gemstones.

2018 also saw the latest Imperial Class Egg from Fabergé, in collaboration with Rolls Royce Motor Cars. The amethyst, diamond and rose gold objet d’art was incredibly well received, generating significant amounts of coverage. The egg was delivered to its owner in December 2018, following unveiling events in Singapore and England.

The Year Ahead

In 2019, Fabergé will continue to increase its digital presence, with greater focus on social media platforms given the reach, adaptability and measurability offered by that medium, whilst maintaining releasing a new print advertising campaign through the first half of the new year. Coloured gemstone-set fine jewellery collections will remain at the heart of the campaign, allowing Fabergé to seek and utilise synergies with Gemfields’ marketing and continuing to promote the brand’s concept of *A Life in Colour*.

Additionally, Fabergé will continue to expand its global retail footprint, with further multi-brand retail openings in the US, Europe, the Middle East and South-East Asia.

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 by sales channel and by product, and by the Company’s portfolio of products (see the description of the Distribution model in the **Directors Report**).

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.

Strategic Report (continued)

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 Limited.

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 Limited, given Gemfields' transparency in the gemstone sourcing process.

On behalf of the Board



Ian Christopher Jones, Finance Director

22nd Oct 2019
Date:.....

Directors' Report

The Directors present their report and financial statements for the period to 31 December 2018.

Results and dividends

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

The Directors do not recommend payment of a dividend (2017 – GBP nil).

Principal activity

The principal activities of Fabergé (UK) Limited (the “Company”) during the period 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.

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 period the Company has incurred £37,824 (2017: £8,015) 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 Limited 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 2018 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:

David Lovett
Sean Gilbertson
Ian Christopher Jones
Claude Reininger
Antony Lindsay

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.

Fabergé (UK) Limited

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 period. 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, Finance Director

Date : 22nd Oct 2019

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 period ended 31 December 2018 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 31 December 2018 and of its loss for the period 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 period 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

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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

BDO LLP

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

Date: 22 October 2019

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

Statement of Comprehensive Income for the period ended 31 December 2018

		<i>18 Months 31 Dec 2018</i>	<i>12 Months 30 Jun 2017</i>
	Note	GBP	GBP
Revenue	4	11,214,627	4,754,211
Cost of Sales		(6,369,323)	(6,531,647)
Gross Profit		4,845,304	(1,777,436)
Administrative expenses		(12,360,411)	(9,605,445)
Loss from operations		(7,515,107)	(11,382,880)
Finance expense	7	(4,733,173)	(2,358,345)
Loss from continuing operations		(12,248,280)	(13,741,225)
Corporation tax	8	1,935,582	-
Loss for the period attributable to equity holders		(10,312,698)	(13,741,225)
Total comprehensive loss for the period		(10,312,698)	(13,741,225)

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

Fabergé (UK) Limited

Statement of Financial Position As at 31 December 2018

		31 Dec 2018	30 Jun 2017
	Note	GBP	GBP
Assets			
Non current assets			
Property Plant and Equipment	9	704,190	1,038,762
Non-current receivables	10	1,935,582	1,246,174
Current assets			
Inventory	11	21,790,376	22,698,445
Trade and other receivables	12	24,516,866	25,892,787
Cash and cash equivalents		411,947	2,287,762
		46,719,189	50,878,994
Total assets		49,358,961	53,163,930
Liabilities			
Current liabilities			
Trade and other payables	13	(27,451,059)	(31,195,292)
Loan borrowings	14	(59,588,747)	(35,541,005)
		(87,039,806)	(66,736,297)
Non-current liabilities			
Non-current loan borrowings	14	-	(13,795,780)
Total liabilities		(87,354,138)	(80,532,077)
NET LIABILITIES		(37,680,845)	(27,368,147)
Capital and reserves			
Share capital	16	1	1
Retained deficit		(37,680,846)	(27,368,148)
EQUITY		(37,680,845)	(27,368,147)

The financial statements were approved and authorised for issue by the Board of Directors on 22nd October 2019 and were signed on its behalf by:

Ian Christopher Jones

Date: 

Fabergé (UK) Limited

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

Cash Flow Statement

for the period ended 31 December 2018

	Note	18 Months 31 Dec 2018	12 Months 30 Jun 2017
CASH FLOWS FROM OPERATING ACTIVITIES		GBP	GBP
Loss for the period		(12,248,280)	(13,741,225)
Adjustments for:			
Depreciation and Amortisation	9	868,552	394,025
Interest payable	7	4,733,173	2,257,969
Foreign exchange differences		2,539,679	1,047,724
Share-based payments credit		-	1,613
(Increase) in non-current assets		(61,230)	-
Decrease in inventory	11	905,819	4,294,960
Decrease / (Increase) in trade and other receivables		5,132,761	(4,874,332)
(Decrease)/Increase in trade and other payables		(8,773,966)	4,840,640
Total Adjustments		5,344,788	7,962,599
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(6,903,492)	(5,778,626)
Investing activities			
Purchase of property, plant and equipment	9	(533,980)	(929,014)
NET CASH USED IN INVESTING ACTIVITIES		(533,980)	(929,014)
Financing activities			
Loan received		21,641,275	8,108,394
Loan repayment (3 rd party)		(12,637,987)	
Interest Paid		(3,494,418)	(11,697)
NET CASH GENERATED FROM FINANCING ACTIVITIES		5,508,870	8,096,697
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,928,602)	1,389,057
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2,287,762	898,705
Foreign exchange difference		52,787	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		411,947	2,287,762

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

Fabergé (UK) Limited

Statement of Changes in Equity for the period ended 31 December 2018

	Share capital	Retained deficit	Total
	GBP	GBP	GBP
Balance at 1 July 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)
Loss for the period ended 31 December 2018	-	(10,312,698)	(10,312,698)
Balance at 31 December 2018	1	(37,680,846)	(37,680,845)

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

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. The company has changed its financial period end from June to December. These financial statements to 31 December 2018 have been prepared for 18 months and compared to 12 months from July 2016 to June 2017.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for cash-settled share-based payments (Note 15).

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

New and revised accounting standards in the period ending 31 December 2018

New and amended standards adopted by the Company: the accounting policies adopted are consistent with those of the previous financial year. There are no new or amended financial standard or interpretations adopted during the period that have a significant impact up the financial statements.

New standards and interpretations not yet adopted

There are a number of new standards, amendments to standards and interpretations that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company. These will be adopted in the period that they become mandatory, unless otherwise indicated. Information on the new standards which could impact the Company is presented below:

		Effective period commencing on or after
IFRS 9	Financial instruments	1 Jan 2019
IFRS 15	Revenue from contracts with customers	1 Jan 2019
IFRS 16	Leases	1 Jan 2019

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The effects of adopting IFRS 9 are set out below:

Classification and measurement

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial instruments. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

The requirements of IFRS 9 are not expected to have a material effect on the classification of the Company's financial assets.

Impairment

The adoption of IFRS 9 has changed the Company accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15.

The impairment and ECL requirements of IFRS 9 are expected to have a material impact on the Company.

Hedge accounting

The changes introduced by IFRS 9 relating to hedge accounting currently have no impact, as the Company does not apply hedge accounting.

Accounting policies (Continued)

IFRS 15 Revenue from contracts with customers ("IFRS 15")

IFRS 15 introduced a single framework for revenue recognition and clarifies principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle of IFRS 15 is that the revenue recognition model has changed from one based on the transfer of risk and reward of ownership to the transfer of control of ownership, and the standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative stand-alone selling price basis, based on a five-step model.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

i) Jewellery and Time pieces

Revenue from the sale of jewellery and time pieces are recognised when control together with the risks and rewards of ownership are transferred to the customer. For instore purchases, the transfer of ownership is deemed to occur when the customer has taken ownership of the items and for wholesale credit sales, the transfer of ownership is deemed to occur when the goods have been delivered.

The adoption of IFRS 15 is not expected to have a material impact on the company.

▪ IFRS 16 Leases ("IFRS 16")

- 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 12 months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019.
- Based on initial assessment, the requirements of IFRS 16 will have a material impact on 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.

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 include 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.

Accounting policies (Continued)

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, 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.

Accounting policies (Continued)

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.

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.

Deferred Tax

The recognition of deferred tax assets is based upon whether sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Recognition of deferred tax assets therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement as set out in note 8.

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:

Financial instruments - Risk Management (continued)

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 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.

Maximum exposure to credit risk

	31 December 2018	30 Jun 2017
	GBP	GBP
Amounts due from Group	21,832,047	22,343,577
Trade receivables	2,827,574	3,120,105
Cash and cash equivalents	411,947	2,287,762
	25,071,568	27,751,444

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 period to 31 December 2018 the Company incurred expenses of GBP 12.3 million on its operating activity (GBP 9.6 million in 2017). The Company had a net reduction of GBP 0.91 million in its inventory (This is after making provision based on the realisable values of its inventory). As at 31 December 2018 cash and cash equivalents were GBP 411,947 on the Statement of Financial Position (GBP 2,287,762 at 30 June 2017).

During the period to 31 December 2018 the Company has taken a loan from Gemfields for USD \$20 million on top of its existing operating finance activities to repay a loan with Gordon Brothers Finance Company and GB Europe Management Services Limited jointly. The loan facility was taken last financial year totalling 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 now has no external third-party finance.

The Company is reliant upon support from parent company, Gemfields Limited, to fund ongoing commitments. The Company has received confirmation of ongoing support from Gemfields Limited. Gemfields limited has agreed not to recall its loan and to continue funding the business as required for a period of at least 12 months from the approval of the financial statements.

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 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 Limited	-	34,887,355	-	-	34,887,355
Employee benefits	117,339	-	-	-	117,339
	1,770,040	49,336,785	-	-	51,106,825
31 December 2018					
Trade and other payables	756,430	-	-	-	756,430
Amount due to Intercompany		25,608,741			25,923,073
Amounts payable to Gemfields Limited	-	59,588,747	-	-	59,588,747
Employee benefits	75,982	-	-	-	75,982
	832,412	85,511,820	-	-	86,344,232

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 Limited.

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

Cash and cash equivalents represent 0.79% of the Company's current assets as at 31 December 2018 (8% as at 30 June 2017).

The loan facility held with Gemfields previously had a 3-month USD libor plus 4.5% until 31 December 2018. However, at 31 December 2018, the company received credit for interest charged between 1 July 2017 and 31 December 2018 and it has now been agreed that the loan will no longer bear interest going forward.

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.

Financial instruments - Risk Management (continued)

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

	31 December 2018	30 Jun 2017
	GBP	GBP
Cash and cash equivalents	411,947	2,287,762
Less: Cash and cash equivalents in GBP	(230,145)	(413,408)
Total currency exposure	181,802	1,874,354
Represented by:		
US Dollars	112,177	1,859,110
Hong Kong Dollars	1,012	3
Euro	68,075	18,059
Swiss Franc	538	(2,818)
Total	181,802	1,874,354

Exposure to foreign exchange risk on trade and other receivables is disclosed in Note 12, on trade and other payables in Note 13, and on loan borrowings in Note 14.

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 £4,424,267 (2017: £3,715,150). A 10% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £6,452,757 (2017: £2,488,013).

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 Limited, allows the Company to gain some reasonable foresight into the pricing of Gemstones in the market.

4. Revenue

Revenue arises from:	31 Dec 2018	30 Jun 2017
	GBP	GBP
Retail sales	2,805,851	4,466,964
Wholesale sales	5,052,759	1,724,400
International direct sales	1,632,537	603,537
Online sales	278,851	107,406
Intercompany sales	1,444,629	(2,148,095)
	11,214,627	4,754,212

Turnover for the period was £11,214,627 (2017: £4,754,212), representing a combination of sales to other Fabergé Company companies, retail sales, web sales and wholesale sales.

5. Loss from operations

		31 Dec 2018	30 Jun 2017
This has been arrived at after charging:			
	Note	GBP	GBP
Foreign exchange differences		2,539,679	690,473
Rent, rates and utilities		2,205,419	1,436,876
Auditors' remuneration		62,413	6,000
Share based payments, including national insurance contribution		-	1,613
Depreciation and Amortisation	9	868,552	394,025
Research and development costs		37,824	8,015

6. Staff costs

Staff costs comprise:		31 Dec 2018	30 Jun 2017
		GBP	GBP
Wages and salaries		2,359,380	2,317,179
Employer's national insurance contributions and similar taxes		289,555	320,446
Recruitment costs		37,841	6,709
Medical insurance		42,812	38,327
		2,729,588	2,682,661

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 David Lovett received no remuneration for their services as Directors of the Company.

Antony Lindsay and Christopher Jones were employed by the company for the period and Claude Reiningner was a non-executive director. There were no other key management personnel in the Company.

	31 Dec 2018	30 Jun 2017
	GBP	GBP
The Directors' and key management personnel aggregate emoluments in respect of qualifying services were:		
Aggregate emoluments in respect of qualifying services	401,426	159,896
	401,426	159,896

Emoluments of the highest paid Director amounted to £191,002 during the period (£129,897 in 2017)

7. Finance income and expense

	31 Dec 2018	30 Jun 2017
	GBP	GBP
Finance expense		
Interest payable on loans from related parties (note 18)	1,245,836	2,257,968
Other interest payable	3,487,337	100,377
	4,733,173	2,358,345

8. Taxation on Loss

	31 Dec 2018	30 Jun 2017
	GBP	GBP
The company's tax (charge) / credit is as follows:		
Taxation charge for period	-	-
Deferred tax		
Origination and reversal of temporary differences	(1,935,582)	-
Tax (credit)/expense	<u>(1,935,582)</u>	<u>-</u>

The tax on loss on ordinary activities is lower (2017: lower) to the standard rate of corporation tax in the UK of 19% (2018: 19.25%). The charge for the period can be reconciled to the loss per the statement of comprehensive income as follows:

	31 Dec 2018	30 Jun 2017
	GBP	GBP
Loss on ordinary activities before tax	(12,248,280)	(13,741,225)
Taxation on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(2,327,173)	(2,645,186)
Effects of:		
Expenses not deductible for tax	5,667	5,954
Permanent difference	70,158	17,658
Group relief surrendered	54,334	53,937
Movement in unrecognised tax losses	261,432	2,567,637
Total taxation charge / (credit)	<u>(1,935,582)</u>	<u>-</u>

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The UK corporation tax enacted rates are 17% as from 1 April 2020 and accordingly, 17% is the tax rate applied to the UK's deductible temporary differences.

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using the applicable tax rate in the respective jurisdictions. Temporary differences between the tax bases and net carrying values arise with regard to the effect of differences between tax and accounting depreciation, tax losses and other provisions generated during the period.

The company has carried forward losses amounting to GBP36,758,730 as at 31 December 2018 (GBP25,372,954 as at 30 June 2017). The deferred tax recognised is with regards to a portion of these carried forward losses. Under the relevant UK tax legislation, Gemfields Ltd as a UK group company, may access certain tax losses accruing to Faberge Ltd and offset those against Gemfields Limited Profits Chargeable to Corporation Tax, subject to certain restrictions. The Directors of Gemfields Ltd confirm that any losses surrendered for use by Gemfields Ltd as part of a Group Relief claim will be compensated by Gemfields Ltd, at the value of any Corporation Tax relieved, in the year of surrender. For the FYE 31 December 2018 Faberge Ltd recognised a deferred tax asset of GBP1,935,582 (2017: £0)

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 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	1,974,322	222,514	53,354	2,455,190
Additions	-	492,202	-	41,778	533,980
Balance at 31 December 2018	205,000	2,466,524	222,514	95,132	2,989,170
Depreciation					
Balance at 1 July 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
Charge for period	-	829,886	35,248	3,418	868,552
Balance at 31 December 2018	205,000	1,820,308	203,931	55,740	2,284,979
Net Book Value					
At 30 June 2016	-	486,689	13,684	3,401	503,774
At 30 June 2017	-	983,899	53,831	1,032	1,038,763
At 30 June 2018	-	646,215	18,583	39,392	704,190

10. Non-current Receivables

	31 Dec 2018	30 Jun 2017
	GBP	GBP
Deferred Tax Asset (Note 8)	1,935,582	-
Restricted cash on 3 rd party loan	-	1,246,174
	<u>1,935,582</u>	<u>1,246,174</u>
Deferred taxation		
	31 Dec 2018	30 Jun 2017
	GBP	GBP
At beginning of period	-	-
Charged to profit or loss	1,935,582	-
At end of period	<u>1,935,582</u>	<u>-</u>

11. Inventories

	31 Dec 2018	30 Jun 2017
	GBP	GBP
Finished product	20,493,142	22,236,648
Raw material, work in progress and aftersales inventory	1,297,234	461,797
	<u>21,790,376</u>	<u>22,698,445</u>

£6,369,323 was recognised as an expense in cost of sales relating to inventories during the period (included provisions after carrying out net realisable test on inventory and making specific provisions) (2017: £6,531,647).

£1,667,286 was expensed as a write down and alterations of inventories during the period (2017: £1,836,829).

12. Trade and Other Receivables

	31 Dec 2018	30 Jun 2017
	GBP	GBP
<i>Trade and other receivables (due within one year)</i>		
Trade receivables	2,736,549	3,120,105
Amounts due from related parties (Note 18)	21,517,637	22,343,577
Prepayments and accrued income	186,004	199,434
VAT	76,676	229,671
	<u>24,516,866</u>	<u>25,892,787</u>

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 in 2017). 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:

	31 Dec 2018	30 Jun 2017
	GBP	GBP
<i>Trade and other receivables currency denomination</i>		
Pound Sterling	5,250,866	89,245
US Dollar	21,517,637	29,508,086
EUROS	217,365	44,277
Swiss Francs	(2,469,002)	(2,502,647)
	<u>24,516,866</u>	<u>27,138,961</u>

13. Trade and other payables

	31 Dec 2018	30 Jun 2017
	GBP	GBP
Trade payables	756,430	1,652,701
Amounts due to related parties	25,608,741	28,780,290
Accruals	1,003,830	637,100
Other payables	75,982	119,125
Share based payments provision	6,076	6,076
	<u>27,451,059</u>	<u>31,195,292</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:

	31 Dec 2018	30 Jun 2017
	GBP	GBP
Trade and other payables currency denomination		
Pound Sterling	1,229,924	2,859,468
Euro	558,312	638,091
US Dollar (Including Loans)	25,608,741	27,533,797
Swiss Francs	9,065	72,177
QAR	-	2,316
AED	-	34,668
Canadian Dollar	45,017	54,775
	<u>27,451,059</u>	<u>31,195,292</u>

14. Loan borrowings

	31 Dec 2018	30 Jun 2017
	GBP	GBP
Current borrowings:		
Gemfields limited (related party)	59,588,747	34,887,355
Gordon Brothers (third party)	-	653,650
Non-current borrowings:		
Gordon Brothers (third party)	-	13,795,780

During the period the loan amount owing to Gemfields Limited changed from an interest-bearing facility to a noninterest-bearing facility. A floating three-month GBP LIBOR interest rate plus 3.5% was charged against the loan balance in the prior year with interest amounting £2,257,968 being recognised. No interest was charged on the Gemfields Limited loan in the current period. This loan is due on demand; however, it is not likely that it will be paid within 12 months.

15. Share based payments

Liabilities for cash settled share-based payments comprise:

	31 Dec 2018	30 Jun 2017
	GBP	GBP
Amounts owed under long term incentive scheme, including national insurance contributions	<u>6,076</u>	<u>6,076</u>
Categorised as:		
Due after more than one year	<u>6,076</u>	<u>6,076</u>

Fabergé (UK) Limited

Share based payments (continue)

The value of liabilities relating to the awards that had vested by 31 December 2018 is GBP nil (GBP nil by 30 June 2017).

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.

	31 Dec 2018		30 Jun 2017	
	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	0.8
Exercisable at the end of the year	6,811	0.8	6,811	0.8

The scheme resulted in a credit of £0 being recognised in the Statement of Comprehensive Income for the period (credit of £574 in 2017).

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

The value of awards outstanding during the 18 months end ranged between US\$ 1 and US\$ 4 (US\$ 1 and US\$ 4 per in 2017) and their weighted average remaining contractual life was one year (two years in 2017).

The following information is relevant in the determination of the fair value of awards granted under the cash-settled share-based remuneration scheme operated by the Company. There were no new options granted in the period:

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

The expected volatility was based on the historical volatility data of Gemfields Limited (Previously Gemfields Limited) share price.

Fabergé (UK) Limited

16. Authorised and issued share capital

Authorised share capital

	31 Dec 2018 GBP	30 Jun 2017 GBP
1 Ordinary shares of £ 1 each	1	1

Issued and fully paid

	2018 Number of Shares	2018 GBP	2017 Number of Shares	2017 GBP
Ordinary shares of £1 each	1	1	1	1

17. 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.

18. Related party transactions

During the period, the Company entered into the following transactions with related parties.

Related party	Relationship	Transactions
Gemfields Limited	Parent Company of Faberge Ltd	Gemfields Limited recharged Faberge (UK) Ltd rent, rates and service charges for use of office space of £1,241,087. (2017 - Feb17 to Jun 17 - £293,252) The outstanding payable at period end £3,211,740 is included in Trade and other payables.
Gemfields Limited	Parent Company of Faberge Ltd	Gemfields Limited provided a loan of £23.5 million during the period (2017: £8.11 million), including interest of £1.24 million (2017: £2.26million) A total outstanding payable of £59,588,747 at period end is included within Borrowings (2017: £34,887,355). The loan amount is repayable on demand and now carries a zero-interest rate.
Fabergé Limited	Intermediate Parent company of Fabergé UK Limited	Fabergé UK paid amounts due on behalf of Fabergé Limited during the period to the value of £183,991 (2017: £141,444) and charged this amount to Fabergé Limited. Balance payable to Fabergé Limited at period end amounted to £21,519,062 (2017: £16,880,248), due to transfer of Inventory from Fabergé Limited to Fabergé (UK) Limited in FY14.
Fabergé Suisse SA	Related Party	Fabergé UK made cash transfers to Fabergé Suisse to fund production of timepieces and general overheads of £2,422,450 (2017: £3,734,520) during the period, leaving a receivable balance at reporting date of £21,008,180 (2017: £16,489,177). 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 £323,507 (2017: £9,593,150) during the period, with a payable balance of £5,505,809 (2017: £3,964,061) at reporting date. The net receivable at year end amounted to £15,502,371
Fabergé Inc	Related Party	Fabergé UK sold jewellery to Fabergé Inc for its retail location in New York and its wholesale channel accounts to the amount of £1,400,967 (2017: £535,543). At reporting date, the total amount net receivable balance was £5,845,470 (2017: £3,793,712) receivables.
Fabergé HK	Related Party	Prior to the 18 month period to December 2018, Fabergé UK purchased inventory held at Fabergé Hong Kong's concession at the Lane Crawford department store following closure of that point of sale. During the period Faberge UK made cash transfers to Faberge Hong Kong to meet administrative costs of £1,772 (June 2017: £0), leaving a net amount owing to Faberge Hong Kong of £877,522 (Jun 2017 £879,294)

Fabergé (UK) Limited

On 31 December 2018, Faberge UK Limited agreed with other Faberge related parties to net off the respective outstanding receivable and payable balances leaving either a net receivable or a net payable where applicable. Below is a summary of Faberge related party balances that are subject to netting off:

	Faberge Ltd	Faberge Inc	Faberge Suisse SA	Faberge HK
Trade and other receivables	84,245	5,847,938	21,008,180	1,772
Trade and other payables	(21,603,307)	(2,468)	(5,505,809)	(879,294)
Net Amount Receivable / (Payable)	(21,519,062)	5,845,470	15,502,371	(877,522)

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 2018 or 2017 regarding related party transactions.

19. Operating lease

	31 Dec 2018 GBP	30 Jun 2017 GBP
	Land and Building	Land and Building
Operating leases which expire:		
Within one years	1,784,502	1,059,326
In two to five years	1,027,060	1,929,327
	2,811,562	2,988,654

20. Parent undertaking and controlling party

Fabergé (UK) Ltd is a 100% subsidiary of Fabergé Limited, which is wholly owned by Gemfields Limited.

The immediate parent entity is Gemfields Limited, a company that is incorporated in The United Kingdom.

The ultimate controlling company is Gemfields Group Limited, a company incorporated in Guernsey.

21. Post balance sheet events

Faberge ceased trading at its Grafton Street, Mayfair, London location on 6 January 2019, following conclusion of the lease at the property, which is undergoing redevelopment by the landlord.