GEMFIELDS

The world's leading supplier
of responsibly sourced coloured gemstones

Annual Report and Financial Statements 2014

Strategic Report

Governance

Financial Statements

Gemfields is the world's leading supplier of responsibly sourced coloured gemstones. But we prefer to think of ourselves as more than just a mining company. We are pioneers at an exciting new frontier where mining, marketing, exploration and ethics meet.

Graham Mascall
Chairman

What's Inside

High-quality Zambian emeralds are our specialty, although we also produce Zambian amethysts and rubies from Mozambique. We do so ethically, sustainably and transparently. Our approach has set new benchmarks for fair-trade, environmental, social and safety practices – a fact of which we are very proud. Our direct involvement in each step of the process from mine to market is unique and allows us to guarantee the provenance of every one of our stones.

Strategic Report

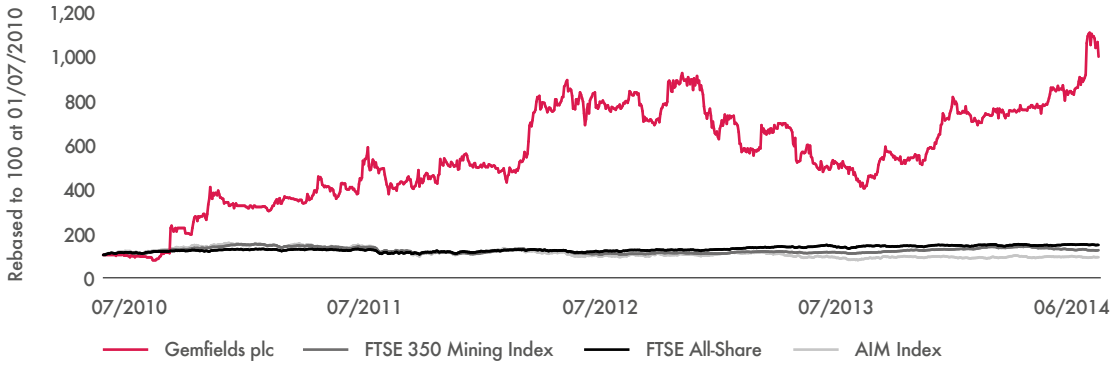
Our mission is to be the world's foremost gemstone company, actively leading the growth and development of the industry and promoting trust and transparency from mine to market.

Financial Highlights

- Revenue of US$160.1 million (2013: US$48.4 million);
- EBITDA[(a)] of US$59.3 million (2013: US$1.2 million);
- Net profit after tax of US$16.3 million (2013: loss of US$22.8 million);
- Cash at bank of US$36.8 million as at 30 June 2014 (2013: US$11.2 million); and
- Estimated cost of inventory on hand, excluding fuel and other consumables, of US$86.3 million (2013: US$76.3 million).

(a) EBITDA – earnings before interest, tax, depreciation, amortisation and impairment.

Gemfields plc vs FTSE All-Share, AIM Index and FTSE 350 Mining Index



Source: Bloomberg

Operational Highlights

Emeralds:

- Production summary for 75% owned Kagem Mining Limited ("Kagem") in Zambia for the year:
  - Annual production of 20.2 million carats of emerald and beryl (2013: 30.0 million carats);
  - Grade of 253 carats per tonne (2013: 283 carats per tonne); and
  - Total cash operating costs of US$27.4 million (2013: 32.2 million).
- In April 2014, the Mines Safety Department of Zambia awarded Kagem a certificate recognising more than 3 million shifts free of reportable injuries, believed to be a record in the Zambian mining industry; and
- In December 2013, Kagem paid its first ever dividend of US$8 million, of which US$2 million was paid to the Government of the Republic of Zambia, a 25% shareholder in Kagem. This was followed up by a further dividend of equal value in February 2014.

Rubies:

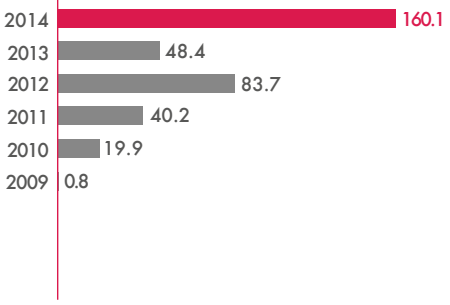
- Bulk sampling summary for 75% owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the year:
  - Approximately 6.5 million carats of ruby and corundum extracted (2013: 1.9 million carats) taking the total ruby and corundum extracted to 8.4 million carats.
- Rough sales and auctions:
  - First-of-a-kind proprietary grading and sorting framework for rough rubies and corundum was well received at the inaugural auction in Singapore in June 2014;
  - First auction of rough ruby and corundum generated revenues of US$33.5 million at an average realised price of US$18.43 per carat; and
  - Next ruby auction is scheduled to take place before 31 December 2014.

Fabergé:

- Wholly-owned Fabergé Limited ("Fabergé") saw increased unit sales and a 12% relative increase in gross profit margins derived from sales and sales orders agreed during the year; and
- Robert Benvenuto joined Fabergé as President and Chief Operating Officer on 28 October 2013.

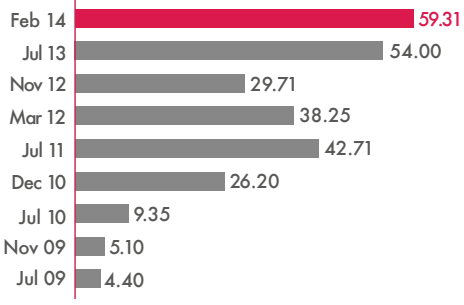
Total revenue for Group (US$ million)

US$160.1 million



Average per carat sales value achieved at auction (US$)*

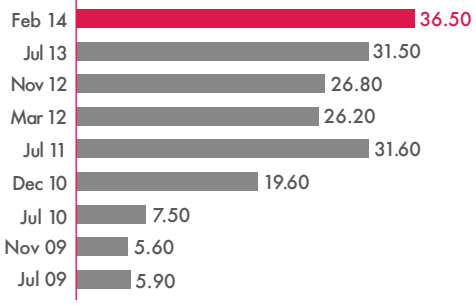
US$59.31



* Higher Quality Emerald Auctions

Total sales realised at auction (US$ million)*

US$36.50 million

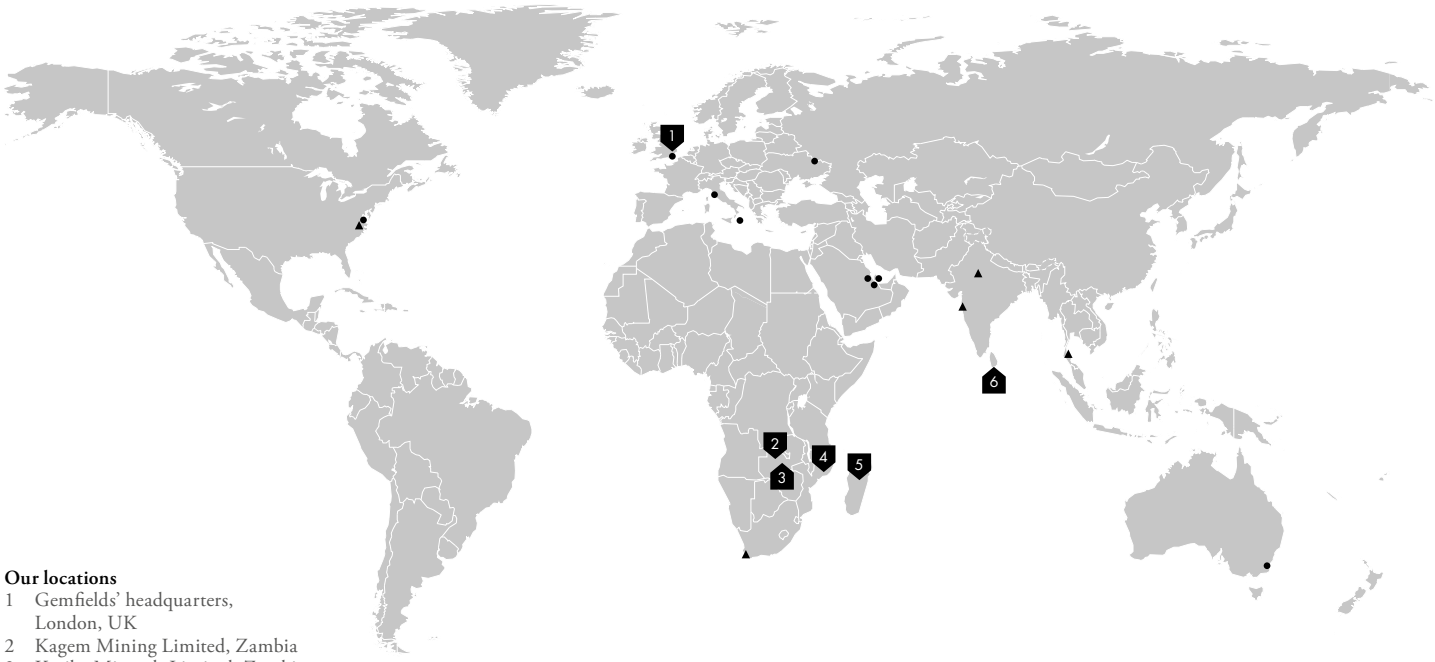


* Higher Quality Emerald Auctions

Gemfields at a Glance

Gemfields is the world's leading supplier of responsibly sourced coloured gemstones supported by an experienced and well-regarded management team with a proven track record of delivery.

Our vision is to become the global 'Coloured Gemstone Champion' in emeralds, rubies, sapphires and other selected gemstones.



Our locations

1 Gemfields' headquarters, London, UK
2 Kagem Mining Limited, Zambia
3 Kariba Minerals Limited, Zambia
4 Montepuez Ruby Mining Limitada, Mozambique
5 Prospective licences, Madagascar
6 Sapphire joint venture, Sri Lanka
● Fabergé boutiques and distribution channels
▲ Gemfields' global offices

Our Assets

Kagem Mining Limited – Emeralds (75% interest)

- A partnership with the Government of the Republic of Zambia, which owns a 25% interest;
- World's single largest producer of emeralds, accounting for approximately 20% of global rough emerald production; and
- Licence covers an area of approximately 41 square kilometres and contains several emerald-bearing belts (one with large-scale mining activity, two in the bulk-sampling phase and others yet to be examined by Gemfields).

Montepuez Ruby Mining Limitada – Rubies (75% interest)

- A partnership with a local Mozambican entity, Mwiriti Limitada, which owns a 25% interest;
- Licence, located in the Montepuez district of the Cabo Delgado province in Mozambique, covers approximately 340 square kilometres with both primary and secondary deposits; and
- Believed to be the largest known ruby concession in the world with the potential to produce upwards of 25% of global rough ruby supply within the next three years.

Fabergé Limited (100% interest)

- Acquired in January 2013 for US$90.3 million via an all share transaction;
- Fabergé enables Gemfields to take its vision for coloured gemstones to the next level, harnessing the Fabergé name to boost the international presence and perception of coloured gemstones and advance the 'mine and market' vision; and
- New products launched to promote the use of emeralds, rubies and sapphires in support of Gemfields' coloured gemstone strategy.

Kariba Minerals Limited – Amethyst (50% interest)

- World's single largest producing amethyst mine; and
- Partnership with the ZCCM Investments Holdings plc ("ZCCM-IH"), which owns a 50% interest.

Oriental Mining – Rubies, Emeralds and Sapphires (100% interest)

- 15 exploration licences covering emeralds, rubies, sapphires, tourmalines and garnets in the Antananarivo, Fianarantsoa and Toliara provinces of Madagascar; and
- Initial stages of geological evaluation completed with nine licence areas identified as being either prospective or highly-prospective.

New Projects

- Conditional agreement to acquire a controlling interest in an additional ruby deposit adjacent to Gemfields' existing Montepuez ruby deposit; and
- Post year end:
  - Joint venture agreement with East West Gem Investments Limited ("EWGI"), a Jersey registered company, in order to progress opportunities in the Sri Lankan sapphire and gemstone sector which will be 75% and 25% held by Gemfields and EWGI respectively.

Chairman's Statement

Gemfields continues to go from strength to strength with the addition of a significant new revenue stream from our ruby operation in Mozambique to the solid foundation of our Kagem emerald operations in Zambia.

Dear Shareholder,
I am delighted to update you on a truly tremendous year for Gemfields. Your Company generated record revenues of US$160.1 million and EBITDA of US$59.3 million. During the year, Gemfields has continued to deliver on its strategy of shaping and consolidating the coloured gemstone industry, demonstrated convincingly by the addition of a significant new revenue stream from our ruby operations in Mozambique.

While Gemfields today enjoys an unrivalled presence in the international coloured gemstone industry, the opportunity for sustained growth is significant. We have built a successful emerald business with our world class Kagem mine in Zambia (which has provided an excellent platform to further our vision for the coloured gemstone sector globally) and the addition of rubies from Mozambique serves to amplify our position as the leading supplier of responsibly sourced coloured gemstones.

In June 2014, we announced the results of our first auction of rough rubies and corundum extracted from our 75% owned Montepuez deposit in Mozambique. I would like to commend our team, and that of our 25% partner Mwiriti, for having developed Montepuez from a greenfield project to an operational and revenue generating asset in a little over two years.

Gemfields Mozambican ruby rough

The inaugural auction, which raised US$33.5 million, increased our confidence in, and understanding of, the ruby market and the value of our current ruby production profile. The auction opened the door to a new audience of coloured gemstone purchasers and confirmed the effectiveness of our 'first-of-its-kind' comprehensive grading and sorting framework which was initially established for emeralds and suitably adapted for rubies. The successful use of this framework, together with feedback received from auction participants, marked a meaningful endorsement of our ruby strategy and we are hopeful that the ruby market will follow the trajectory we observed when our grading and auction methodologies were first deployed in the emerald market.

While much work remains to be done in building a full scale mining operation, Montepuez is a noteworthy achievement and we look forward to our second auction of rough ruby and corundum which is scheduled to take place before 31 December 2014.

Throughout the past year, demand for our responsibly sourced rough emeralds continued to grow, in tandem with the upward trend in achieved per carat prices. In February 2014, our higher quality gemstones attained an average price of US$59.31 per carat, a 10% increase over the previous higher quality auction. In November 2013, our lower quality gemstones sold for an average price of US$3.32 per carat which was a 27% increase on the previous highest price per carat achieved at a lower quality auction.

We generated US$110 million from emerald and beryl sales during the year, derived from auctions of directly-mined as well as traded material, and including direct sales of our lowest grades of beryl.

During the year, our Kagem operation achieved a historic milestone and paid its first ever dividend. Total dividends amounting to US$16 million were paid during the year, of which US$4 million was paid to the Government of the Republic of Zambia as a 25% shareholder in Kagem. We are delighted to share the success of this operation with our host country and business partner.

The Company continues to evaluate a number of gemstone acquisition opportunities to complement our stated red, blue and green 'traffic light' of coloured gemstones strategy, and we were pleased to announce in September 2014 our move into Sri Lankan sapphires. This strategy runs in parallel with the organic growth programme, both in terms of the exploration and underground mining potential at Kagem, and the scaling up of activities at Montepuez.

Last but by no means least, the incorporation of Fabergé within the Gemfields family to complete our 'mine and market' strategy has given us a more meaningful footprint within the high-end luxury goods market. Following last year's internal review, we have focused on restructuring Fabergé's operations and implementing an integrated, global strategic plan. I am pleased to report that further progress has been made *inter alia* with key appointments, product development and marketing, and that Gemfields is already reaping direct and indirect benefits, as is evidenced by the increased demand and sales prices achieved for our emeralds and rubies and improved sales margins within Fabergé itself.

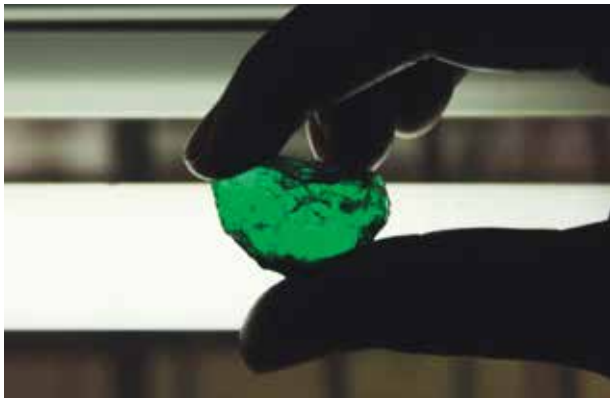
On behalf of the Board, I would once again like to sincerely thank all of our employees, host countries, project partners and advocates across our operations for their support, commitment and hard work. The 2014 financial year has been remarkably exciting and successful. I look forward to reporting on the future progress and prosperity of your Company.

Strategic Report
Our 2014 Strategic Report, set out on pages 06 through 39, was reviewed and approved by the Board of Directors on 19 September 2014.

Graham Mascall

Graham Mascall
Chairman
19 September 2014

Market Overview



Total worldwide imports of emeralds, rubies and sapphires reached

US$3.2 billion

in 2013 (2012: US$2.7 billion)

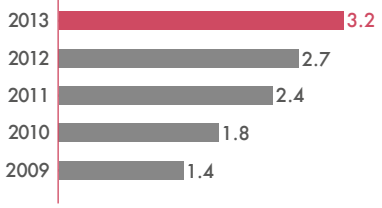
Gemfields Zambian emerald rough

Gemfields Mozambican ruby rough

The coloured gemstone industry continued to demonstrate impressive progress. The United Nations Commodity Trade database shows that worldwide imports of emeralds, rubies and sapphires reached US$3.2 billion in 2013, a 19% increase from the US$2.7 billion reported in 2012. In 2013, the world's top coloured gemstone cutting, polishing and treatment centres – India and Thailand – reported growth of 311% and 31% respectively in the value of exports of loose emeralds, rubies and sapphires. The globally renowned high jewellery manufacturing countries of France, Italy and Switzerland increased their imports of these three gemstones by 10%, 36% and 22% respectively.

This trend is fundamentally driven by rising consumer demand for coloured gemstones, particularly in the United States, Europe and China. Integrated marketing, aided by ever-increasing transparency and consistency of supply, has advanced consumer awareness and understanding of coloured gemstones, bolstering consumer confidence and making coloured gemstones an increasingly popular choice.

Worldwide imports of emeralds, rubies and sapphires (US$ billion)



Emeralds

Zambia, Colombia and Brazil are today equally important sources of emerald supply with each accounting for around one third of global supply. Unlike Colombia and Brazil (where the emerald trade is mostly dominated by smaller-scale and artisanal miners), Zambia sees around 70% of the declared value of its emerald exports from a single mine, being Gemfields' Kagem mine. As noted by the Gem Guide (an independent provider of gem market information), emerald prices have been on the rise, especially for finer Zambian material where supply has been more consistent. In our estimation, this demand will remain robust in the coming year as jewellers and manufacturers focus on reliability of supply as a key determining factor in choosing suppliers.

Rubies and sapphires

Rubies and sapphires are from the same mineral, corundum and are as a result often found in the same localities. Myanmar produces both rubies and sapphires of very high quality, while Sri Lanka and Madagascar – the world's major sources for blue and fancy sapphires are also known to host ruby deposits. However, as noted by the Gem Guide, ruby and sapphire production in the past few years has declined in the better known deposits.

New deposits such as Mozambique have the potential to offset these reductions. Since the successful launch of Montepuez Ruby Mining by Gemfields some 1.8 million carats of rubies and corundum have reached the market in a transparent and ethical manner. Following the JCK Las Vegas gemstone and jewellery show in June 2014, the trade has witnessed a 30% increase in the price of Mozambican ruby and this trend is expected to continue as Gemfields, replicating the model successfully deployed in the emerald sector, establishes reliable and consistent ruby supply to the expanding market.

Other gemstones

As emeralds, rubies and sapphires become increasingly desirable they also drive demand for other coloured gemstones. Aggregate global imports for other gemstones (excluding diamonds, emeralds, rubies and sapphires) grew an impressive 89% from 2012 to 2013. Amethyst is one of these gemstones. Kariba, which Gemfields has a 50% interest, continues to account for a material proportion of global amethyst production. Synonymous with the colour of royalty, amethyst's desirable natural colour continues to garner favour given their relative hardness, cost, aesthetic variety and global opportunities for production and supply.

Gemfields Mozambican ruby cut and polished

Chief Executive Officer's Review

2014 has been a landmark year for Gemfields as we continue to deliver on our goal to be the global coloured gemstone champion and a leading performer within the resource sector.

I am pleased to report on a stellar year in which Gemfields has delivered impressively on its goals at both the mining and marketing ends of the business.

One of the most pleasing and significant achievements of the year has been our rapidly developing ruby business in Mozambique. Within two years of completing the acquisition of these licences we have developed the deposit into a large bulk sampling operation which produced 6.5 million carats of ruby and corundum in 2014. This takes the total ruby and corundum extracted at Montepuez since the commencement of bulk sampling to 8.4 million carats.

Montepuez is believed to be the most significant recently discovered ruby deposit in the world. Given the size of the licence area, Gemfields has continued with its strategy of focusing on building our understanding of the various high priority areas across the deposit. Towards the end of the third quarter of the 2014 financial year our focus shifted to the new Mugloto prospect. The increase in quality and quantity of high value gemstones from this prospect justified a short-term shift in focus and some restructuring of the logistical processes involved. As a result, Montepuez saw fewer carats produced in the second half of the financial year, but this reduction was more than offset by the value of the higher quality gems recovered. The current bulk sampling programme allows Gemfields to analyse the cost, volume and value characteristics of the various ore bodies in the licence area.

Following an 18-month sorting and grading programme, Gemfields offered rubies for the first time via its proven auction platform. The successful auction, held in Singapore, comprised high and low quality ruby and corundum and generated total sales of US$33.5 million. A total of 1.82 million carats were sold yielding an overall average value of US$18.43 per carat. This was a landmark achievement signifying the moment Gemfields became a producer and purveyor of precious coloured gemstones.

At our Kagem emerald mine in Zambia, production of emeralds and beryl dropped from 30.0 million carats in 2013 to 20.2 million carats this year. The reduction was primarily the result of high rainfall and the grade volatility characteristic of gemstone deposits. Kagem has seen its annual grade vary between 205 to 478 carats per tonne of ore during the last four financial years. Overall, operations at the mine remain in line with expectations, and Kagem is in a strong position to benefit from an anticipated improvement in the grade in the coming year. Our objective, subject of course to the grade, remains to produce approximately 25 million carats annually. Kagem's potential for organic growth remains another opportunity to generate enhanced project returns. Current operating parameters and cost versus revenue considerations favour, for the short to medium term, an emphasis on opencast operations over underground mining in our main Chama pit. From an exploration perspective, we continue to evaluate the nearby Fibolele and Libwente occurrences on the Kagem licence. Libwente having yielded encouraging early results, has been the subject of accelerated analysis and will see a detailed bulk sampling programme carried out in the coming year.

Our progress to date is clearly evidenced by both the success of our auctions and the synergistic marketing campaigns delivered by both Fabergé and Gemfields. While much is still to be done, Fabergé has undergone a successful transition post acquisition, similar to Gemfields' early developmental processes at both Kagem and Montepuez, whereby our initial efforts are focused on containing costs, increasing productivity, understanding our operating environment and acquiring and supporting the right people within the team to assist in delivering on our strategy of establishing Fabergé as the 'go-to' jeweller for discerning high-end consumers and a champion of colour.

Robert Benvenuto was appointed as President and Chief Operating Officer of Fabergé in October 2013 to provide leadership and strengthen the management team by providing direction and a focus on strategy throughout Fabergé. Implementation of Fabergé's integrated strategic plan is well underway with the aim of realising Fabergé's largely unexploited global growth potential.

Robert previously spent 13 years at Harry Winston where he served as Chief Finance Officer, Chief Operating Officer and Co-Chief Executive Officer. This experience meant that, despite internal overhauls and restructuring, Fabergé's net operating cost to the Gemfields Group was within budget, supported by a pleasing increase in sales margins. New products were well received by consumers across key markets, a fundamental litmus test for the creation of a solid platform for future growth.

Our strategy remains that of becoming the global 'Coloured Gemstone Champion', focused on emeralds, rubies, sapphires and other selected gemstones. We continue to evaluate a number of potential acquisitions, in keeping with our track record of identifying, acquiring and investing in undeveloped or underdeveloped deposits. We are very pleased with our recently announced Sri Lankan joint venture and hope in the medium term to add Sri Lankan sapphires to our gemstone auctions.

I am increasingly confident that we will achieve our global ambitions in the short to medium term. This belief is underpinned by the impressive track record our team members have established over the past five years and the expanding portfolio of world class assets. I look forward to continuing our current growth trajectory and being able to share this success with our team members, shareholders and stakeholders alike in the years ahead.

Ian Harebottle
Chief Executive Officer
19 September 2014

Business Model

Gemfields is the world's leading supplier of responsibly sourced coloured gemstones. But we prefer to think of ourselves as more than just a mining company. We are pioneers at an exciting new frontier where mining, marketing, exploration and ethics meet.

Our business model is to create shareholder value by identifying and investing in undeveloped or underdeveloped coloured gemstone assets internationally. We use our unrivalled operational expertise in the coloured gemstone sector to grow these assets, typically in partnership with the host government or appropriate local partners. We do not pursue comprehensive vertical integration. Rather, our 'mine and market' strategy means we focus on both ends of the value chain, representing the two most profitable segments.

Our pioneering auction platform has changed the face of the coloured gemstones sector, delivering a key tenet of our business model, bringing a consistent supply of responsibly sourced coloured gemstones, carefully graded according to our proprietary grading systems, to our customers. This distribution platform is complemented by determined marketing and promotional campaigns to further confidence in, and awareness of, our exciting and fast-growing sector.

1 Identify

Our team has a proven track-record of identifying high quality gemstone deposits that offer potential to become large scale operations.

2 Invest

We have invested and continue to reinvest significant amounts of capital into key resources. We create value by developing our assets into large scale operations and by applying our intellectual capital.

3 Develop, mine, deliver

We safely and efficiently develop our mines for long-term value creation, aiming to deliver projects on time and within budget in what are often challenging conditions. From exploration, through development and into production we continue to improve the quality of our assets and place at the heart of each our focus on safety and sustainability.

4 Market

We are the global leader in repositioning the coloured gemstone industry alongside other luxury goods. Our marketing is underpinned by our reliable supply of high quality, well graded rough gemstones to our customers through auctions and trade sales. Leveraging the Group's ownership of Fabergé, potentially one of the greatest luxury brands of all time, to not only promote Gemfields' position as the leading supplier of ethically sourced gemstones, but also with a view to stimulating increased creativity and transformation in a sector that has been very staid in its ways and has seen very little in the way of ingenuity and greatness for quite a few years now.

Strategic Goals and Objectives

Gemfields' strategic goals include:

Becoming the global leader in emeralds, rubies, sapphires and other selected gemstones

Promoting and repositioning the coloured gemstone industry alongside other luxury goods

Ensuring a consistent supply of professionally-graded coloured gemstones to world markets

Promoting disclosure, transparency, education and certification across the coloured gemstone industry to engender greater consumer trust

Leading the way in coloured gemstone exploration, operational efficiencies and mining ethics

We aim to turn the coloured gemstone business into a transparent industry allowing investors, local communities and national economies to benefit from our approach and expertise. Gemfields believes in, and sees significant benefit in, being fully transparent about our dealings and partnerships. Full disclosure of information and transparency in our business process is a crucial factor in our success, and in the growth of the wider industry. Our mining ethics go beyond mere compliance and we have consistently set new standards within the coloured gemstone sector.

Operational and Financial Review

"As Gemfields' ambassador I have been able to deepen my knowledge and understanding of coloured gemstones, and in the process I have come to appreciate jewellery so much more. Not only do I better understand the work that goes into the creative process but I have fully grasped just how rare and precious every gemstone is – and the remarkable journey each gemstone makes."

Mila Kunis
Gemfields Ambassador

Mila Kunis
Photographed by Peter Lindbergh

Operational and Financial Review *continued*

"I am naturally rather pleased with Gemfields' track record over the past five years as we have continued to supersede most of the internal goals set and clearly been able to position the Company as one of the sector's leading investment opportunities. With all thanks and praise going to my exceptional executive and operational teams, you are all truly an incredible group of people with whom I am proud to be associated."

Ian Harebottle
Chief Executive Officer

Kagem Mining Limited, Zambia
Kagem is the world's single largest emerald mine and is 75% owned by Gemfields, with the remaining 25% owned by the Government of the Republic of Zambia. Kagem is located in the Ndola Rural Emerald Restricted Area and lies south of Kitwe and west of Ndola in Zambia's Copperbelt Province. Kagem's licence area comprises almost 41 square kilometres and it supplies approximately 20% of global emerald production.

Mining
During the year, Kagem completed its third high wall pushback and has commenced its fourth in order to extend the pit size by a further 75 metres at the south-eastern edge of the Chama pit and to open up new areas of ore for future production. The work is being carried out by both in-house teams and a third-party contractor. A 17-month programme has been agreed with the contractor, ending in September 2015. The pushback programme is projected to deliver approximately four years of open pit ore production and seeks to increase the overall rate of ore mining as well as improve flexibility in the areas which can be mined at any given time.

Reasonable volumes of ore and gemstone production were achieved in the first half of the year while high rainfall, grade volatility and delays in initiating the fourth phase of the pushback programme negatively impacted on the full year mining results. Gemstone production for the year decreased by 32.7% to 20.2 million carats of emerald and beryl (2013: 30.0 million carats) and grade decreased by 10.6% to 253 carats per tonne (2013: 283 carats per tonne).

During the year, 7.3 million tonnes of waste and talc-magnetite schist ("TMS") were mined (2013: 9.5 million tonnes), as were 80,000 tonnes of reaction zone (ore) (2013: 106,000 tonnes), yielding a stripping ratio of 92:1 (2013: 90:1).

Total cash operating costs were US$27.4 million (2013: US$32.2 million). Unit production costs were US$0.91 per carat (2013: US$0.55 per carat). On a cash basis unit production costs were US$1.33 per carat (2013: US$1.07 per carat). Cash rock handling unit costs increased by 10.4% to US$3.70 per tonne (2013: US$3.35 per tonne).

The trial underground mining project achieved total linear development of 157.4 metres (2013: 300.4 metres). Four additional small (10 metres by 10 metres) stopes were developed although the ground conditions proved challenging. The creation of back-filled support pillars has successfully supported the roof but this is time-consuming given the current scale and nature of the project. A total of 2,635 tonnes of ore were extracted (2013: 4,918 tonnes) producing 184,935 carats (2013: 381,395 carats) at a grade of 70.2 carats per tonne (2013: 77.5 carats per tonne). An experienced underground project manager has been appointed and is expected to join the operation in October 2014.

With proven resource available in the Chama pit, the continued viability of open pit operations and robust emerald prices, Kagem has the flexibility to extend the open pit operation with further pushbacks and is likely in the short term to continue underground mining only on a trial basis.

During the year, a total of US$2.9 million (2013: US$4.6 million) was invested in new mining and ancillary equipment, as well as in improving Kagem's facilities and infrastructure.

Kagem's annual production performance is summarised in the table below:

Kagem annual production summary	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013	**30 June 2014**
Gemstone production (emerald + beryl) in million carats	9.9	28.0	17.4	33.0	21.1	30.0	**20.2**
Ore production (reaction zone) in thousand tonnes	42	80	61	69	103	106	**80**
Grade (emerald + beryl/reaction zone) in carats/tonne	233	349	286	478	205	283	**253**
Waste mined (including TMS) in million tonnes	5.1	4.0	2.5	3.9	8.7	9.5	**7.3**
Stripping ratio	120	50	42	57	84	90	**92**

Operational and Financial Review *continued*

Processing

As part of the ongoing efficiency drive at Kagem, the washing plant and its security arrangements were upgraded. This included optimisation of the process flows and resizing of the ore most likely to contain higher value gemstones. The building of a walled sorting facility has resulted in a better working environment including improved levels of ventilation, lighting and noise, resulting in fewer distractions and better overall control. These improvements have also resulted in fewer breakdowns, reduced maintenance costs, more efficient gemstone picking from the belts, enhanced security and improved gemstone recoveries.

Safety and environment

Mining operations inherently impact on the environment and pose a risk to the health and safety of employees. Kagem prides itself on its ability to produce emeralds that are mined in an ethical, transparent and safe manner with minimised impact on the natural environment. In April 2014, the Mines Safety Department of Zambia awarded Kagem a safety certificate recognising 3.1 million shifts free of reportable injuries.

Geology and exploration

Our mineral resource strategy focuses on identifying the best possible opportunities within our mining licence for assessment by way of bulk sampling.

While the Chama pit continues to be the main focus with respect to our current production activities and contains the bulk of the known resources, we continue to look for future development projects within the Kagem licence and are committed to our resource replenishment programme. This has included 13,339 metres of diamond core drilling from 140 boreholes within the Libwente area, located three kilometres north-east of the Chama pit.

Exploration at Libwente has established the continuity of the Mesoproterozoic Muva sequences, favourably intruded by pegmatites, quartz and quartz-tourmaline veins, all indicating high levels of potential. The Libwente bulk sampling programme has the scope to effectively extend the Fwaya Fwaya-Pirala belt (home of the Chama pit) in a north-easterly direction.

At Fibolele, bulk sampling first commenced in September 2012 with a 300-metre wide pit having been opened along an ultramafic strike length of 350 metres. A second phase was initiated in October 2013 and has benefitted from a low stripping ratio (40:1) and the identification of gemstone-producing structures.

During the year, we also tested a number of conceptual regional geophysical targets by diamond core drilling, identifying targets within Fibolele East, Dabwisa and Kanchule with 5,403 metres of core from a further 57 boreholes. We remain optimistic about the potential for additional mineable sites within the Kagem licence.

Our mining and exploration activities are augmented by the utilisation of in-depth geophysical and petrographic studies combined with state-of-the-art 3D inversion and voxel modelling, all of which is amalgamated into our 3D mine plan.

Sorting, rough sales and auctions

Gemfields typically offers its rough emerald production to selected market participants by way of sealed bid auctions where all gemstones tendered are certified by Gemfields as natural, untreated and of a specific origin. Many of the world's top gemstone houses and lapidaries are invited to attend these events.

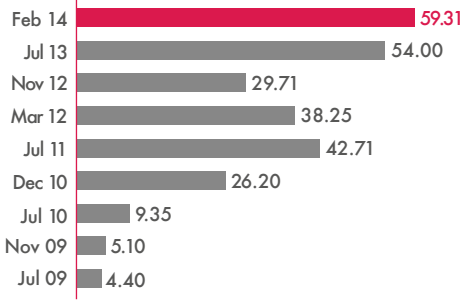
During this financial year, Kagem held three emerald auctions and completed one out-of-auction direct sale of material which previously failed to sell at auction.

The first auction, held in Lusaka in Zambia in July 2013, was an auction of predominantly higher quality rough emeralds. All of the 583,448 carats placed on offer were sold, generating revenues of US$31.5 million. The auction yielded an overall average price of US$54.00 per carat, the highest unit value achieved at any auction at that time, and representing a 26% increase over the previous high of US$42.71 per carat (achieved at the July 2011 Singapore auction).

The second auction, held in Lusaka in November 2013, was of predominantly lower quality rough emerald and beryl, and saw 4.94 million carats being sold, representing by far the bulk of the value offered. The auction generated record aggregate lower quality auction revenues of US$16.4 million. The auction also yielded an overall average value of US$3.32 per carat, the highest unit value achieved at any Gemfields auction of predominantly lower quality material, and represented a 27% increase over the previous high of US$2.61 per carat (achieved in the June 2012 Jaipur auction).

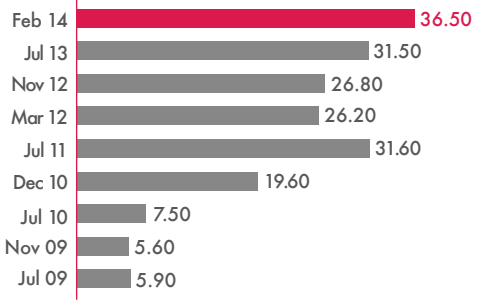
Average per carat sales value achieved at auction (US$)*

US$59.31 per carat



Total sales realised at auction (US$ million)*

US$36.50 million



* Higher Quality Emerald Auctions

At the third auction, in February 2014, revenues of US$36.5 million were realised at an auction of 0.62 million carats of predominantly higher quality emeralds, which in turn also represented a record overall unit price of US$59.31 per carat for emeralds of this quality.

In October 2013, Gemfields also finalised a US$3.5 million direct sale of 11,286 kilograms of Kagem's lowest two qualities of beryl which had accumulated in recent years, and portions of which had failed to sell at auction.

Gemfields Zambian emerald rough being viewed at an auction

Operational and Financial Review *continued*

The auction results are summarised in the following table:

Auction results (Emeralds and beryl)	February 2014	July 2013	November 2013
Date	**21–25 Feb 2014**	15–19 Jul 2013	11–15 Nov 2013
Location	**Lusaka**	Lusaka	Lusaka
Type	**Higher quality**	Higher quality	Lower quality
Carats offered	**0.84 million**	0.58 million	5.62 million
Carats sold	**0.62 million**	0.58 million	4.94 million
No. of companies placing bids	**34**	36	20
Average no. of bids per lot	**13**	8	7
No. of lots offered	**17**	18	21
No. of lots sold	**15**	18	19
Percentage of lots sold	**88%**	100%	90%
Percentage of lots sold by weight	**74%**	100%	88%
Percentage of lots sold by value	**86%**	100%	91%
Total sales realised at auction	**US$36.5 million**	US$31.5 million	US$16.4 million
Average per carat sales value	**US$59.31/carat**	US$54.00/carat	US$3.32/carat

Gemfields Chama Pit, Kagem, Zambia

Security
Kagem maintains a two-tier security system to provide the necessary checks and balances, combining Kagem's own internal security personnel with mobile units of the Zambian police.

The security environment is constantly evolving given changes to workflows and production scenarios. Security measures are continuously reviewed and updated in order to minimise the security risk. By staying abreast of the latest technological developments, Kagem is able to consistently improve its surveillance technology, an important deterrent against pilferage and pivotal in ensuring the safeguarding of assets.

Key security initiatives implemented during the year include the construction of a walled picking-belt facility at the washing plant and extensive upgrades to the CCTV infrastructure both there and at the sort house. These measures have yielded considerable improvements, but with the unfortunate and associated consequence of an increase in the number of apprehensions.

Security monitoring in the main Chama pit has also been improved with the implementation of a new CCTV torch-camera system and migration to IP-based cameras to ensure a wider field of view and more comprehensive imaging, all of which has markedly improved pit and production monitoring efficiencies. GPS tracking and monitoring systems have also been fitted to some of the vehicles in our fleet.

Dividends
During the year, Kagem declared and paid total dividends of US$16 million with the Zambian government receiving US$4 million given its 25% interest. The first dividend, paid in December 2013, is believed to be both the first ever dividend paid by Kagem in its 29 year history and the first such payment ever to be made to the Zambian government from any gemstone operation in the country.

The dividend payments are attributed to the turnaround strategy initiated at Kagem following Gemfields' acquisition of a 75% interest in June 2008, prior to which Kagem had intermittently reported losses and had annual revenues of approximately US$9 million.

Gemfields' traded emerald auctions
Gemfields first offered traded emeralds at the Singapore auction held in July 2011. The traded emeralds were first offered to our auction attendees along with our directly-mined gemstones. Traded emeralds and beryl were also offered at subsequent Gemfields auctions held in November 2011 (Jaipur), March 2012 (Singapore) and June 2012 (Jaipur).

Since April 2013, gemstones mined by Gemfields at Kagem have been offered exclusively in Lusaka, Zambia. On the other hand, traded emeralds and beryl have been offered on a standalone basis in auctions held in Jaipur in September 2013 and May 2014.

The first standalone traded emerald auction held in Jaipur, India in September 2013 saw 145,952 carats of traded rough emeralds (predominantly of higher quality material) being sold, generating gross auction revenues of US$8.5 million. The emeralds sold at the auction comprised emeralds obtained by Gemfields in the open market from various sources and yielded a robust average price of US$58.00 per carat.

The second standalone traded emerald auction was held in Jaipur, India in May 2014. The emeralds sold were of predominantly higher qualities and comprised both Zambian and Brazilian emeralds obtained by Gemfields in the open market from various sources. The auction saw 0.764 million carats of traded emeralds placed on offer, with 0.268 million carats (representing the majority of the value offered) being sold, and generating gross auction revenues of US$13.5 million.

Operational and Financial Review *continued*

Beauty by nature

Mozambican rubies by Gemfields, the world's leading supplier of responsibly sourced coloured gemstones.

The standalone traded emerald auction results are summarised below:

Auction results (Traded emeralds)	May 2014	September 2013
Date	**28 April– 2 May 2014**	26–30 September 2013
Location	**Jaipur, India**	Jaipur, India
Type	**Traded rough emeralds**	Traded rough emeralds
Carats offered	**0.764 million**	0.417 million
Carats sold	**0.268 million**	0.146 million
No. of companies placing bids	**40**	38
Average no. of bids per lot	**8**	11
No. of lots offered	**41**	29
No. of lots sold	**21**	17
Percentage of lots sold	**51%**	59%
Percentage of lots sold by weight	**35%**	35%
Percentage of lots sold by value	**86%**	96%
Total gross sales realised at auction	**US$13.5 million**	US$8.5 million
Average per carat sales value	**US$50.0/carat**	US$58.0/carat

The specific auction mix and the quality characteristics of the lots offered at the traded auctions can vary quite considerably from those auctions made up solely of lots derived from Kagem's directly mined production. As a result, direct comparisons between traded auctions and Kagem auctions cannot be reliably drawn.

Montepuez Ruby Mining Limitada, Mozambique

The Montepuez ruby deposit is located in the north-east of Mozambique in the Cabo Delgado province. Covering approximately 33,600 hectares, it is believed to be the most significant recently discovered ruby deposit in the world. The ruby mining area, lies approximately two hours by car from the coastal town of Pemba, which has modern airport and port infrastructure.

Gemfields owns a 75% interest in Montepuez Ruby Mining Limitada ("Montepuez") which holds a 25 year mining and exploration licence over the area, granted by the Government of Mozambique in November 2011.

Mining

Bulk sampling commenced in August 2012, continues to increase in scale and is delivering consistently pleasing results. The bulk sampling programme has allowed Montepuez to analyse the specific characteristics of the various ore bodies in parallel with identifying key target sites for future large scale mining operations.

Montepuez's bulk sampling activities during the year were initially directed at the Maninge Nice, Central and Glass-A areas. However, towards the end of the third quarter and early in the fourth quarter of the 2014 financial year, there was a shift in focus toward the newly discovered Mugloto area where the overall grade is significantly lower but the quality of rubies mined is markedly higher. As a result, Montepuez saw a reduction in the volume of carats produced during the second half of the financial year, but with a quality-driven increase in overall value. As our geological understanding continues to improve, Gemfields is reasonably confident of its ability to manage the production volumes and values identified to date, and which may see Montepuez become Gemfields' key operating asset.

Approximately 6.5 million carats of ruby and corundum were extracted during the year (2013: 1.9 million carats). This takes the total ruby and corundum extracted at Montepuez since the commencement of bulk sampling to 8.4 million carats. Total rock handling during the year was 1.6 million tonnes (2013: 0.09 million tonnes), made up of 0.4 million tonnes of ore and 1.2 million tonnes of waste. Total cash operating costs were US$10.9 million (2013: US$5.9 million).

The first Gemfields ruby auction generated sales of

US$33.5 million

in June 2014

Operational and Financial Review *continued*

Montepuez's key operational parameters for the financial year are summarised below:

Montepuez annual production summary	**30 June 2014**	30 June 2013
Gemstone production (ruby and corundum) in million carats	**6.5**	1.9
Ore production in thousand tonnes	**408.6**	26.6
Grade (ruby and corundum/ore) in carats/tonne	**16.0**	69.8
Waste mined in million tonnes	**1.2**	0.1
Stripping ratio	**2.9**	2.4

- A total of 1.6 million tonnes were excavated from the Maninge Nice, Glass-A, Washplant West, Pit 25 and Mugloto areas. This included 1.2 million tonnes of waste, and 408,619 tonnes of ore at a stripping ratio of 2.9.
- Approximately 158,000 tonnes of ore were processed by the washing plant with the highest recoveries achieved from the gravel beds of Maninge Nice and Mugloto at an average grade of 43 carats per tonne.

Montepuez's total capitalised mining costs (excluding capitalised infrastructure costs) for the year totalled US$4.2 million (2013: US$1.5 million). Total investment in property, plant and equipment for the year was US$6.0 million (2013: US$2.7 million).

Cumulative project expenditure from inception until 30 June 2014, including all acquisition, capital and operating costs, stood at approximately US$34 million.

Geology and exploration

Montepuez's mining area comprises rocks ranging from granitic to amphibolitic in composition, with scattered quartzite and marble occurrences. The rocks are highly folded into tight and isoclinal folds of all scales, subsequently cut by a number of primarily north-east to south-west trending shear zones.

To date, rubies from Montepuez differ geologically from many of the rubies traditionally available in the international market in that they are amphibolite related rather than marble or basalt related. The rubies are found in both alluvial and eluvial deposits, with the occurrence of primary (in situ) rubies within the amphibolite recorded to date at depths exceeding 30 metres in places.

An extensive exploration programme across the entire Montepuez licence area has been initiated with a view to generating a solid baseline geological map with sufficient subsurface data to understand the extent and trend of the amphibolites, the gravel bed thickness and its distribution and indicative grade.

Gemfields is targeting completion of its first JORC-compliant resource and reserve statement for Montepuez by 30 June 2016.

The exploration programme involves pitting, diamond core drilling (being carried out by two in-house core drill rigs) and auger drilling. The latter is carried out under contract by Equator Drilling based in Mozambique and focuses specifically on the Maninge Nice and Mugloto/Ntorro areas.

The auger drilling programme was initiated on 5 June 2014 and it is envisaged that a total of 25,000 metres will be drilled across the central part of the Montepuez licence. Approximately 5,000 metres have been drilled subsequent to the reporting period and the drilling programme is expected to be completed by December 2015.

The study has already delineated significant paleo-channel deposits with occurrences of ruby mineralisation within the Mugloto area and these have subsequently been proven by bulk sampling. Other various potential areas, each with gravel bed thicknesses of more than one metre, have also been delineated by means of the exploration programme.

Diamond core drilling is also ongoing with two rigs in operation north of the Maninge Nice area. During the year, this programme delivered some 1,649 metres of core. The core drilling is primarily utilised to establish the continuity of mineralised amphibolite within the subsurface areas. In the Maninge Nice area, the boundary of the amphibolitic body and the subsurface continuity of ruby mineralisation to below 30 metres have already been delineated and established. The team has also observed the presence of white marble bands of up to 30 metres in thickness and to a depth of up to 45 metres with intermittent bands of amphibolite.

Processing

Ore excavated from the bulk sampling pits is brought to a centralised stock yard adjacent to the washing plant. The washing plant has been augmented from the original pilot configuration of 30 tonnes per hour ("tph") to its current capacity of 120 tph by the addition of a dry screen, logwasher (to remove much of the clay and fines prior to processing), additional sizing screens and jigs. Concentration of the output gravel is achieved through a series of parallel and sequential jigs, each accommodating different size ranges.

To meet the washing plant's water requirements a water reservoir and large dam have been constructed adjacent to the plant for the collection of rain water. Seven large diameter bore holes across the licence area have also been installed.

Sorting, rough sales and auctions

Montepuez has constructed a fully functioning sorting facility at the mine camp which incorporates a grading room, 20 gloved sort boxes, secure storage and a waste facility. A high-level CCTV surveillance system is in operation throughout the sort house on a 24/7 basis. This sorting facility has been centralised and is positioned close to the washing plant. Concentrated gravel is transported directly from the jigs to the sort house in secure lockboxes where it is sorted and graded by hand.

Gemfields' proprietary rough ruby grading framework, which separates each gemstone into one of nearly a thousand categories, has been very well received by industry stakeholders and participants attending the Company's inaugural ruby auction in Singapore.

Prior to the auction, Gemfields also investigated and tested some of the ruby and corundum enhancement processes that are available to support value addition within the lower quality rough material, including heating, glass-filling and other methods. These tests yielded encouraging results, improving the aesthetics of the rough material at a reasonable cost while delivering considerable benefit to the many downstream stakeholders who are not individually able to access such techniques. Consequently, Montepuez was able to offer both untreated and treated rough material at the auction, with all treated lots using industry-accepted treatment techniques and on a fully disclosed basis.

The inaugural auction of rough ruby and corundum was held in Singapore from 12–17 June 2014 and comprised a spread of both higher and lower qualities. A total of 55 companies placed bids during the auction which saw 2.03 million carats of ruby and corundum being placed on offer and 1.82 million carats being sold. The auction generated revenues of US$33.5 million and yielded an overall average value of US$18.43 per carat. A total of approximately US$34 million has been spent on operations at Montepuez to 30 June 2014 meaning that the revenues from the first auction almost match the aggregate expenditures incurred to date.

The auction results are summarised below:

Auction results (Ruby and corundum)	June 2014
Date	**12–17 June 2014**
Location	**Singapore**
Type	**Rough Rubies and Corundum**
Carats offered	**2.03 million**
Carats sold	**1.82 million**
No. of companies placing bids	**55**
No. of lots offered	**62**
No. of lots sold	**57**
Percentage of lots sold	**92%**
Percentage of lots sold by weight	**90%**
Percentage of lots sold by market value	**91%**
Total sales realised at auction	**US$33.5 million**
Average per carat sales value	**US$18.43/carat**

Gemfields next auction of rough ruby and corundum is scheduled to take place in Singapore before the end of December 2014.

Operational and Financial Review *continued*

Infrastructure

The development of a fully operational base camp at Namanhumbir was completed during the year and includes accommodation, office facilities and recreation amenities for all of Montepuez's resident employees. A warehouse was also built and equipped to accommodate the purchasing and supplies functions, including a formalised receipt, storage and issuing system.

Importantly, both the mining and Namanhumbir base camps were connected to the national power grid by way of a newly erected and commissioned, high-tension line with associated transformers supplied by Electricidade de Moçambique. In addition, Montepuez also has three 250 kVA diesel generators onsite to provide backup power in the event of power outages.

The mine has evolved considerably and has a fully functioning engineering and maintenance workshop catering for the full fleet of light vehicles and heavy machinery. A prefabricated office has also been erected to house the human resources, and health and safety departments, and a separate room is currently being utilised for security and CCTV systems. Given the distances involved, an additional satellite facility has also been installed at Mugloto in an effort to further improve security and increase operating efficiencies.

Security

The size of Montepuez's mining licence area, the value of its gemstones and their relative proximity to the surface mean that securing the area will continue to be a challenge. Montepuez's security team, assisted by external security contractors and Mozambican police have to date been reasonably effective in keeping the core licence and operating areas relatively secure.

The prevailing security arrangements at Montepuez have contributed to a reduction in the average number of illegal trespassers on the licence, when compared to the levels prevailing at the time Gemfields initiated operations at Montepuez in early 2012.

Three basic elements of security have been adopted, namely architectural (barriers, locks, lighting, etc), operational (interaction between guards, quick reaction teams and local police support under a comprehensive set of security policies and procedures) and infrastructural (CCTV systems, communications and access control) and have achieved a considerable level of success.

Safety and environment

An annual safety review and improvement plan has been developed and implemented, including benchmarked safety standards, personal protective equipment and employee training. Regular monitoring is carried out by an inducted Mozambican health and safety officer and reviewed by committee, with an emphasis on safety supervision to establish safe working practices for all key activities throughout the operation. A local doctor has been engaged to carry out regular health checks on all employees via a fully stocked onsite medical post. In the event of more pressing medical emergencies, an ambulance is stationed at the mine site.

Montepuez is committed to the implementation of environmental management plans as outlined at the Group level and as required by law, and has adopted mining methods that limit Montepuez's overall impact on the environment, and which seek to preserve the ecology and biodiversity of the surrounding areas.

The process of upgrading Montepuez's environmental licence from level 1 to level 2, with the associated sustainable management system and supported by an enhanced environmental impact analysis focusing on biodiversity management for indigenous species (flora and fauna), has been initiated.

Corporate Responsibility and Sustainability

Montepuez demonstrates a strong commitment to the development of local communities and has implemented a series of developmental programmes within the villages surrounding the mining licence area, specifically in the villages of Namanhumbir, Mpene, Ntorro and Nseweh. A broad spread of community development programmes have already been undertaken and have so far focused on the provision of healthcare, education, agriculture, water supplies and the development of local infrastructure and promotion of sport.

Kariba Minerals Limited, Zambia

Kariba Minerals Limited ("Kariba") is the world's single largest operating amethyst mine and continues to account for a material proportion of global amethyst reserves. Synonymous with the colour of royalty, amethyst's desirable natural colour continues to garner favour given their relative hardness, cost, aesthetic appeal and global opportunities for production and supply.

In 2013, the Government of the Republic of Zambia elected to transfer its 50% stake in Kariba (with Gemfields owning the remaining 50%) to ZCCM Investments Holdings plc ("ZCCM-IH"), in which the government owns approximately 87%.

Various factors have impacted on Kariba's development and while some of these are ongoing, each of Gemfields and ZCCM-IH provided further funds of US$0.2 million during the year. Each of the shareholders had also provided US$1.25 million in the prior financial year to acquire new equipment and improve infrastructure.

At 30 June 2014, all of the major rehabilitation, capital and construction projects had been completed within budget. These included:

- rehabilitation of the sort house and extension of the strong room;
- construction of a new workshop;
- installation of a new 100 tph washing plant including four water management ponds and six stock management areas (silos) for lower grades;
- two new excavators, one new bulldozer and three new 25-tonne dump trucks have deployed;
- a solar power installation has reduced dependency on diesel-generated electricity; and
- rehabilitation of the mining camp and water distribution network are on schedule.

These upgrades are delivering positive results and have resulted in mining volumes increasing in line with budgets and the quantity of commercial and medium quality production increasing by some 70%.

The mine's development plans include connecting the Francis pits (Main Francis, Lower Francis and Top Francis West). Therefore, following positive bulk sampling results, a new virgin area lying between the older pits is now being mined.

Subsequent to the year end, a new CCTV system was purchased and is expected to become fully operational in November 2014.

Oriental Mining SARL

Gemfields owns 100% of Oriental Mining SARL ("Oriental"), a company incorporated in Madagascar. Oriental has 15 exploration licences covering emeralds, rubies, sapphires, tourmalines and garnets in the Antananarivo, Fianarantsoa and Toliara provinces of Madagascar. In addition, Oriental has the right to five exploration licences that are pending transfer approval from the Madagascan Ministry of Energy and Mines.

Madagascar is recognised as one of the most exciting coloured gemstone provinces in the world, with several key discoveries made during the last decade. Gemfields believes that, in the medium to long term, gemstone-related activity in the country has the potential to become a valuable part of the Group's asset portfolio. Given Madagascar's improving political and security environment following presidential elections earlier this year, Gemfields expects to further increase its level of activity in Madagascar during the financial year 2014–15.

Fabergé Limited

Fabergé is one of the world's most recognised luxury brand names, underscored by a well-documented and globally respected heritage. The acquisition of 100% of Fabergé by Gemfields was completed in late January 2013. The acquisition aligned the world's largest coloured-gemstone producer with one of the world's most recognisable and iconic heritage brands and enabled Gemfields to progress its vision for coloured gemstones to the next level, harnessing the Fabergé name to boost the international presence and perception of coloured gemstones and advance the Group's 'Mine and Market' strategy.

Thus, Gemfields is operating in the two most profitable segments of the coloured gemstone supply chain, consistently increasing its market share and securing a greater influence over coloured gemstones positioning and consumer awareness.

During the year, Fabergé has undergone a successful transition following last year's internal review, with efforts focused on containing costs, improving product flows, bringing about synergies, increasing consumer and competitor understanding and the restructuring of operations so as to support the implementation of the integrated global strategic plan.

Operational and Financial Review *continued*

Robert Benvenuto was appointed as President and Chief Operating Officer of Fabergé in October 2013 to provide leadership and strengthen the management team. Robert previously spent 13 years at Harry Winston where he served as Chief Finance Officer, Chief Operating Officer and Co-Chief Executive Officer. This experience meant that, despite internal overhauls and restructuring, Fabergé's net operating cost to the Gemfields Group was within budget, supported by an increase in sales margins.

Implementation of Fabergé's integrated strategic plan is well underway with the aim of realising Fabergé's largely unexploited global growth potential.

The operations now fall into three categories: creative, production and marketing. The strategic plan allows for seamless integration between the product pipeline, global points of sales, marketing initiatives and the coordination between all departments.

Creative and production

Fabergé's design team has concentrated on creating new jewellery pieces and collections that reflect the artistic use of coloured gemstones in support of this new brand strategy, generating strong international coverage across the luxury goods, fashion, financial and trade media.

The Art of Colour, launched in October 2013 depicts the Fabergé 'Emotion' rings, which showcase pavé-set coloured gemstones and are enjoying strong client interest. Each ring is unique and is set with over 300 coloured gemstones.

Fabergé developed the following collections during the year:

- the Regalia collection, a high jewellery suite featuring a surprise egg pendant with matching bracelet, ring, sautoir and earrings;
- the Rococo collection; and
- expansion pieces for the Emotion collection.

Fabergé was honoured with the 'Best International Brand Collection' award at the Andrea Palladio International Jewellery Awards 2014 event for the Spiral, Treillage and Emotion collections. This award is testament to what has been achieved thus far.

These collections and other new products were well received by consumers across key markets, a fundamental litmus test for the creation of a solid platform for future growth.

Marketing

In October 2013, Fabergé launched its first advertising campaign under Gemfields' ownership, entitled 'The Art of Colour'.

The Fabergé Big Egg Hunt, a creative charity and promotional initiative featuring some 300 eggs designed by leading international artists, designers and brands, concluded in New York on 26 April 2014. The Fabergé boutique on Madison Avenue hosted the egg designed by world renowned architect Zaha Hadid and enjoyed record footfall. The project raised US$2.7 million for charities 'Elephant Family' (founded by Mark Shand) and 'Studio-in-a-School' (founded by Agnes Gund). The egg created for the Fabergé Big Egg Hunt by Jeff Koons set a world record, raising US$0.9 million for the two charities.

From 24 February through 2 March 2014, Fabergé presented its latest jewellery collections at the Doha Jewellery and Watches Exhibition at the Qatar National Convention Centre in the Qatari capital. Fabergé also exhibited at Baselworld, the world's biggest jewellery and watch fair from 27 March through 3 April 2014. New collections and designs were well received by clients and the press alike, with the first sales already concluded.

In April 2014, Fabergé hosted a significant marketing event at Harrods, the world famous department store in London's Knightsbridge. The 'Fabergé Easter at Harrods' saw Fabergé host an exclusive salon and exhibition space in Harrods with the famed Brompton Road windows and façade dressed in Fabergé flags, telling the story of the legendary jewellery house. The event ran from 1–21 April 2014 and generated record monthly sales for Fabergé's directly operated concession within Harrods.

'Fabergé: A life of its own', a new feature-length documentary telling the story of Fabergé, and in which Fabergé's Heritage Council played a significant role, won three awards at US film festivals.

Post year end events

August 2014 emerald auction

From 5–8 August 2014 Gemfields held an auction of predominantly lower quality emeralds in Lusaka, Zambia, generating revenues of US$15.5 million, the second highest aggregate revenue yet achieved for lower quality emeralds of this nature. Excluding the sale of 1.5 tonnes of low quality beryl, the average realised price was US$3.61 per carat (or US$1.34 per carat including the low quality beryl).

Acquisitions
Sri Lanka
In September 2014, Gemfields plc entered into a joint venture with East West Gem Investments Limited ("EWGI"), a Jersey registered company, in order to progress opportunities in the Sri Lankan sapphire and gemstone sector via three Sri Lankan subsidiaries which will be 75% and 25% held by Gemfields and EWGI respectively.

Under the terms of the agreements, Gemfields has acquired 75% operating interests in 16 exploration licences (covering diverse minerals) for a consideration of US$0.4 million. The joint venture will also see Gemfields and EWGI establish a gemstone trading company called Ratnapura Lanka Gemstones (Pvt) Ltd, a company approved by the Board of Investment of Sri Lanka ("BOI Sri Lanka"). The trading company will focus on sourcing rough sapphires from various sources in the local market.

Due to the close proximity of the transaction to the year end, the Directors have not finalised the accounting treatment for this transaction.

Kagem revolving credit facility
In August 2014, Kagem entered into a US$20 million revolving credit facility with Barclays Bank Zambia plc. Funds drawn under the facility bear interest at a rate of 3 month US Dollar LIBOR plus 4.5%. A drawdown of US$15 million took place on 29 August 2014.

The purpose of the loan was to replace the existing term loan with Barclays (which had an outstanding balance of US$6.8 million at 30 June 2014) and for financing Kagem's working capital and capital expenditure requirements.

Security for the loan comprises a fixed and floating charge over Kagem's net assets, equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields plc.

Sale of investment in Richland Resources Limited (formerly TanzaniteOne)
In July 2014, the Group sold its entire 7.04% shareholding in Richland Resources Limited for total consideration of US$423,000, representing a profit of US$193,000 over the year end net book value of US$230,000.

The Company's strategy remains that of becoming the global 'Coloured Gemstone Champion' and we are very pleased with our recently announced opportunity to add Sri Lankan sapphires to our portfolio of premium coloured gemstones.

Ian Harebottle
Chief Executive Officer

Mozambique from the air

Corporate Responsibility and Sustainability

Since last year's Corporate Responsibility Review in the Annual Report, 2013 and 2014 activity across the operating locations has continued. Following a working session in August 2013 in which we invited stakeholders from various organisations including PricewaterhouseCoopers' UK sustainability advisory team, World Land Trust and the University of East Anglia to advise us on developing our sustainability strategy, we concluded that to strengthen our approach we needed to appoint a dedicated member of staff to oversee Group strategy and execution.

A Group sustainability manager has now been appointed and will be responsible for directing Group activity relating to corporate responsibility and sustainable development, including oversight of safety and occupational health on projects. Over the coming year we will be reviewing our strategy, policies, commitments, partnerships projects, reporting and metrics, and working with senior management across the Group to ensure that current and new mining projects are and continue to operate to best practice standards.

Our approach and ambition

As reported in 2013, our approach centres on facing up to the very real challenges of mining in countries where bribery and corruption, land rights, environmental impacts and sustainable development are either endemic or require extremely sensitive handling. The principles of sustainability in the coloured gemstone sector are developing and we are looking to take a leading role. Whilst not as high profile as diamond, gold and other precious metals sectors, coloured gemstone mining carries many of the same risks particularly those arising from the countries in which we operate and the nature of the supply chain.

From mine to market, integrity must be central to who we are as a successful business. We do not shy away from what we do. Having chosen to operate in this sector it is therefore imperative that our sustainability strategy is fit for purpose to support our operations as well as our brand. Therefore, we need to guarantee a long-term, sustainable and integrity-driven licence to operate, not just for our investors, reputation and employees but for the countries in which we have a concession to mine.

As we develop our strategy, our aim is to follow best practice at managing and transparently communicating on the following contextual issues as set out in the Global Reporting Initiative G4 Metals & Minings Sector Disclosures:

- the control, use and management of land;
- the contribution to national economic and social development;
- community and stakeholder engagement;
- labour relations;
- environmental management;
- relationships with artisanal and small-scale mining ("ASM"); and
- an integrated approach to minerals use.

We intend to be aligned with other recognised standards and frameworks by relevant industry organisations such as the Responsible Jewellery Council and the International Council for Mining & Metals. We will also consider more investor-centric sustainability frameworks such as the Sustainability Accounting Standards Board Metals & Mining Standards.

Top Image
Chitrangada Singh, Project Blossoming ambassador

Middle Image
One of the many girls who benefit from Project Blossoming

Bottom Image
Chitrangada Singh, Project Blossoming ambassador

Governance
With the recently appointed Group sustainability manager we are steadily putting in place the right levels of governance to managing sustainability across the business. The Group sustainability manager has responsibilities to develop the strategy and execution plans and report to both the Board and also the board-level Health, Safety, Environment and Community Committee which meets to discuss sustainability risks and opportunities. Currently, we are benchmarking our approach against similar sized organisations in our sector and defining metrics by which performance will be measured.

We value feedback and input from external stakeholders. In developing and managing our strategy the intention is to prioritise the issues we tackle having first carried out a materiality assessment. This requires the input of external organisations, partners and critical friends.

The presence of dedicated local teams is dependent on the scale and maturity of each operation and will be strengthened as our strategy develops. Training, capacity building and empowering of local teams will be a priority in the coming year as will ensuring that basic housekeeping on project sites is in place.

Review of ongoing activities and partnerships

Kagem, Zambia
A two year plan and a budget of over US$1 million has been allocated for the construction of the secondary school at Chapula and a four-ward health centre at the Nkana Village. Following environmental project brief approvals of these projects, the secondary school will be the first in this district and will enable students to complete their schooling up to the 12th level; the four-ward health centre will provide medical facilities including a children's and maternity ward, as well as onsite nurses quarters.

No single project has been imposed on the community as they are done with consultation of all stakeholders from various sectors in the district. Major stakeholders include traditional establishment, all government departments with particular interest, District Commissioner's office, local council, certain community and faith based organisations, and the farmer's cooperatives.

Kariba, Zambia
As one of the only companies in the area it is our responsibility to ensure the area is developed for the long term and Kariba's managing director initiates and oversees the implementation of sustainability projects.

In 2014, Kariba intends to switch its current diesel generation to solar. In so doing, Kariba's operations will be powered by a 600 kW solar array which will be built and financed by a third party and sited on our concession. Kariba will agree a long-term fixed contract with the developer and any excess generating capacity will be used by the local communities at a subsidised rate. The mine operation will become more efficient as it will only rely on diesel for back-up power.

Kariba also intends to finance the building of a coal briquette manufacturing unit. With the local environment being seriously degraded by the removal of wood for charcoal, the intention is to manufacture briquettes from waste coal dust. These briquettes will be sold to local villagers at a price which is lower than the charcoal they buy. Kariba's managing director is in discussion with local leaders as to how this business could eventually be transferred to the local council to manage as a going concern.

Montepuez, Mozambique
Ruby mining differs from emerald mining because seams of ore run closer to the surface. Our concession is very sizeable, and this makes managing it more difficult. As a result, security of our employees and the considerable environmental impact of ASM on or around our concession is an ongoing challenge for us. We have started talking to experts in ASM to understand the theoretical options for developing an ASM strategy.

The focus for Montepuez over the last year has been on low impact projects, which reflects the relative age of the project. Our efforts have so far been restricted to basic community relations projects, managed by a full time member of staff. These projects have largely been philanthropic and include the construction of three schools, sports ground, market, community health centre and drilling and installation of two water boreholes. A pilot project on local agri-farming programmes has been rolled out. Larger and longer-term projects have been put on hold until such time that a more holistic and strategic view can be taken, aligned with local law, on which projects to support.

Ian Harebottle
Chief Executive Officer
19 September 2014

Principal Risks and Uncertainties

The Board is responsible for determining the nature and extent of the significant risks the Group has to manage in order to allow the Group to pursue growth opportunities and increase shareholder value. The Board believes in the maintenance of sound risk management and internal control systems.

The Group has identified the following key risks. This is not an exhaustive list but rather a list of the most material risks facing the Group. The impact of these risks, individually or collectively, could potentially affect the ability of the Group to operate profitability and generate positive cash flows in the medium to long term. As a result these risks are actively monitored and managed, as detailed below.

External risks	Mitigation
Gemstone price volatility	
Gemstone prices and demand are volatile and influenced by world economic conditions. Earnings and cash flows are subject to movements in the prices achieved at auctions.	The Group consistently monitors the market in order to determine the optimum timing, size and composition of its rough gemstone auctions. Forecasting and budgeting assumptions relating to gemstone prices are prudent and are monitored by the Board and Senior Management.
Regulatory, economic, social and political uncertainty	
The Group's mining operations are predominantly based in Zambia and Mozambique. Emerging markets such as these are generally subject to greater risk and may be affected by political instability or legislative changes. These may result in changes in legal requirements, royalty rates, taxation policies or restrictions on the export of currency or gemstones, and which may have a material adverse impact on the Group's operations or future development. Political instability may also result in civil unrest, labour disputes or the withdrawal or variation of existing agreements, mining licences and permits. Any of these threats may adversely affect the Group's operations.	The Gemfields team is experienced in operating in Africa. The Group encourages active and open engagement and dialogue with the relevant government bodies and ministries. The Group's relationships with the various governments of the countries where it operates are actively managed by the Group's Executive Directors and Senior Management.
Political risk – export restrictions	
During the prior year, the Zambian Government requested that the Group auction rough emeralds from the Kagem mine only in Zambia. This presents a risk to the Group in that the level of competition at any given auction may not be optimised within Zambia and which could result in a reduction in the average price achieved per carat. There is a risk that other jurisdictions in which Group operates request similar selling restrictions on rough gemstones.	Changes to the political environment and regulatory developments are closely monitored. The Group engages in dialogue with relevant government representatives in order to remain well informed of developments, promote understanding and build relationships.
Political risk – in country tax regimes	
The Group is exposed to the risk of changing fiscal policies. An increase in taxation rates would adversely impact the profitability of the Company.	The Board and Senior Management regularly hold meetings with government officials to ensure compliance with the relevant legislation. The Group monitors changes to the legislative and tax environments and engages experts where required.

Financial risks	Mitigation
Liquidity risk	
The Group has significant capital expenditure ("capex") plans over the next year. The requisite funding is intended to be sourced from operating cash flows and financing facilities. A lack of adequate cash flows or funding could delay development and growth.	The Group has a strong balance sheet with sufficient headroom to raise further financing should the need arise. Cash flow planning and review is carried out continually to ensure both capex and operational requirements are adequately financed.
Production and capital cost control	
Failure to control overall costs per carat will result in reduced profits. The Group intends, as part of its strategy, to expand its existing mines and acquire new assets. Failure or inability to monitor expenditure on and progress of capital projects could result in financial losses and cost overruns.	The Group undertakes a comprehensive budgeting process on an annual basis. Performance against the budget is regularly monitored and reviewed by Senior Management and reported to the Board. The Group also implements rigorous and focused cost-control initiatives regarding all exploration projects, with regular revaluations carried out to assess the prospective benefits to shareholders. All significant out-of-budget expenditure requires the approval of the Board.

Strategic risks	Mitigation
Exploration and development risk	
There is no assurance that the Group's exploration and development activities will be successful, or that expenditures will be fully recovered and depleted ore reserves replaced. There is a risk that exploration activities may not identify viable mineral resources or that the Group may fail to identify attractive acquisition or investment opportunities. Furthermore, ineffective management of projects can result in cost overruns and costly delays in going into production which could prevent the Group benefiting from favourable market developments.	The Group assesses a wide range of potential growth opportunities, both from its internal portfolio and external opportunities, to maximise the growth profile of the Group. The Group seeks to balance this risk by building a portfolio of projects and licence areas that carry a range of differing technical and commercial risks, and keeping under careful review the amount invested in any one project.
Retention of key personnel	
The successful achievement of the Group's strategies, business plans and objectives depends upon its ability to attract and retain key personnel.	Part of Gemfields' success is due to the management structure and style whereby innovation and creativity is encouraged. Gemfields' employment terms and remuneration structures are designed to attract, incentivise and retain individuals of the right calibre in order to mitigate against, as far as possible, the loss of key personnel.

Principal Risks and Uncertainties *continued*

Operational risks	Mitigation
Distribution model (Fabergé)	
The Fabergé distribution model presently relies on a combination of online sales, directly operated boutiques in Geneva, London and New York, a concession in Harrods (London), international client events and a network of independent multi-brand retailers. During the financial year, Fabergé developed a new range of products seeking to attract retail and wholesale clients from different countries and expand its presence. Failure of the distribution model either wholly or partially would have a material adverse impact on the Group.	The Group continues to monitor the distribution model and the associated agreements in order to provide flexibility and react to market trends.
Product design (Fabergé)	
The success of Fabergé relies heavily 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 Group would suffer a material adverse impact.	The Group seeks to mitigate this risk by encouraging the development of product ranges which meet demand in the chosen markets.
Counterfeit and parallel retail networks (Fabergé)	
The Fabergé brand, expertise and production methods can be counterfeited or copied. Its products may be distributed in parallel retail networks, including web-based sales networks without the Group's consent. Counterfeiting and parallel distribution have an immediate adverse effect on revenue and profit. Activities in these illegitimate channels may damage the brand image of the relevant products over time and may also lower consumer confidence.	The Group aims to protect itself against these risks through the systematic protection of its brand and trademarks. This involves close cooperation with governmental authorities and specialist lawyers.
Gemstone theft	
Theft is an inherent risk factor in the gemstone industry.	Security measures and systems are constantly reviewed and revised in order to minimise the risk.
Artisanal and small-scale miners ("ASM")	
Whilst an inherent risk at all gemstone deposits, this risk is significant at the Montepuez ruby mine. Due to its size, it cannot be completely fenced off; hence ASM miners frequently enter the licence area. ASM miners operate without valid licences and extract gemstones which would otherwise be retrieved and sold by the Group. The loss of gemstones from the licence area impacts the profitability of the Group. ASM also presents additional risks including significant and unmitigated environmental impact, material risks to the health and safety of ASM, social issues such as sexually transmitted infection, alcohol and substance abuse, prostitution, criminality associated with gangs or syndicates, and the threat of violence against our staff. Each of these risks can materially impact the operation of a mine.	The Group seeks to balance the commercial risk with the social and environmental risks associated with ASM. We are committed to undertaking measures to find viable, sustainable solutions and are currently reviewing these. The Group works with local authorities, communities and security and police forces in seeking to protect the Group's employees, equipment and mining assets. Security measures are constantly reviewed and implemented in order to minimise the risk.

Operational risks continued	Mitigation
Risks associated with underground mining	
The Kagem emerald mine in Zambia has conducted trial underground mining operations in order to better understand ground conditions, production logistics and test mining and roof support methods. The trial was carried out given the possibility that Kagem may develop a full scale underground mining operation in the short to medium term. Underground mining inherently carries more risk than opencast mining.	The trial underground operations is being closely monitored by Senior Management, as is the development of plans to build a full-scale underground operation.
Health, safety, environmental and community ("HSEC") risks	
HSEC risks are inherent to the mining industry. Failure to maintain adequate health and safety standards may result in a significant incident or deterioration in safety performance. This may result in loss of life, loss of time or disruption to the mining operations. Mining is an environmentally disruptive process for the majority of a mine's lifecycle. Consideration of the impact of mining is therefore important. Breaches can damage reputation and impact revenue. Similarly, mining requires the acceptance and support of local communities. Failure to share with local communities the benefits of our operation, such as provision of jobs or by way of philanthropic activities, may cause delays or disruptions to our operations.	The Group is presently undertaking a review of our broader HSEC and sustainability risks and strategy. The HSEC Committee guides this process and the associated strategy. The Group's mining sites strive to implement suitable safety, health and environmental management systems and undertake meaningful community projects.
Supply chain risks	
The gemstone supply chain is fragmented and characterised by the presence of many small businesses and agents. The risk thereby arises that certain businesses in the supply chain may operate in a manner that does not meet our own standards of ethical business practice. This represents a risk to revenue because customers and consumers may not wish to buy gemstones if they have concerns about the supply chain.	The HSEC Committee guides our sustainability strategy. We work with suppliers and buyers on chains of custody and certification, including factory visits and information disclosure.

Governance

Board of Directors

Graham Mascall 68
Chairman

Board appointment date
29 November 2004

Committee membership
Chairman of the Nominations Committee and a member of the Audit and Risk, Remuneration, and Health, Safety, Environmental and Community Committees.

Skills and experience
Graham graduated as a mining engineer in 1969 from the Camborne School of Mines and gained a Master of Engineering in Mineral Economics from McGill University, Montreal, in 1972. Since then, his experience has spanned both mining and mining finance. He held senior positions at Barclays Bank, Outokumpu Metals & Resources and Morgan Grenfell before joining Billiton plc as head of M&A in 1997. Graham has also been CEO of two aim listing mining development companies and a Non-Executive Director of several other AIM and TSX listed mining companies.

External appointments
Graham is a Director of Walter Energy Inc, a NYSE listed coking coal company.

Ian Harebottle 52
Chief Executive Officer

Board appointment date
11 February 2009

Committee membership
None

Skills and experience
Ian is a veteran of the coloured gemstone industry. He has been instrumental in pioneering many of the coloured gemstone industry's most innovative strategies, and has extensive operational experience in mining and marketing. Ian graduated from the Witwatersrand technical college in 1985 and holds a Graduate Diploma in Management from Henley.

External appointments
None

Devidas Shetty 37
Chief Operating Officer

Board appointment date
1 January 2010

Committee membership
None

Skills and experience
Devidas joined Gemfields as Chief Financial Officer on 1 January 2010 and was promoted to Chief Operating Officer in September 2012. He is a Chartered Accountant with more than 15 years of experience in start-ups, mergers and acquisitions, business turnaround, strategic planning, treasury, tax and financial reporting. Prior to joining Gemfields, Devidas worked with an Indian conglomerate and private equity firm in London.

External appointments
None

Sean Gilbertson 42
Executive Director

Board appointment date
13 May 2008

Committee membership
None

Skills and experience
Sean Gilbertson graduated as a mining engineer from the University of the Witwatersrand in South Africa in 1994, having spent time in the country's deep-level gold and platinum mines. From 1995 he worked for Deutsche Bank AG and Deutsche Morgan Grenfell in Frankfurt and London specialising in project finance. He co-founded globalCOAL in 1998 and was appointed Chief Executive Officer in 2001 when the business was acquired by industry players including, *inter alia*, Anglo American plc, BHP-Billiton Ltd, Glencore International AG and Rio Tinto plc. He joined the office of Brian Gilbertson in late 2003, working on a variety of natural resource projects and culminating in the establishment in 2005 of Pallinghurst Advisors LLP.

External appointments
Sean is a partner in Pallinghurst Advisors LLP and a Director of certain Pallinghurst portfolio companies.

Clive Newall 64
Independent Non-Executive Director

Board appointment date
19 April 2005

Committee membership
Chairman of the Remuneration, and Health, Safety, Environmental and Community Committees, and a member of the Audit and Risk, and Nominations Committees.

Skills and experience
Clive was previously a Director of a number of junior mining companies, including Anvil Mining Ltd and Kensington Resources Ltd. Earlier in his career, he held senior management positions with Amax Exploration Inc and the Robertson Group. Clive graduated from the Royal School of Mines in 1971 and has an MBA from the Scottish Business School.

External appointments
Clive is Founder and President of First Quantum Minerals Ltd. He is also a Director of Baker Steel Resource Trust Ltd.

Finn Behnken 42
Independent Non-Executive Director

Board appointment date
13 May 2008

Committee membership
Chairman of the Audit and Risk Committee and a member of the Remuneration, Nominations, and Health, Safety, Environmental and Community Committees.

Skills and experience
Finn specialised in mining finance and spent ten years with South Africa's Nedbank Ltd, where he served as a Non-Executive Director to some of the bank's mining investments. In 2006, he moved to London to develop Nedbank's international business. Finn joined Pallinghurst Advisors LLP in October 2007 and was appointed as a Non-Executive Director of Gemfields and Tshipi é Ntle Manganese Mining (Pty) Limited (Tshipi) in 2008. In 2011, he commenced full time employment as Chief Executive Officer of Tshipi and oversaw the construction of a new US$200 million manganese mine in South Africa. With Tshipi achieving stable production, he stepped down from Tshipi in order to explore other interests in the resources sector. Finn graduated as a mining engineer from the University of the Witwatersrand, South Africa in 1994, having worked in coal and gold mining.

External appointments
Finn is presently representing Auramet Trading LLC in Africa. Auramet is a United States precious metal merchant.

Senior Management

Janet Boyce
Chief Financial Officer

Janet joined Gemfields as Chief Financial Officer and Company Secretary in August 2013. Janet has the overall responsibility for the Company's financial management and control, reviewing financial performance, and managing external financing reporting to external stakeholders. Prior to joining Gemfields, Janet worked for Eurasian Natural Resources Corporation Plc, PricewaterhouseCoopers and Ernst & Young.

CV Suresh
Director of Operations – Kagem Mining Limited

CV is responsible for the planning, implementing and monitoring of all operations in Zambia, the foremost amongst which is Kagem Mining Ltd. In addition to this, CV liaises with government agencies, communicates with local press and ensures that the Company fulfils its corporate responsibility and sustainability responsibilities.

Kartikeya Parikshya
Director of New Projects

Kartikeya leads the global mergers and acquisition team and is responsible for analysing and reviewing prospective opportunities from geological, environmental, legal, social and economic perspectives. He is actively engaged in the budgeting, planning and execution of new projects and all exploratoin plans.

Robert Benvenuto
Fabergé President and Chief Operating Officer

Robert was appointed President and Chief Operating Officer of Fabergé in October 2013 and is a luxury industry veteran with 25 years of operating and finance expertise in the global luxury goods marketplace of diamonds, jewellery and watches. Robert's experience in the luxury industry includes acquisitions, turnarounds, restructuring and growth scenarios. Robert started his career at Ernst & Young and is non-practising Certified Public Accountant.

Sanjay Kumar
Project Manager – Montepuez Ruby Mining Limitada

Sanjay is responsible for the planning, implementation and monitoring of all operations at Montepuez. As Project Manager, he has managed all aspects of the project's set up to date, ensuring that the team is fulfilling all operational objectives.

Adrian Banks
Product and Sales Director

Adrian oversees both the grading and sales of rough emeralds and rubies, from both mined and traded sources. He also manages the auction schedule, which is the current sales method being adopted by the Group, and follows market dynamics in order to make recommendations to the Board, ensuring optimal sales and prices.

Anna Haber
Director of Global Marketing

With over 15 years of experience in the jewellery and gemstone industry, Anna is involved with the creation and implementation of Gemfields' marketing and communications strategy, which aims to reposition global perceptions of, and demand for, coloured gemstones.

Gabriella Harvey
Director of Cut and Polished Sales

With over 20 years of experience, Gabriella manages the Group's global cut and polished sales offices. By working closely with stakeholders, to buy back polished gemstones cut from Gemfields' rough to sell on to the market, Gemfields can guarantee a transparent route from mine to market for every gemstone sold. Gabriella is a certified gemmologist.

Yogesh Khatoria
Director of Operations, India

With over 20 years of experience in the coloured gemstone industry, specifically in emerald, ruby and sapphire, Yogesh has been involved in the development of Gemfields' rough emerald and ruby grading systems and rough gemstone sales. He has also developed and manages the rough traded emerald auctions, which run alongside the Kagem Mining Ltd auctions. Based in Jaipur, Yogesh manages the Indian operation.

Cyrille Djanjoff
Head of Fine Gemstones/ Managing Director of Kariba Minerals

With over 25 years of experience in the gemstone industry, both trade and mining, Cyrille heads up Gemfields' fine gemstones division with amethyst and tourmalines in its portfolio. In addition to this, Cyrille also oversees operations at Kariba Minerals, an amethyst mine in Zambia, in which Gemfields holds a 50% interest. Cyrille is a certified gemmologist from the ING Paris.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 30 June 2014.

Business review and results
Gemfields is the world's leading supplier of responsibly sourced coloured gemstones. We specialise in high-quality emeralds and amethysts from Zambia and more recently rubies from Mozambique.

Our approach has set new benchmarks for environmental, social and safety practices – a fact of which we are very proud. Our direct involvement in each step of the process is unique, and allows us to provide discerning customers the assurance they require over the responsible journey their gemstones have taken from mine to market.

The Strategic Report on pages 06 through 39 and Corporate Governance Statement on pages 49 to 52 respectively and are incorporated into the Directors' Report by reference. More detailed information about the Group's businesses, activities and financial performance can be found in the Strategic Report on pages 06 to 39.

The consolidated income statement is set out on page 61 and shows a profit after tax for the year of US$16.3 million (2013: loss of US$22.8 million).

Dividends and dividend policy
The Directors do not recommend the payment of a dividend (2013: Nil).

Recommendations in respect of dividends will be considered by the Board on a regular basis. Consideration will be given to the business' operating requirements and factors deemed by the Board at the time. These would typically include cash flow projections, approved business plans, distributable reserves, capital projects, potential growth opportunities, equipment and infrastructure needs and any financing requirements.

The approval of dividends recommended by the Board remains subject to the consent of the Company's shareholders in accordance with the Company's Articles of Association.

Statement of capital
Ordinary shares of £0.01
The Company's ordinary shares represent 100% of its total issued share capital. At an annual general meeting ("AGM") or general meeting of the Company every member present in person or by proxy shall have one vote for every ordinary share of which they are the holder. Holders of ordinary shares are entitled to receive dividends. On a winding-up or other return of capital, holders are entitled to a share in any surplus assets pro rata to the amount paid up on their ordinary shares. The ordinary shares are not redeemable at the option of either the Company or the holder. There are no restrictions on the transfer of ordinary shares.

At 30 June 2014, there were 540,808,209 ordinary shares in issue (2013: 540,003,208). During the year, 805,001 ordinary shares were issued to employees due to the exercise of share options.

Authority to purchase own shares
At the Company's AGM held on 25 November 2013, shareholders approved a resolution to authorise the Company to make one or more market purchases of its ordinary shares up to a maximum aggregate nominal value of £540,003.21 (representing 10% of the Company's then issued ordinary share capital). No ordinary shares were purchased under this authority during the year. No purchases have been made pursuant to this authority and a resolution will be put to shareholders to renew this authority for a further year at the 2014 AGM.

Rights and obligations attaching to shares
The rights and obligations attaching to the ordinary shares are set out in the Articles. The Articles of Association may only be changed by the shareholders by special resolution.

Voting
Subject to the Articles of Association generally, and to any special rights or restrictions as to voting attached by, or in accordance with, the Articles of Association to any class of shares, on a show of hands every member who is present in person at a general meeting shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every ordinary share of which he/she is the holder.

Deadlines for exercising voting rights
Votes are exercisable at an AGM or general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representative. The Articles of Association provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Restrictions on voting
No member shall, unless the Directors otherwise determine, be entitled to vote in respect of any ordinary share held by him/her either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by him/her to the Company in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he/she has been served with a notice after failing to provide the Company with information concerning interests in those shares required to be provided under the Law.

Going concern
The Directors have reviewed the Group's financial position and cash flow forecasts for the period to the end of September 2015 and considered any reasonable possible changes in performance of the Group. The Directors are satisfied that the Group has adequate facilities for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

Financial instruments and risks
The Group makes use of financial instruments in its operations as described in note 26 of the consolidated financial statements.

Directors
The names of the Directors who served during the year, together with their details, are shown in the Board of Directors section on pages 42 and 43.

In accordance with the Company's Articles of Association, Devidas Shetty and Finn Behnken retired and offered themselves for re-election at the 2013 AGM. Both Devidas Shetty and Finn Behnken were re-elected to the Board at the 2013 AGM. Clive Newall and Ian Harebottle will retire at the 2014 AGM and offer themselves for re-election.

Subject to the conditions set out in the Companies Act 2006 (the "Act"), the Company has arranged appropriate Directors and Officers insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). Under Company law, the law stipulates that the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. The Directors are also required to prepare the Financial Statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market ("AIM").

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;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' Report *continued*

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

Website publication
The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on the Company's website. Financial Statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements.

Charitable and political donations
During the year, the Company donated £72,000 (2013: £72,000) to the World Land Trust. The World Land Trust is an international conservation charity. The Company did not make any political donations. For disclosure of the Group's Corporate Responsibility and Sustainability programme see pages 34 and 35.

Post reporting date events
Details of events after the reporting date for the Group are disclosed in note 30 to the Consolidated Financial Statements and for the Parent Company in note 23 to the Parent Company Financial Statements.

Related party transactions
Details of related party transactions for the Group are given in note 29 to the Consolidated Financial Statements and for the Parent Company in note 19 to the Parent Company Financial Statements. Key management personnel compensation disclosures are given in note 6 to the Consolidated Financial Statements.

Independent auditors
BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the AGM.

Disclosure of information to the independent auditors
All of the current Directors have taken all the steps they ought reasonably to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Devidas Shetty
Chief Operating Officer
19 September 2014

Corporate Governance

The Board of Directors is committed to adhering to the principles of good corporate governance, integrity and business ethics for all its activities. Under the rules of AIM, the Group is not required to comply with the UK Corporate Governance Code (the "Code"). Nevertheless, the Group has identified areas of the Code it considers relevant to the current size and nature of its operations. It does not seek to comply with all the requirements of the Code. The Board is continuing to consider other aspects of the Code for appropriateness and these may be introduced when it becomes relevant for the Group to do so.

Responsibilities of the Board

The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. The Board delegates the day to day management of the business to the Executive Directors who consult with the Board on all significant financial and operational matters.

The Board structure provides demonstrable separation of executive responsibility for running the business and responsibility for running the Board. This structure ensures there is appropriate accountability to the Board and helps safeguard the independence and objectivity of the Board.

The roles of Chairman and Chief Executive Officer are fulfilled by separate individuals, each with clear division of accountability and responsibility. The Chairman is responsible for running the Board and the Chief Executive Officer has executive responsibilities for the Company's strategic development, operations and financial results.

Gemfields plc and The Pallinghurst Resources Fund L.P. ("PRF") entered into an amended and restated relationship agreement in August 2013 which governs the relationship between the Gemfields Group and PRF (the "Relationship Agreement"). A key requirement of the Relationship Agreement is that at least 50% of the Directors serving on the Gemfields Board are independent of PRF. A Director of the Company is defined as 'independent' under the Relationship Agreement if they are not also a Director, officer or employee of PRF, Pallinghurst Resources Limited (PRF's parent company) or of any other entities affiliated to either PRF or Pallinghurst Resources Limited.

The balance between Executive and Non-Executive Directors has been reviewed by the Nominations Committee and the Board. Changes to the structure, size and composition of the Board are approved by the Board, following recommendations from the Nominations Committee.

Independence

In line with the Code, the independence of the Non-Executive Directors who have served on the Board for over nine years were reviewed. The Board has confirmed that Mr Newall and Mr Mascall, who have served on the Board for over nine years, continue to demonstrate the characteristics of independence, such as challenging management and providing valuable contributions to the Board.

All the Non-Executive Directors are considered by the Board to be independent in line with the guidelines of the Code and are permitted to hold other directorships with other companies. Mr Mascall holds shares in the Group but given as his holding is not significant, he is considered to remain independent. Individual shareholdings for Directors can be seen below.

Number of shares held by the Directors at 30 June 2014 directly or indirectly:

Director	Number of shares held	Percentage holding
Graham Mascall	150,000	0.028%
Ian Harebottle	200,000	0.037%
Devidas Shetty	100,000	0.019%
Sean Gilbertson	300,000	0.056%
Clive Newall	Nil	Nil
Finn Behnken	Nil	Nil
Total	**750,000**	**0.14%**

Corporate Governance *continued*

Leadership and effectiveness
The Board meets regularly, at a minimum of four times per year.

Number of meetings attended, during the year ended 30 June 2014:

Director	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee	Health, Safety, Environmental and Community Committee
Graham Mascall	9	3	3	–	1
Ian Harebottle	9	–	–	–	1
Devidas Shetty	8	–	–	–	–
Sean Gilbertson	9	–	–	–	–
Clive Newall	8	3	3	–	1
Finn Behnken	9	3	3	–	–

Board Committees
The Board has established the following Committees, each with its own terms of reference. All Committees of the Board to which significant powers, authorities and discretions are delegated, shall at all times be made up of at least two Non-Executive Directors. In carrying out its responsibilities, the Committees have the right to:

- obtain independent professional advice to assist with the execution of its duties, at the Company's cost, subject to a Board approved process being followed; and
- access the Company's records, facilities, employees and any other resources, within the scope of its responsibilities, as set out in the terms of reference.

Audit and Risk Committee
The members of the Audit and Risk Committee are Graham Mascall, Clive Newall and Finn Behnken, who chairs the Committee. The Audit and Risk Committee is responsible for assuring accountability and effective corporate governance within the Company. It provides recommendations to the Board on matters concerning the Company's accounting policies, financial, risk and compliance control, record-keeping and reporting.

The Audit and Risk Committee's main responsibilities include the following:

- monitor the integrity of the financial statements of the Company including the annual and interim financial statements;
- review and challenge, where necessary, the accounting principles, policies and practices adopted in the preparation of the financial statements;
- review the scope and the results of the audit with the external auditors;
- review the independence and effectiveness of the external auditors and make recommendations to the Board on the appointment/dismissal of the external auditors and terms of reference and remuneration;
- oversee the compliance with applicable laws and regulations; and
- review and recommend to the Board for approval of risk management policies and procedures.

Remuneration Committee
The members of the Remuneration Committee are Graham Mascall, Finn Behnken and Clive Newall, who chairs the Committee. Its principal responsibility is to determine and review the ongoing appropriateness and relevance of the framework and broad policy for the remuneration of the executive management. Within the terms of the agreed remuneration policy, it determines the individual remuneration package of executive management including incentive payments and long-term performance incentive arrangements. It also arranges performance evaluations for the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and reports the results of these evaluations to the Board. The remuneration of the Non-Executive Directors is a matter for the Chairman and the Executive Directors or, where required by the Articles of Association, the shareholders.

Nominations Committee
The members of the Nominations Committee are Clive Newall, Finn Behnken and Graham Mascall, who chairs the Committee. The Chairman of the Board shall not chair the Nominations Committee when it is dealing with the succession of the Chairmanship of the Board. The Nominations Committee is responsible for regularly reviewing the structure, size and composition (including skills, knowledge and experience) required of the Board compared to its current position and to make recommendations to the Board with regard to any changes. The Nominations Committee is responsible for identifying and nominating for Board approval, candidates to fill Board vacancies as and when they arise and makes recommendations to the Board concerning succession planning for both Executive and Non-Executive Directors. In addition, the Committee keeps under regular review any authorisations granted by the Board in connection with a Director's conflict of interest.

Health, Safety, Environmental and Community Committee
The members of the Health, Safety, Environmental and Community Committee are Finn Behnken, Graham Mascall and Clive Newall, who chairs the Committee. The Health, Safety, Environmental and Community Committee is responsible for evaluating the effectiveness of the Group's policies and systems for identifying and managing health, safety, social, security and environmental risks within the Group's operations. It is also responsible for assessment of the Group's performance with regard to the impact of health, safety, security, social and environmental decisions and actions upon employees, communities and other stakeholders and the impact of such decisions and actions on the reputation of the Group, as well as evaluating and overseeing, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning health, safety, security or environmental issues.

Relationship with shareholders
The Directors consider the clear and timely communication of information to shareholders an important part of their duties. The Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the AIM market in a timely manner. Significant developments are disseminated through stock exchange announcements and regular updates on the Company's website. The Executive Directors meet with institutional investors and analysts after the announcement of the interim and year end results. Additional meetings are arranged during the year by the Company's brokers and financial advisers on an ad-hoc basis when required. Feedback arising from these meetings is communicated to the Board.

The Group does not have an ultimate controlling party or parent company. PRF is a major shareholder in the Group but it does not have a controlling interest under IFRS. In addition, Gemfields and PRF entered into a relationship agreement in August 2013 which governs the relationship between the Group and PRF which clarifies that Gemfields is managed autonomously by its Directors and operates for the benefit of its shareholders as a whole, rather than solely for the benefit of PRF or any of its affiliates.

Annual General Meeting ("AGM")
Shareholders have an opportunity at the AGM to meet the Chairman and other Directors, to receive an update on the development of the business and to ask questions of the Board. The Group proposes a separate resolution for each substantially different item of business, giving shareholders the opportunity to vote on each issue.

Performance evaluation
The Board undertakes a regular evaluation of its own performance. The review involves detailed interviews with each Director and covers the functioning of the Board as a whole, and the operation of each of the Committees. The 2013–14 review confirmed the high level of commitment and professionalism exercised by the Board in the strategic and commercial leadership of the Group. It also concluded that the Board and its individual members continue to perform effectively and operate within a framework of sound governance and practices, wherever it is reasonably practicable, are considered to be in the spirit and the principles set out in the Code.

Corporate Governance *continued*

Risk management and internal control
The Board is responsible for maintaining a sound system of internal controls and risk management to safeguard shareholders' investment and the Group's assets and for reviewing the effectiveness of the system. Any internal control system can only be designed to manage, rather than eliminate, the risk of failure to achieve in part or in whole business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Due to the size of the Group's operations, the Executive Directors and Senior Management are very closely involved in the day to day running of the business. The Directors have reviewed the effectiveness of the internal control system presently in place and consider that they are still appropriate to the nature and scale of the operations of the Group. This review involved considering the present needs of the business, the risks it faces and appropriate control measures.

There is currently no internal audit function. As the Group continues to grow, Management is considering setting up an internal audit function.

Key controls and procedures
The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues, and has put in place an organisational structure with defined lines of responsibility and delegation of authority. The Board is committed to employing suitably qualified staff so that appropriate levels of authority can be delegated with regard to accountability and acceptable levels of risks.

The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Group along with associated financial risks. Monthly and other period reports of actual results (financial and non-financial) are produced and reviewed by the Directors and Senior Management.

Management control is exercised at all levels of the Group and is regulated by appropriate limits of authority.

Refer to the principal risks and uncertainties section on pages 36 to 39 for further details of the risks and mitigation.

Future plans to develop governance arrangements
A formal 'whistle-blowing' procedure has been put in place where employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. In addition, corporate governance arrangements will be reviewed periodically and the appropriateness and effectiveness evaluated and new policies developed and introduced accordingly.

Significant shareholdings
As at 30 June 2014, the Company is aware of the following interests of 3% or more in the issued ordinary share capital of the Company:

Shareholder	Number of shares	Percentage holding
The Pallinghurst Resources Fund L.P.	208,502,556	38.55%
Fabergé Conduit Ltd	98,647,407	18.24%
Investec Pallinghurst (Cayman) L.P.	53,491,818	9.89%
NGPMR (Cayman) L.P.	44,428,505	8.22%
BlackRock Inc	19,289,787	3.57%
Others	116,448,136	21.53%
Total	**540,808,209**	**100%**

The Pallinghurst Resources Fund L.P., NGPMR (Cayman) L.P. and Investec Pallinghurst (Cayman) L.P. hold indirect interests in Gemfields of 9.32%, 5.19% and 2.73% respectively through their holdings in Fabergé Conduit Ltd.

Directors' Remuneration Report

Dear shareholder,
On behalf of the Board, I am pleased to present the annual Directors' Remuneration Report summarising Gemfields' remuneration policy and providing information on the Group's remuneration approach and arrangements for Executive Directors, Non-Executive Directors and Senior Management for the year ended 30 June 2014.

The Remuneration Committee's objective is to attract and retain high calibre talent who are focused to deliver the Group's strategic and business objectives, while relating reward to performance in the context of appropriate risk and safety management, and aligning the interests of Executive Directors and Senior Executive Management with those of shareholders to build a sustainable performance culture.

The Group's key remuneration policies were reviewed this year against new guidelines, market best practice and a review of the risk environment surrounding the Group's remuneration arrangements.

The Remuneration Committee is primarily responsible for determining and recommending to the Board the framework for executive remuneration and for determining, on behalf of the Board, the remuneration of Executive Directors and Senior Executive Management.

Clive Newall
Remuneration Committee Chairman
19 September 2014

Directors' Remuneration Report *continued*

Under the rules of AIM, the Group is not required to prepare the Directors' Remuneration Report in accordance with Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. Nevertheless, the Group has taken steps to address some of the requirements of Schedule 8 in so far as it can be applied practically and appropriately, given the size of the Group and the nature of its operations. The report also provides the information required to be reported on Directors' remuneration under AIM Rule 19.

Remuneration Committee

Composition of the Committee

The members of the Committee, all of whom were independent, who served throughout the year were:

- Clive Newall (Chairman)
- Finn Behnken
- Graham Mascall

Role of the Committee

The key responsibilities of the Committee are to:

- determine and agree with the Board the broad policy and elements for the remuneration of the Executive Directors and Senior Executive Management;
- determine all individual elements of the remuneration of those Executive Directors and Senior Executive Management;
- recommend for approval of the Board long-term performance incentives; and
- set the scope and terms of engagement of any third-party experts engaged to provide professional advice and assistance to the Committee.

No Director takes part in any discussion directly concerning his own remuneration.

Remuneration policy for Executive Directors and Senior Management

The remuneration policy is based on the following broad principles set by the Committee:

- to provide a competitive remuneration package to attract and retain quality individuals;
- to align remuneration to drive the overall objectives of the business;
- to align the interests of management with the interests of shareholders; and
- to set the pay of the Executive Directors and Senior Management with due account taken of pay and conditions throughout the Group and corporate governance best practice.

The objective of this policy is aligned with the recommendations of the Code as they relate to Directors' remuneration. That is to provide a level of remuneration to attract, retain and motivate Directors of the quality required to run the Company successfully, but avoid paying more than is necessary for this purpose. As explained below, a significant proportion of the Executive Directors' and Senior Managements' remuneration is structured to link rewards to corporate and individual performance.

The Company has undertaken a review, with the assistance of external independent remuneration consultants, of its executive remuneration structures. This is to ensure that these structures take due account of market best practice in addition to incentivising and rewarding the Executive Directors and Senior Management for achieving the Company's strategic goals. These strategic goals are established with the intention of generating outstanding returns for shareholders.

Furthermore, the Committee has appointed independent remuneration consultants to advise on certain aspects of Senior Management performance based share options. Currently, the Company has a time-based vesting share option plan. Going forward, the Committee considers a performance-based vesting option plan to be more appropriate for the Executive Directors and certain senior executive employees going forward.

Remuneration of Non-Executive Directors

The fees of the Chairman and Non-Executive Directors are set by the Executive Directors. When setting these fees, due account is taken of fees paid to Non-Executive Directors of similar companies, the time commitment of each Director and any additional responsibilities undertaken, such as acting as Chairman to one of the Board Committees. For 2014, the basic fee for acting as a Non-Executive Director was £45,000 (US$73,000) per annum and £85,000 (US$139,000) is paid for chairing the Board.

Elements of remuneration

The below summarises the components of the Executive Directors' remuneration.

(i) Basic salary

The performance of the individual concerned is taken into account together with any change in responsibilities that may have occurred and the rates for similar roles within the appropriate comparator groups.

As of 30 June 2014, the following increases have been effected:

	30 June 2013 salary	**30 June 2014 salary**	Change from 2013
Ian Harebottle	£275,000	**£325,875**	19%
Devidas Shetty	£200,000	**£237,500**	19%
Sean Gilbertson	Nil	**Nil**	Nil

These increases are believed to reflect the calibre of the individuals and are in line with the salary increases awarded to high performing individuals across the Group as a whole.

(ii) Performance related bonus
The bonuses paid to Ian Harebottle and Devidas Shetty of US$665,000 and US$557,000 were 125% and 144% of their basic salaries respectively (2013: US$107,900 and US$105,190 were 25% and 33.5% of their then basic salaries respectively).

Performance related bonus payments are based on meeting performance criteria, which are financial and non-financial. The performance related bonuses for financial year 2013–2014 reflect the exceptional performance of the Company.

(iii) Long-term incentive arrangements
Share Option Scheme
The Company's Share Option Scheme was approved by the shareholders at the 2010 AGM and currently operates as the Company's primary executive long-term incentive arrangement. Annual awards are made in the form of share options. The contractual life of the options is ten years from the date of grant. One third of the options granted vests at 31 December each year over a three year period, during which the person has to remain in employment.

For options granted during the year ended 30 June 2014, options covering the first £30,000 of shares are granted under an approved company share options plan ("CSOP"). Options granted in excess of this amount are granted under the Company's unapproved share option scheme.

Share options held as at 30 June 2014:

Name of Director	Share options held at 1 July 2013	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 30 June 2014	Exercise price	Exercise period
Graham Mascall	**1,300,000**	–	–	–	**1,300,000**	**8p–20p (12¢–31¢)**	**10 years**
Ian Harebottle	**3,800,000**	**550,000**	–	–	**4,350,000**	**8p–34p (12¢–56¢)**	**10 years**
Devidas Shetty	**2,750,000**	**400,000**	–	–	**3,150,000**	**8p–34p (12¢–56¢)**	**10 years**
Sean Gilbertson	–	–	–	–	–	–	–
Clive Newall	**900,000**	–	–	–	**900,000**	**8p–20p (12¢–31¢)**	**10 years**
Finn Behnken	–	–	–	–	–	–	–

Directors' Remuneration Report *continued*

Share options held as at 30 June 2013:

Name of Director	Share options held at 1 July 2012	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 30 June 2013	Exercise price	Exercise period
Graham Mascall	1,300,000	–	–	–	1,300,000	8p–20p (12¢–31¢)	10 years
Ian Harebottle	2,550,000	1,250,000	–	–	3,800,000	8p–29p (12¢–44¢)	10 years
Devidas Shetty	1,750,000	1,000,000	–	–	2,750,000	8p–29p (12¢–44¢)	10 years
Sean Gilbertson	–	–	–	–	–	–	–
Clive Newall	900,000	–	–	–	900,000	8p–20p (12¢–31¢)	10 years
Finn Behnken	–	–	–	–	–	–	–

(iv) Other benefits
No other benefits are paid to Executive Directors and Senior Executive Management.

(v) Pensions
There is no pension plan currently in operation by the Group.

Directors' service contracts, notice periods and termination payments
Executive Directors
The contract dates and notice periods for the Executive Directors are as follows:

	Notice period from Director	Notice period from the Company
Ian Harebottle	6 months	6 months
Devidas Shetty	3 months	3 months
Sean Gilbertson	by rotation	by rotation

The service contracts of all Directors, which are rolling contracts, are subject to standard terms in the event of termination.

Executive Directors' external appointments
Board approval is required before any external appointment can be accepted by an Executive Director. Whether the Executive Director is permitted to retain any fees paid for such services or whether such fees are remitted to the Company will be determined on a case by case basis.

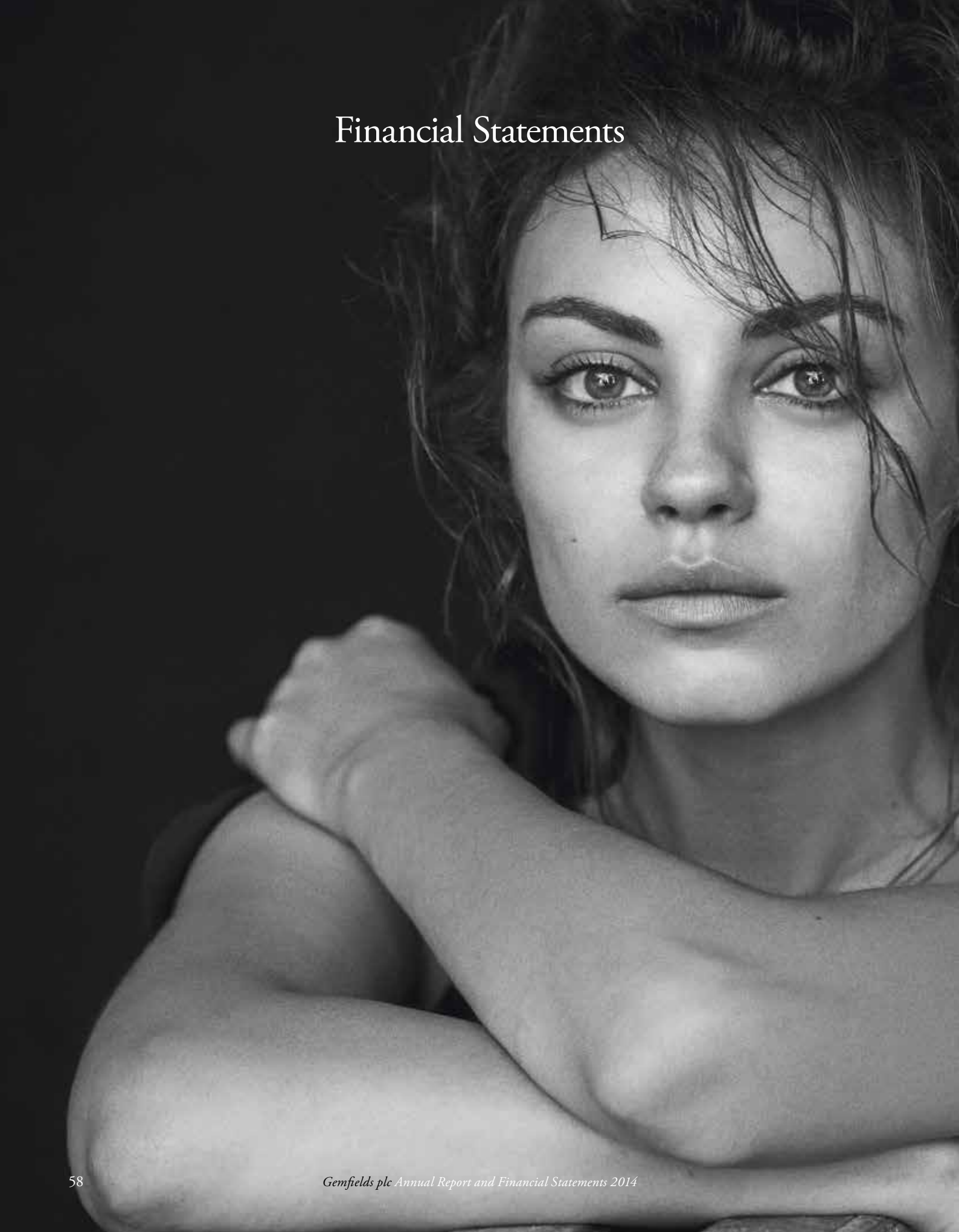
Non-Executive Directors
The Non-Executive Directors do not have service contracts with the Company but are appointed for an initial three-year term. Non-Executive Directors are typically expected to serve for two three-year terms, although their appointment can be terminated either by them or by the Company on one month's written notice. The Chairman's notice period is one month. The Company may invite a Non-Executive Director to serve for a further period after the expiry of two three-year terms subject to a particularly rigorous review of performance and taking into account the need for progressive refreshing of the Board. Under the Company's Articles of Association, all Directors are required to stand for re-election by shareholders at least once every three years.

Directors' emoluments

For the year ended 30 June 2014 **In thousands of US$**	**Fees**	**Salary**	**Bonus payments**	**Share-based payments**	**Total**
Non-Executive Director – Graham Mascall	**139**	**–**	**–**	**24**	**163**
Executive Director – Ian Harebottle	**–**	**531**	**665**	**261**	**1,457**
Executive Director – Devidas Shetty	**–**	**387**	**557**	**202**	**1,146**
Executive Director – Sean Gilbertson	**–**	**–**	**–**	**–**	**–**
Non-Executive Director – Clive Newall	**73**	**–**	**–**	**16**	**89**
Non-Executive Director – Finn Behnken	**73**	**–**	**–**	**–**	**73**
Total	**285**	**918**	**1,222**	**503**	**2,928**

For the year ended 30 June 2013 In thousands of US$	Fees	Salary	Bonus payments	Share-based payments	Total
Non-Executive Director – Graham Mascall	137	–	–	64	201
Executive Director – Ian Harebottle	–	432	108	232	772
Executive Director – Devidas Shetty	–	314	105	177	596
Executive Director – Sean Gilbertson	–	–	–	–	–
Non-Executive Director – Clive Newall	73	–	–	44	117
Non-Executive Director – Finn Behnken	73	–	–	–	73
Total	283	746	213	517	1,759

Financial Statements



Independent Auditors' Report

Independent Auditors' report to the members of Gemfields plc
We have audited the Financial Statements of Gemfields plc for the year ended 30 June 2014, which comprises the Consolidated and Parent Company Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and the Parent Company's Statement of Cash Flows, the Consolidated and the Parent Company's Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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 Group's and the Parent Company's affairs as at 30 June 2014 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements 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.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

BDO LLP

Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
United Kingdom
19 September 2014

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

Consolidated Income Statement

For the year ended 30 June 2014

In thousands of US$	Note	2014	2013
Revenue	2	**160,089**	48,394
Cost of sales	3	**(75,029)**	(34,749)
Gross profit		**85,060**	13,645
Other income		**192**	89
Selling, general and administrative expenses	4	**(48,053)**	(32,858)
Impairment charge on available-for-sale investments	5	**(252)**	(684)
Profit/(loss) from operations	7	**36,947**	(19,808)
Finance income	8	**52**	593
Finance expenses	8	**(716)**	(880)
Profit/(loss) before taxation		**36,283**	(20,095)
Tax charge	9	**(20,011)**	(2,698)
Profit/(loss) after taxation		**16,272**	(22,793)
Profit/(loss) for the year attributable to:			
Owners of the parent		**8,811**	(22,790)
Non-controlling interest		**7,461**	(3)
		16,272	(22,793)
Earnings/(loss) per share for profit/(loss) attributable to the owners of the parent during the year			
Basic	10	**US$0.02**	(US$0.05)
Diluted	10	**US$0.02**	(US$0.05)

The notes on pages 66 to 102 form part of these Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

In thousands of US$	**2014**	2013
Profit/(loss) after taxation	**16,272**	(22,793)
Other comprehensive income		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange (loss)/gains arising on translation of foreign operations	**(464)**	311
Total comprehensive income/(loss)	**15,808**	(22,482)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**8,347**	(22,479)
Non-controlling interest	**7,461**	(3)
	15,808	(22,482)

The notes on pages 66 to 102 form part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Attributable to equity holders of the parent								
In thousands of US$	Share capital	Share premium	Merger reserve	Option reserve	Cumulative translation reserve	Retained deficit	Total	Non-controlling interest	Equity
Balance at 1 July 2012	6,169	96,901	121,005	1,338	300	(66,114)	159,599	46,153	205,752
Loss for the year	–	–	–	–	–	(22,790)	(22,790)	(3)	(22,793)
Other comprehensive income	–	–	–	–	311	–	311	–	311
Issue of shares for Fabergé acquisition	3,367	–	86,981	–	–	–	90,348	–	90,348
Other share issues	21	313	–	–	–	–	334	–	334
Share-based payments	–	–	–	1,398	–	–	1,398	–	1,398
Balance at 30 June 2013	9,557	97,214	207,986	2,736	611	(88,904)	229,200	46,150	275,350
Profit for the year	**–**	**–**	**–**	**–**	**–**	**8,811**	**8,811**	**7,461**	**16,272**
Other comprehensive income	**–**	**–**	**–**	**–**	**(464)**	**–**	**(464)**	**–**	**(464)**
Share options lapsed/cancelled	**–**	**–**	**–**	**(192)**	**–**	**192**	**–**	**–**	**–**
Other share issues	**13**	**165**	**–**	**(201)**	**–**	**201**	**178**	**–**	**178**
Share-based payments	**–**	**–**	**–**	**1,787**	**–**	**–**	**1,787**	**–**	**1,787**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,000)**	**(4,000)**
Balance at 30 June 2014	**9,570**	**97,379**	**207,986**	**4,130**	**147**	**(79,700)**	**239,512**	**49,611**	**289,123**

The nature and purpose of each reserve within shareholders' equity is described as follows:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	The difference between the fair value of the shares issued as consideration for the acquisition of subsidiaries in excess of the nominal value of the shares, where 90% or more of shares are acquired.
Option reserve	Cumulative fair value of options charged to the Consolidated Income Statement net of transfers to the retained deficit on exercised and cancelled/lapsed options.
Cumulative translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.
Retained deficit	Cumulative net gains and losses recognised in the Consolidated Income Statement.
Non-controlling interest	Amounts attributable to non-controlling shareholders.

The notes on pages 66 to 102 form part of these Financial Statements.

Consolidated Statement of Financial Position

At 30 June 2014

In thousands of US$	Note	2014	2013
Non-current assets			
Property, plant and equipment	11	**228,563**	229,309
Available-for-sale investments	12	**270**	482
Intangible assets	13	**41,507**	48,003
Deferred tax assets	9	**5,519**	–
Other non-current assets	15	**3,566**	3,519
Total non-current assets		**279,425**	281,313
Current assets			
Inventory	18	**88,508**	77,861
Trade and other receivables	19	**21,917**	8,292
Cash and cash equivalents		**36,837**	11,222
Total current assets		**147,262**	97,375
Total assets		**426,687**	378,688
Non-current liabilities			
Deferred tax liabilities	9	**(69,669)**	(73,216)
Borrowings	20	**(1,677)**	–
Other non-current liabilities	21	**(3,730)**	(2,461)
Total non-current liabilities		**(75,076)**	(75,677)
Current liabilities			
Trade and other payables	22	**(20,917)**	(10,094)
Current tax payable		**(26,550)**	(5,972)
Borrowings	20	**(15,021)**	(11,595)
Total current liabilities		**(62,488)**	(27,661)
Total liabilities		**(137,564)**	(103,338)
Total net assets		**289,123**	275,350
Capital and reserves attributable to equity holders of the parent			
Share capital	24	**9,570**	9,557
Share premium		**97,379**	97,214
Merger reserve		**207,986**	207,986
Option reserve		**4,130**	2,736
Cumulative translation reserve		**147**	611
Retained deficit		**(79,700)**	(88,904)
Total capital and reserves attributable to equity holders of the parent		**239,512**	229,200
Non-controlling interest		**49,611**	46,150
Total equity		**289,123**	275,350

The Financial Statements were approved by the Board of Directors and authorised for issue on 19 September 2014.

Devidas Shetty
Chief Operating Officer

Company number 05129023

The notes on pages 66 to 102 form part of these Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

In thousands of US$	Note	2014	2013
Cash flows from operating activities			
Profit/(loss) for the year after tax		**16,272**	(22,793)
Depreciation and amortisation	11,13	**22,149**	20,289
Taxation charge	9	**20,011**	2,698
Share-based payments	25	**1,787**	1,398
Finance income	8	**(52)**	(593)
Finance expense	8	**716**	880
Loss on sale of available-for-sale investments		**–**	168
Loss on sale of property, plant and equipment		**83**	–
Impairment charge on available-for-sale investments	5	**252**	684
Increase in trade and other receivables		**(13,388)**	(2,431)
Increase/(decrease) in trade and other payables		**8,941**	(2,363)
Increase in provisions	21	**1,269**	861
Increase in inventory		**(3,894)**	(13,442)
Cash generated from/(used for) operations		**54,146**	(14,644)
Taxation paid		**(8,431)**	(4,113)
Net cash generated from/(used for) operating activities		**45,715**	(18,757)
Cash flows from investing activities			
Purchase of intangible assets	13	**(3,659)**	(1,988)
Cash acquired with Fabergé	14	**–**	11,524
(Purchase)/sale of available-for-sale investment	12	**(40)**	309
Interest received	8	**52**	593
Loan granted to Kariba Minerals Limited	15	**(284)**	(1,462)
Purchase of property, plant and equipment	11	**(8,722)**	(8,099)
Stripping costs		**(7,566)**	(15,777)
Sale of property, plant and equipment	11	**18**	–
Net cash used for investing activities		**(20,201)**	(14,900)
Cash flows from financing activities			
Issue of ordinary shares		**178**	33
Dividends paid to non-controlling interest		**(4,000)**	–
Repayment of borrowings	20	**(4,897)**	(3,322)
Proceeds from borrowing	20	**10,000**	12,000
Interest paid	8	**(716)**	(880)
Net cash generated from financing activities		**565**	7,831
Net increase/(decrease) in cash and cash equivalents		**26,079**	(25,826)
Cash and cash equivalents at start of year	26	**11,222**	36,737
Exchange differences on translation		**(464)**	311
Cash and cash equivalents at end of year	26	**36,837**	11,222

The notes on pages 66 to 102 form part of these Financial Statements.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 30 June 2014

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 years presented, unless otherwise stated.

In forming its opinion as to going concern, the Board prepares a working capital forecast based upon its assumptions as to trading as well as taking into account the available borrowing facilities in line with the capital management policies referred to in note 26. The Board also prepares a number of alternative scenarios modelling the business variables and key risks and uncertainties. Based upon these, the Board has concluded that the Group has adequate working capital and therefore confirm their belief that it is appropriate to use the going concern basis of preparation for the Financial Statements of the Company and the Group.

The Financial Statements of the Group for the year ended 30 June 2014 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union (the "EU").

The Group Financial Statements consolidate the Financial Statements of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company Financial Statements present information about the Company as a separate entity and not about its Group.

The IFRS Financial Statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 July 2013 as described below.

The following were amendments to published standards and interpretations to existing standards effective in the year and adopted by the Group.

Name	Mandatory effective date	Description and guidance
IFRS 13 Fair Value Measurement	1 January 2013	IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies, except in some specified cases (e.g. share-based payments) when other IFRS require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value.
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	IFRIC 20 requires that, to the extent that the benefit from the stripping activity is realised in the form of inventory produced, the directly attributable costs of that activity should be treated in accordance with the principles of IAS 2 Inventories. To the extent that the benefit is the improved access to ore, the directly attributable costs should be treated as a non-current 'stripping activity asset' if certain criteria are met. The stripping activity asset is initially measured at cost and is recognised as a separate asset.
IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013	This amendment introduces disclosures intended to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are either off-set as a result of the application of the requirements of IAS 32.42 or that are subject to an enforceable master netting arrangement or similar agreement, which is outside of the scope of that paragraph.
Annual Improvements to IFRSs (2009–2011 Cycle)	1 January 2013	The improvements in this amendment clarify the requirements of IFRS and eliminate inconsistencies within and between standards.

1 Accounting policies *continued*

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these Financial Statements, which have not been adopted early.

Standard	Description	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 10	Consolidated Financial Statements	1 January 2014	30 June 2015
IFRS 11	Joint Arrangements	1 January 2014	30 June 2015
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014	30 June 2015
IAS 27	Separate Financial Statements	1 January 2014	30 June 2015
IAS 28	Investments in Associates and Joint Ventures	1 January 2014	30 June 2015
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transitional Guidance (issued 28 June 2013)	1 January 2014	30 June 2015
IAS 32	Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
IAS 36	Recoverable amounts disclosures for non-financial assets	1 January 2014	30 June 2015
IAS 19*	Defined Benefit Plans: Employee Contributions	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2010–2012 Cycle*	Annual improvements issued by the IASB	1 July 2014	30 June 2015
IFRS 14*	Regulatory Deferral Accounts	1 January 2016	30 June 2017
Amendments to IFRS 11*	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 June 2017
Amendments to IAS 16 and IAS 38*	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
IFRS 15*	Revenue from Contracts with Customers	1 January 2017	30 June 2018
IFRS 9*	Financial instruments and relevant amending standards	To be confirmed	–

Items marked * had not yet been endorsed by the EU at the date that these Financial Statements were approved and authorised for issue by the Board.

The Group has not yet assessed the impact of IFRS 9. The adoption of IFRS 9 will eventually replace IAS 39 in its entirety and consequently may have a material effect on the presentation, classification, measurement and disclosures of the Group's financial instruments.

The above standards, interpretations and amendments will not significantly affect the Group's results or financial position (other than any potential impact from adoption of IFRS 9 as discussed above).

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

1 Accounting policies *continued*

Change in accounting policy

The Group reassessed its accounting policy for revenue from the auction of rough gemstones. The Group has previously recognised all revenue from rough auctions once the cash has been received from the customer. On 1 July 2013 the Group elected to change the method of accounting for revenue recognition, since the Group believes that recognising the revenue when the buyer enters into an agreement with the Group to purchase gemstones better reflects the point at which the Group has transferred the risks and rewards of ownership to the buyer.

Had the Group applied the new accounting policy of recognising revenue, during the years ended 30 June 2012 and 30 June 2013, there would be no impact on the comparative Financial Statements due to the timing of auctions and cash receipts. For this reason there is no requirement to restate the comparative balances or opening retained deficit as at 1 July 2012.

Had the Group applied the previous accounting policy of recognising revenue only when cash has been received, the results for the year ended 30 June 2014 would have been impacted as follows:

- decrease in revenue of US$10.4 million;
- decrease in cost of sales of US$1.9 million;
- decrease in profit before tax of US$8.5 million;
- decrease in trade receivables of US$10.4 million; and
- increase in inventory of US$1.9 million.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The Consolidated Financial Statements present the results of the Group as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date, which is the date when control passes to the Company. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained. Any difference arising between the fair value and tax base of the acquiree's assets and liabilities that gives rise to a taxable deductible difference results in recognition of a deferred tax liability. No deferred tax liability is recognised on goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted for additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The difference between the fair value of the shares issued as consideration for the acquisition of subsidiaries in excess of the nominal value of the shares, where 90% or more of shares are acquired, is included in the merger reserve.

Merger reserve

Where the Company issues shares as consideration for acquisition of subsidiaries in excess of the nominal value of the shares, where 90% or more of the shares are acquired, the excess over nominal value is accounted as merger reserve.

1 Accounting policies *continued*

Non-controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date.

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the Group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included within the cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Income Statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Income Statement on the acquisition date.

Foreign currency

The Consolidated Financial Statements are presented in thousands of United States Dollars ("US$") unless otherwise stated.

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the functional currency) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the translation of unsettled monetary assets and liabilities are similarly recognised immediately in the Consolidated Income Statement.

On consolidation, the results of overseas operations are translated into US$ at rates approximating those prevailing when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity in the cumulative translation reserve account.

Exchange differences recognised in the income statement of the Group entities' separate Financial Statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the cumulative translation reserve on consolidation.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

1 Accounting policies *continued*

Financial assets and liabilities

The Group classified its financial assets into two categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as either held to maturity or fair value through profit and loss.

Loans and receivables: these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value and subsequently carried at amortised cost.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position. Cash and cash equivalents are defined as cash in hand and short-term deposits made for varying periods of between one day and three months.

Available-for-sale: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available-for-sale reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the Income Statement. Purchases and sales of available-for-sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the Income Statement. On sale, the amount held in the available-for-sale reserve associated with that asset is removed from equity and recognised in the Income Statement.

Financial liabilities

Financial liabilities include the following items:

- trade payables and other short-term monetary liabilities, which are initially measured at fair value and subsequently recognised at amortised cost using the effective interest rate method; and
- borrowings are measured at inception at fair value, net of directly attributable transaction costs. Subsequently they are measured at amortised cost using the effective interest rate method.

The Group has not classified any financial liabilities as 'fair value through profit or loss' financial liabilities.

Unevaluated mining properties

Initial exploration and evaluation expenditure incurred in relation to project areas to which the Group's licences and rights relate are capitalised on a project-by-project basis pending determination of the feasibility of the project within intangible assets – unevaluated mining properties. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining development project is successful, the related expenditures are transferred to property, plant and equipment at which point they are assessed for impairment. Subsequently, costs are amortised over the estimated life of the commercial ore reserves using a unit of production method. Ore reserves used in the calculation are the probable ore resource and mineral reserve attributable to the specific asset. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Any reversal of the impairment is determined using the depreciated historic cost of the specific asset.

1 Accounting policies *continued*

Finite life intangible assets

Externally acquired intangible assets are initially recognised at the fair value of the consideration paid and subsequently amortised on a straight-line basis over their useful economic life, except for trademarks, which have indefinite useful economic life and are reviewed for impairment annually.

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. The amounts attributed to such intangibles are arrived at using appropriate valuation techniques, see section on critical estimations and judgements.

The useful economic lives of significant finite life intangibles recognised by the Group are as follows:

Intangible asset	Useful economic life
Trademarks	Indefinite
Software	3 years
Fabergé customer list	6 years

Stripping costs

Stripping costs incurred in the development of a mine or pit before production commences are capitalised as part of the cost of constructing the mine or pit and subsequently amortised over the life of mine on a unit of production basis.

Production stripping costs related to accessing an identifiable component of the ore body to realise benefits in the form of improved access to ore to be mined in the future, are capitalised as a separate asset (deferred stripping asset), within property, plant and equipment, and amortised over the life of mine on a unit of production basis.

Deferred stripping assets are amortised over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. Specifically, the calculation of amortisation for deferred stripping costs is the ratio of ore mined within the reaction zone (the ore body that becomes more accessible as a result of the stripping activity) to the total ore estimated and identified within the reaction zone exposed by the stripping activity.

Mining asset

Following the determination of the commercial and technical viability of a mining project, the relevant expenditure, including licence acquisition costs, is transferred from unevaluated mining assets within intangible assets to evaluated mining assets within property, plant and equipment. Exploration expenditure transferred to property, plant and equipment is subsequently depreciated using a unit of production method. The Group calculates depreciation based on the ratio of ore mined during the period to the total volume of ore to be mined in the future, based on the estimated reserves. Expenditure deemed to be unsuccessful is written off to the Income Statement.

Investment in joint ventures

Joint ventures are entities in which the Group holds a long-term interest and which are jointly controlled by the Group and one or more joint venture partners under contractual arrangements. The Group's interest in such joint operations is accounted for using the equity method in accordance with IAS 31. The Group equity accounts for its investments in joint ventures and does not recognise its share of losses in excess of the carrying amount of the investment.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

1 Accounting policies *continued*

Revenue

Gemstones

Revenue and associated costs from the sale of gemstones are recognised when control together with the risks and rewards of ownership are transferred to the customer.

For rough gemstones sold at auction, this transfer of ownership is deemed to occur at the point the buyer enters into an agreement with the Group to purchase the gemstones. This is a change in accounting policy. See page 68 for further details.

For polished gemstones the transfer of ownership is deemed to occur at the date the invoice is raised and the customer has taken ownership of the gemstones.

Retail, wholesale and web sales

Revenue from retail, wholesale and web sales is recognised when goods are delivered to the customer. Returns are accounted for at the point when the customer returns the item in accordance with terms and conditions published on the Fabergé website and a credit note is issued to the customer.

Share-based payments

The Company issues equity-settled share-based payments in the form of share options to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest.

If an option is cancelled or settled in advance of the vesting date, the cancellation or settlement is accounted for as an acceleration of vesting. Therefore, the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately.

Fair value is estimated using a Black-Scholes valuation model.

Impairment

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken on an annual basis.

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may be different to the recoverable amount. 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. Where the carrying value of an asset is below its recoverable amount, any impairment charged in respect of the asset is reversed accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the level of the cash generating unit ("CGU") the asset is part of (i.e. the lowest level group of assets in which the asset belongs for which there are separately identifiable cash flows).

The Group's CGUs are determined on an operational basis and have been identified as the Kagem mine, Mozambican operations and Fabergé.

1 Accounting policies *continued*

Leased assets

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an 'operating lease'), the total rentals payable under the lease are charged to the Consolidated Income Statement on a straight-line basis over the lease term. The aggregate benefit of any lease incentive is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Property lease premiums are initially recognised in the Statement of Financial Position at cost and subsequently amortised over the term of the lease.

Rent deposits

Long-term rent deposits are initially recognised at fair value of the deposit paid and subsequently measured at amortised cost using effective interest rate method.

Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and accumulated impairment losses. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Evaluated mining properties are amortised on the unit of production method in the year, set against the total probable ore reserves as detailed in the SRK resource statement, which is publicly available at http://corporate.gemfields.co.uk.

Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings –	5% per annum straight line
Plant, machinery and motor vehicles –	20–25% per annum straight line
Fixtures, fittings and equipment –	20–33% per annum straight line
Evaluated mining properties –	unit of production method. The Group calculates depreciation based on the ratio of ore mined during the period to the total volume of ore to be mined in the future based on the estimated reserves.

Inventory

Inventory relating to rough gemstones has been valued at the lower of cost and net realisable value. Cost includes direct production costs, depreciation of mining equipment and amortisation of the mining asset and amortisation of deferred stripping costs. Net realisable value of rough gemstones is the estimated market value based on past auctions, less estimated costs to sell.

During the process of extracting emeralds and rubies, beryl and corundum are also produced. This production is treated as a by-product, and is measured at net realisable value. The net realisable value is accounted for as a contribution to the costs of producing emeralds and rubies in the equivalent period. Upon sale of the by-products, the sale is recognised as revenue, with any profit over its previous carrying value being recognised within revenue in the period of sale.

Cut and polished gemstones, including all retail inventory, and all inventory in the Fabergé business 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 based on expected sales price, less estimated costs to sell.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

1 Accounting policies *continued*

Consignment inventory

The terms of agreements with customers who request the Group to onward sell their polished gemstones normally note that no legal title to the polished gemstones passes to Gemfields. For each particular arrangement an analysis of whether all significant risks and rewards of ownership of polished gemstones have passed to the Group is undertaken, in order to determine, if it is to be recognised as the Group's inventory. If no significant risks and rewards have passed to the Group, then such gemstones are considered to be consignment goods and are not recorded as part of the Group's inventory.

Current taxation

The current tax expense is the amount of taxes estimated to be payable or recoverable in respect of the taxable profit or loss for a period as well as adjustments to estimates in respect of previous periods. It is calculated on the basis of the tax laws and rates enacted or substantively enacted as at the end of the reporting period.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs to 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 nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group 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 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).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group companies which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Provision for decommissioning and restoration

A provision for decommissioning and restoration costs is recognised at the commencement of mining. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding property, plant and equipment asset of an amount equivalent to the provision is also created, which is subsequently depreciated as part of the cost of production. Any change in the present value of the estimated future expenditure is reflected and adjusted against the provision and evaluated mining property, unless the asset to which the provision relates has been impaired in which case the reversal of the provision is taken through the Income Statement.

1 Accounting policies *continued*

Other non-current liabilities

Provisions are recognised for liabilities of uncertain timing or amounts that have arisen as a result of past transactions. Kagem employees are on fixed term contracts and most of them are entitled to end of contract benefits.

From time to time, it is necessary for the Group to defend itself against legal claims that may or may not result in the Group having to make a financial settlement.

Provisions for anticipated settlement costs and associated expenses arising from any legal and other disputes are made where a reliable estimate can be made of the probable outcome of the dispute. Where it is not possible to make such an estimate, no provision is made.

Critical accounting estimates, judgements and assumptions

In the process of applying the Group's accounting policies, which are described above, the Directors have made judgements, estimations and assumptions regarding the future.

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.

The judgements, estimations, and assumptions that have the most significant effect on the amounts recognised in the Financial Statements are detailed below.

(a) Useful lives of intangible assets and property, plant and equipment

Intangible assets with finite useful lives and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period, over which an asset is expected to be available for use by the Group or the amount of production expected to be obtained from the asset by the Group; which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Consolidated Income Statement in specific periods.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(b) Carrying values of evaluated mining properties

The 'value-in-use' assessment of the recoverable amount of the mining asset was considered to be relevant in the determination of carrying value as this is how the economic value of the asset will be ultimately recovered. The determination of value-in-use and hence the recoverable amount of the Kagem asset is complex and detailed. The financial model is based on cash flow projections and assumptions supported by the SRK resource statement which represent the best estimate of the economics that will exist over the remaining life of the mine.

The key estimates, judgements and assumptions which affect the financial model are:

- emerald prices;
- resource and reserve classification;
- the life of mine; and
- applicable discount rate.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

1 Accounting policies *continued*

(c) Impairment testing of non-current assets

Where the recoverable amounts are assessed by analyses of discounted cash flows, significant judgement is used and the resulting valuations are particularly sensitive to changes in estimates of long-term commodity prices, capital and operating expenditures, discount rates and available reserves and resources and future production profile. Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular period.

(d) Impairment testing of Fabergé CGU

The Directors make certain accounting estimates and assumptions regarding the future, all of which could result in a significant impact on the Group's financial results. Any impairment of the trademarks required in the future would have a significant impact on the Group's financial results and financial position however, this would have no impact on the Group's cash flows.

The Fabergé trademarks are a key asset in the Consolidated Statement of Financial Position. The Directors believe that the asset has an indefinite useful life as it is probable that the future economic benefits that are attributable to the asset will flow to the entity indefinitely, and in accordance with IAS 36, have considered the asset for impairment.

Key estimates relating to the valuation of the Fabergé CGU are disclosed in the note 13.

(e) Stripping costs

Stripping costs incurred in opening up new ore areas are capitalised as part of the cost of developing the pit and subsequently amortised over the mining of the ore (known as the reaction zone). This is reported under property, plant and equipment.

Deferred stripping costs are amortised over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. Specifically, the calculation of amortisation for deferred stripping costs is the ratio of ore mined within the reaction zone (the ore body that becomes more accessible as a result of the stripping activity) to the total ore estimated and identified within the reaction zone. Judgement is required to estimate the total ore within the reaction zone and the expected useful life of the identified component. The judgements made are supported by technical data.

(f) Inventories

The Group reviews the net realisable value of, and demand for, its inventory, on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include competitor actions and economic trends. Judgement is required in predicting market trends and the Directors and Management use their experience, market data and trend analysis (as referenced earlier in the report) when undertaking these reviews.

(g) Share-based payments

The Group has an equity-settled share-based remuneration scheme for employees and Directors. Employee services received, and the corresponding increase in equity, are 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 share options is estimated by using the Black-Scholes valuation model on the date of grant based on certain assumptions. Those assumptions are described in note 25 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 decisions.

1 Accounting policies *continued*

(h) Determination of ore reserves

The Group estimates its ore reserves and mineral resources based on information complied by appropriately qualified people relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. The estimate of recoverable reserves is based on factors such as gemstone prices, future capital requirements and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body.

There are numerous uncertainties inherent in estimating ore reserves and mineral resources, consequently assumptions that are valid at the time of estimation may change significantly when new information becomes available.

(i) Deferred tax

In considering the tax rate which should be applied to the temporary differences to quantify the deferred tax assets and liabilities arising in Zambia, Management considers that the average rate that is expected to be payable, based on the variable tax rate regime enacted in Zambia, over the life of the Kagem project is 35%.

2 Segmental analysis

For management purposes, the Group is organised into geographic units and business units based on the products and services and has five reportable segments as follows:

- Zambia (emerald and beryl mining activities);
- Mozambique (ruby and corundum mining activities);
- UK (sales of cut and polished gemstones, marketing, technical and administrative services);
- Fabergé (wholesale and retail sales of jewellery); and
- Other (traded auctions, sales and marketing offices).

The reporting on these investments to management focuses on revenue, operating costs and capital expenditure. These figures are presented after intercompany adjustments have been accounted for.

2014 In thousands of US$	Zambia	Mozambique	UK (Corporate)	Fabergé	Other	Total
Revenues from external customers	**87,818**	**33,528**	**4,291**	**9,552**	**24,900**	**160,089**
Operating profit/(loss)	**49,775**	**16,614**	**(34,605)**	**(15,627)**	**20,790**	**36,947**
Finance income	**–**	**–**	**–**	**–**	**52**	**52**
Finance expenses	**(555)**	**(21)**	**(136)**	**–**	**(4)**	**(716)**
Profit/(loss) after tax	**28,322**	**14,395**	**(32,009)**	**(15,120)**	**20,684**	**16,272**
Total non-current assets	**216,658**	**9,790**	**6,127**	**43,028**	**3,822**	**279,425**
Total non-current liabilities	**73,519**	**523**	**–**	**1,034**	**–**	**75,076**
Total assets	**269,158**	**47,773**	**14,538**	**81,500**	**13,718**	**426,687**
Total liabilities	**105,879**	**7,432**	**14,787**	**5,736**	**3,730**	**137,564**
Other charges						
Depreciation and amortisation	**19,502**	**1,288**	**67**	**1,278**	**14**	**22,149**
Impairment charge	**–**	**–**	**252**	**–**	**–**	**252**

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

2 Segmental analysis *continued*

2013 In thousands of US$	Zambia	Mozambique	UK (Corporate)	Fabergé	Other	Total
Revenues from external customers	42,020	–	1,766	4,187	421	48,394
Operating profit/(loss)	10,227	(4,846)	(16,344)	(7,326)	(1,519)	(19,808)
Finance income	–	–	384	9	200	593
Finance expenses	(639)	(209)	(24)	(6)	(2)	(880)
Profit/(loss) after tax	6,892	(5,056)	(15,984)	(7,339)	(1,306)	(22,793)
Total non-current assets	223,021	10,545	3,014	44,666	67	281,313
Total non-current liabilities	73,931	36	–	1,710	–	75,677
Total assets	260,203	13,074	14,898	88,040	2,473	378,688
Total liabilities	95,220	125	4,672	3,155	166	103,338
Other charges						
Depreciation and amortisation	19,531	356	44	345	13	20,289
Impairment charge	–	–	684	–	–	684

3 Cost of sales

In thousands of US$	**2014**	2013
Mining and production costs		
Mineral royalties and production taxes	**9,179**	2,522
Labour costs	**6,683**	7,923
Fuel costs	**3,442**	2,406
Security costs	**2,657**	1,532
Repairs and maintenance	**2,317**	1,630
Camp costs	**862**	831
Blasting	**786**	864
Other mining and processing costs	**1,381**	1,011
Total mining and production costs	**27,307**	18,719
Depreciation and amortisation	**22,149**	20,289
Change in inventory and purchases	**25,573**	(4,259)
Total cost of sales	**75,029**	34,749

4 Selling, general and administrative expenses

In thousands of US$	2014	2013
Labour and related costs	**17,646**	8,763
Selling, marketing and advertising	**13,590**	10,178
Rent and rates	**4,270**	1,528
Travel and accommodation	**3,291**	2,466
Professional and other services	**3,278**	4,085
Share-based payments	**1,787**	1,398
Office expenses	**1,213**	471
Other selling, general and administrative expenses	**2,978**	3,969
Total selling, general and administrative expenses	**48,053**	32,858

5 Impairment charge

In thousands of US$	2014	2013
Impairment of investment in Richland Resources Limited to market value (note 12)	**252**	635
Impairment of trading business in Zambia	**–**	49
Total impairment charge	**252**	684

Available-for-sale investments

At 30 June 2014, the market value of the Group's investment in Richland Resources Limited was US$230,000 (2013: US$482,380). The decrease in the market value of available-for-sale investments continued to be considered a permanent decrease in value and therefore it was recognised in the Income Statement in the amount of US$252,000 (2013: US$635,000).

6 Employees and Directors

Number of employees	2014	2013
Administration staff	**158**	155
Fabergé staff	**46**	49
Mining staff	**776**	491
Average number of employees	**980**	695

In thousands of US$	2014	2013
Gross salaries	**23,524**	15,529
Share-based payments	**1,787**	1,398
Social security costs	**1,470**	950
	26,781	17,877

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel are considered to be the Directors of the Company. Details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 53 to 57. None of the Directors exercised share options during the year (2013: none).

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

7 Profit/(loss) from operations

In thousands of US$	**2014**	2013
This has been arrived at after charging:		
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Group and Company's annual accounts	**116**	106
Fees payable to the Company's auditor for other services	**–**	85
Fees payable to the Company's auditor for the audit of the foreign subsidiaries	**131**	131
Fees payable to the Company's auditor for tax related matters across the Group	**–**	13
Depreciation and amortisation (notes 11 and 13)	**22,149**	20,289
Impairment of available-for-sale investments (note 12)	**252**	684
Operating lease costs – land and buildings	**2,341**	1,436
Share-based payments (note 25)	**1,787**	1,398
Loss on sale of property, plant and equipment (note 11)	**83**	–
Loss on sale of available-for-sale investments	**–**	168
Exchange differences	**162**	397

Included in the Group's other comprehensive income is an amount of foreign exchange losses of US$464,000 (2013: gain US$311,219) arising on translation of foreign operations, that will be reclassified to the Income Statement upon the disposal of foreign operation or partial disposal of foreign operation, when the partial disposal involves loss of control over that operation, at the same time when the gain or loss from disposal is recognised.

8 Finance income and expense

In thousands of US$	**2014**	2013
Finance income		
Interest received	**52**	593
	52	593
Finance expense		
Interest on bank loans and overdrafts	**(716)**	(880)
	(716)	(880)
Net finance expense	**(664)**	(287)

9 Taxation

In thousands of US$	**2014**	2013
Current tax		
Tax charge for year	**28,966**	7,345
Deferred tax		
Origination and reversal of temporary differences	**(8,955)**	(4,647)
Total tax expense	**20,011**	2,698

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits/(losses) for the year are as follows:

In thousands of US$	**2014**	2013
Profit/(loss) on ordinary activities before tax	**36,283**	(20,095)
Taxation on ordinary activities at the standard rate of corporation tax in the UK of 21% (2013: 24%)	**7,619**	(4,823)
Effects of:		
Expenses not deductible for tax purposes	**1,258**	1,442
Different tax rates applied in overseas jurisdictions and other temporary differences	**11,134**	6,079
Total tax expense	**20,011**	2,698

In the UK, the main rate of corporation tax was reduced to 23% as from 1 April 2013. Further reductions have reduced the main rate of corporation tax to 21% as from 1 April 2014 and 20% as from 1 April 2015.

With regards to the increase in the 'Different tax rates applied in overseas jurisdictions and other temporary differences' the increase in Kagem Mining Limited's profits as well as the application of the Zambia variable tax to the assessable profits of that company has resulted in an increase in the tax arising in overseas jurisdictions.

Deferred tax

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 in regards to the effect of differences between tax and accounting depreciation, tax losses and other provisions generated during the period.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

9 Taxation *continued*

Details of the deferred tax liabilities and assets, amounts recognised in the Income Statement and amounts recognised in other comprehensive income are as follows:

In thousands of US$	**2014**	2013
Recognised deferred tax asset and liabilities		
Property, plant and equipment	**(1,163)**	(2,110)
Deferred stripping costs	**–**	(689)
Mining property	**(65,615)**	(67,692)
Other provisions	**2,116**	801
Inventory valuation in Kagem	**(2,077)**	(2,063)
Business combinations	**(814)**	(1,463)
Tax losses	**3,403**	–
Net deferred tax	**(64,150)**	(73,216)
Deferred tax asset	**5,519**	–
Deferred tax liability	**(69,669)**	(73,216)
Net deferred tax	**(64,150)**	(73,216)

The movement on the deferred tax account is as shown below:

In thousands of US$	**2014**	2013
At 1 July	**(73,216)**	(76,400)
Deferred stripping costs	**689**	2,789
Property, plant and equipment	**947**	774
Other provisions	**1,315**	449
Mining property	**2,077**	2,699
Business combinations	**539**	–
Inventory valuation in Kagem	**(14)**	(2,064)
Tax losses	**3,403**	–
Recognised in the Income Statement in the year	**8,956**	4,647
Business combinations (note 14)	**110**	(1,463)
At 30 June	**(64,150)**	(73,216)

Deferred tax assets are only recognised in relation to tax losses and other temporary differences which would give rise to deferred tax assets where it is considered probable that the losses will be utilised in the foreseeable future, and therefore the asset is recoverable.

9 Taxation *continued*

No deferred tax is recognised in relation to:

- deductible temporary differences in the amount of US$5.2 million (2013: US$5.0 million) arising on the write off of available-for-sale investments; and
- unused tax losses in the amount of US$2.2 million (2013: US$22.0 million).

10 Earnings/(loss) per share

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. During the year, the weighted average number of equity shares in issue is 540,334,373 (2013: 417,318,587) and the profit after tax attributable to equity holders of the parent is US$8,811,000 (2013: loss of US$22,790,591).

Diluted earnings/(loss) per share amounts are calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. The calculation of the dilutive potential ordinary shares related to employee and director share option plans includes only those options with exercise prices above the average share trading price for each period.

	2014	2013
Earnings/(loss) per share for profit/(loss) attributable to the owners of the parent during the year used in basic and dilutive calculation, in thousands of US$	**8,811**	(22,790)
Basic weighted average number of shares	**540,334,373**	417,318,587
Dilutive potential of ordinary shares:		
Employee and Director share option plans	**6,865,988**	8,256,712
Diluted weighted average number of shares	**547,200,361**	425,575,299
Earnings/(loss) per share, in US$		
Basic	**0.02**	(0.05)
Diluted	**0.02**	(0.05)

Details of the share options are in note 25. The calculation of the diluted earnings per share assumes all criteria giving rise to the dilution of the earnings/(loss) per share are achieved and all outstanding share options are exercised.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

11 Property, plant and equipment

In thousands of US$	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures, fittings and equipment	Evaluated mining properties	Deferred stripping costs	Total
Cost						
At 1 July 2012	2,025	21,772	903	270,320	14,490	309,510
Additions	852	6,859	388	–	15,777	23,876
Acquisitions through business combinations	–	–	1,708	–	–	1,708
Transferred to intangible assets	–	–	–	(567)	–	(567)
Disposals	–	(7)	(9)	–	–	(16)
Foreign exchange differences	–	–	(94)	–	–	(94)
At 30 June 2013	2,877	28,624	2,896	269,753	30,267	334,417
Additions	1,081	7,324	317	523	8,925	18,170
Transferred from intangible assets[(a)]	–	–	–	3,322	–	3,322
Disposals	–	(96)	(25)	–	–	(121)
Foreign exchange differences	–	–	198	–	–	198
At 30 June 2014	**3,958**	**35,852**	**3,386**	**273,598**	**39,192**	**355,986**
Accumulated depreciation						
At 1 July 2012	134	11,753	318	68,638	3,802	84,645
Provided during the year	74	4,277	496	7,711	7,969	20,527
Disposals	–	(6)	(2)	–	–	(8)
Foreign exchange differences	–	–	(56)	–	–	(56)
At 30 June 2013	208	16,024	756	76,349	11,771	105,108
Provided during the year	301	5,700	1,016	5,902	9,260	22,179
Disposals	–	(6)	(14)	–	–	(20)
Foreign exchange differences	–	–	156	–	–	156
At 30 June 2014	**509**	**21,718**	**1,914**	**82,251**	**21,031**	**127,423**
Net book value						
At 30 June 2014	**3,449**	**14,134**	**1,472**	**191,347**	**18,161**	**228,563**
At 30 June 2013	2,669	12,600	2,140	193,404	18,496	229,309
At 1 July 2012	1,891	10,019	585	201,682	10,688	224,865

(a) In June 2014, the Gemfields plc Board of Directors concluded that the Montepuez ruby project, no longer met the definition of an exploration and evaluation asset as defined under IFRS 6 and hence the relevant costs were reclassified from intangible unevaluated mining property to inventory and evaluated mining property.

12 Available-for-sale investments

In thousands of US$	Richland Resources Limited	ZCCM-IH	Total
Cost			
At 1 July 2012	7,631	–	7,631
Disposals	(2,191)	–	(2,191)
At 30 June 2013	5,440	–	5,440
Additions	–	40	40
At 30 June 2014	**5,440**	**40**	**5,480**
Provision for impairment			
At 1 July 2012	6,064	–	6,064
Disposals	(1,741)	–	(1,741)
Impairment (note 5)	635	–	635
At 30 June 2013	4,958	–	4,958
Impairment (note 5)	252	–	252
At 30 June 2014	**5,210**	**–**	**5,210**
Net book value			
At 30 June 2014	**230**	**40**	**270**
At 30 June 2013	482	–	482
At 1 July 2012	1,567	–	1,567

Richland Resources Limited is a miner of the gemstone tanzanite, listed on the AIM market of the London Stock Exchange.

At 30 June 2014, the Company held 8,318,330 shares, representing 7.04% of Richland Resources Limited share capital (2013: US$8,318,330, representing 7.04% of Richland Resources Limited share capital), the market value on that date was US$230,000 (2013: US$482,380).

There has been a further decline in the market value of the shares in Richland Resources Limited. Consequently, an impairment loss of US$252,000 (2013: US$634,873) was recognised in the Consolidated Income Statement.

Zambia Consolidated Copper Mines-Investment Holdings ("ZCCM-IH") is an investment holdings company listed on the Lusaka Stock Exchange, the London Stock Exchange and the Euronet in Paris.

During the year, the Company acquired 9,200 shares representing 0.006% of ZCCM-IH share capital for consideration of US$40,000 (2013: Nil shares).

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

13 Intangible assets

In thousands of US$	Software	Goodwill	Indefinite life trademarks	Finite life intangible assets	Unevaluated mining properties Zambian projects	Unevaluated mining properties Mozambican project	Total
Cost							
At 1 July 2012	–	–	–	–	12,514	2,634	15,148
Additions	–	–	–	–	–	2,595	2,595
Acquisition through business combinations	12	1,463	40,737	–	–	–	42,212
Transferred from property, plant and equipment	–	–	–	–	–	567	567
At 30 June 2013	12	1,463	40,737		12,514	5,796	60,522
Additions	16	–	–	–	–	4,173	4,189
Finalisation of acquisition through business combinations[(a)]	–	367	(2,625)	1,984	–	–	(274)
Transferred to property, plant and equipment[(b)]	–	–	–	–	–	(3,322)	(3,322)
Transferred to inventory[(b)]	–	–	–	–	–	(6,589)	(6,589)
Reclassification	58			–	–	(58)	–
At 30 June 2014	**86**	**1,830**	**38,112**	**1,984**	**12,514**	**–**	**54,526**
Amortisation and impairment							
At 1 July 2012	–	–	–	–	12,514	–	12,514
Charge in the year	5	–	–	–	–	–	5
At 30 June 2013	5	–	–	–	12,514	–	12,519
Charge in the year	32	–	–	468	–	–	500
At 30 June 2014	**37**	**–**	**–**	**468**	**12,514**	**–**	**13,019**
Net book value							
At 30 June 2014	**49**	**1,830**	**38,112**	**1,516**	**–**	**–**	**41,507**
At 30 June 2013	7	1,463	40,737	–	–	5,796	48,003
At 1 July 2012	–	–	–	–	–	2,634	2,634

(a) During the year ended 30 June 2014, the Group finalised its review of the fair value of the identifiable assets and liabilities acquired in respect of the acquisition of Fabergé Limited. All final fair value adjustments have been recognised as at 30 June 2014.
(b) In June 2014, the Gemfields plc Board of Directors concluded that the Montepuez ruby project, no longer met the definition of an exploration and evaluation asset as defined under IFRS 6 and hence the relevant costs were reclassified from intangible unevaluated mining property to inventory and evaluated mining property.

During the year ended 30 June 2013, goodwill arose on the acquisition of Fabergé Limited.

13 Intangible assets *continued*

The amount of depreciation of plant, machinery and motor vehicles capitalised as a part of unevaluated mining properties in the current year is US$530,000 (2013: US$317,364) and hence this has not been charged to the Consolidated Income Statement.

Unevaluated mining properties – Zambian projects comprise Kamakanga emerald mine, Ndola Rural Emerald Restricted Area ("NRERA") prospecting licences and the Jagoda option.

Impairment charged on intangibles

Goodwill acquired through business combinations and trademarks with indefinite useful lives have been allocated to the Fabergé CGU, which is also an operating and reportable segment.

The Group performed its annual impairment review of the carrying value of the Fabergé CGU. The impairment review was based on a value-in-use calculation of the Fabergé CGU based on the present value of projected future cash flows. The cash flow projections are based on a 20-year period, after which a fixed terminal value multiple is applied to the final year cash flow. It is the Directors' view that the Fabergé brand has an indefinite useful life based on the long heritage and history of the Fabergé name and hence the Directors consider it appropriate to use a 20-year period when performing the value-in-use calculation.

The present value of future cash flows model was based on the following key assumptions:

- cash flow budgets and projections approved by Senior Management covering a five-year period;
- a revenue growth rate of 10% beyond the five-year period; and
- discount rate of 17.6%.

Sensitivity analyses around the base assumptions have been performed. It was concluded that no reasonable possible changes in key assumptions would cause the recoverable amount of the Fabergé CGU to be less than the carrying value.

14 Acquisitions

Fabergé Limited ("Fabergé")

Fabergé is one of the world's most recognised luxury brand names, underscored by a well-documented and globally recognised heritage. Having announced the conditional acquisition of Fabergé Limited by the Company on 21 November 2012, the transaction was completed on 28 January 2013. During the year ended 30 June 2014, the Group finalised its review of the fair value of identifiable assets and liabilities in respect of the acquisition of Fabergé. The final fair value adjustments related primarily to the final measurement of the trademark and other intangible assets, inventories acquired, goodwill and deferred tax liability. All final fair value adjustments have been recognised as at 30 June 2014.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

14 Acquisitions *continued*

Details of the initial and final fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

In thousands of US$	Book value at acquisition date	Adjustment	Provisional fair value 30 June 2013	Final adjustment	**Final fair value 30 June 2014**
Property, plant and equipment	1,708	–	1,708	–	**1,708**
Property lease premium	456	–	456	–	**456**
Long-term deposits	665	–	665	–	**665**
Fabergé trademark and other intangible assets	36,260	4,489	40,749	(641)	**40,108**
Inventories	34,566	1,874	36,440	164	**36,604**
Trade and other receivables	2,562	–	2,562	–	**2,562**
Cash and cash equivalents	11,524	–	11,524	–	**11,524**
Total assets	87,741	6,363	94,104	(477)	**93,627**
Trade and other payables	(3,756)	–	(3,756)	–	**(3,756)**
Deferred tax liability	–	(1,463)	(1,463)	110	**(1,353)**
Total liabilities	(3,756)	(1,463)	(5,219)	110	**(5,109)**
Total net assets	83,985	4,900	88,885	(367)	**88,518**
Goodwill			1,463	367	**1,830**
Total consideration			90,348	–	**90,348**
Fair value of consideration paid					
Total consideration – ordinary shares of the Company 213,999,999 shares of £0.2683 (US$0.4222) each					**90,348**

15 Other non-current assets

In thousands of US$	**2014**	2013
Long-term rent-deposit – Fabergé shops	**566**	703
Long-term receivable from Kariba Minerals Limited (joint venture) (note 16)	**2,718**	2,434
Property lease premium – Fabergé shops	**282**	382
Total other non-current assets	**3,566**	3,519

The long-term receivable from Kariba Minerals Limited ("Kariba"), is shown net of a provision of US$1,481,000 (2013: US$1,481,000).

16 Interest in a joint venture

In thousands of US$	Joint venture
Cost	
At 1 July 2012, 30 June 2013 and 30 June 2014	287
Impairment	
At 1 July 2012, 30 June 2013 and 30 June 2014	(287)
Net book value	
At 30 June 2014, 2013 and 1 July 2012	**–**

The Group holds a 50% interest in a joint venture Kariba. Kariba is incorporated and registered in Zambia and its nature of business is gemstone mining.

The Group's share of the joint venture was:

In thousands of US$	**2014**	2013
Non-current assets	**665**	158
Current assets	**289**	1,012
Current liabilities	**(1,757)**	(2,932)
Non-current liabilities	**(2,071)**	–
Share of net liabilities	**(2,874)**	(1,762)
Revenue	**336**	232
Operating expenditure	**491**	847

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

17 Investments

Subsidiary undertakings

The following were significant subsidiary undertakings at the end of the year:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held in 2014	Proportion of voting rights and ordinary share capital held in 2013	Nature of business
Campos de Joia, Limitada	Mozambique	100%	100%	Gemstone mining
Fabergé Hospitality Limited	British Virgin Islands	100%	100%	Advisory and administrative support in connection with hospitality projects
Fabergé Inc	USA	100%	100%	Retail activity and promotion of the Fabergé collection of jewellery and watches in America
Fabergé Limited	Cayman Islands	100%	100%	Retail
Fabergé S.à.r.l.	Luxembourg	100%	100%	Non-trading
Fabergé Services Limited	United Kingdom	100%	100%	Advisory and administrative support in connection with the Fabergé trademarks and UK retail
Fabergé Suisse SA	Switzerland	100%	100%	Retail activity and promotion of the Fabergé collection of jewellery and watches
Gemfields India Pvt Limited	India	100%	100%	Gemstone marketing
Gemfields Mining Limited	Zambia	100%	100%	Gemstone mining
Gemfields Singapore Pte Limited	Singapore	100%	100%	Gemstones auctions
Gemfields South Africa (Pty) Limited	South Africa	100%	100%	Gemstone marketing
Gemfields USA, Inc.	USA	100%	100%	Gemstone marketing
Gemhouse Mining Zambia Limited	Zambia	100%	100%	Non-trading
Kagem Mining Limited	Zambia	75%	75%	Gemstone mining
Megaruma Mining Limitada	Mozambique	75%	75%	Gemstone mining
Montepuez Ruby Mining Limitada	Mozambique	75%	75%	Gemstone mining

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration with the exception of the following whose operations are in the UK:

- Fabergé Limited
- Fabergé S.à.r.l.
- Fabergé Hospitality Limited

18 Inventory

In thousands of US$	**2014**	2013
Rough and cut and polished gemstones	**50,620**	39,418
Fabergé inventory	**35,637**	36,848
Fuel and consumables	**2,251**	1,595
Total inventory	**88,508**	77,861

19 Trade and other receivables

In thousands of US$	**2014**	2013
Trade receivables	**15,027**	1,185
Other receivables	**4,887**	5,202
Prepayments	**2,003**	1,905
Total trade and other receivables	**21,917**	8,292

All amounts shown under trade and other receivables fall due for payment within one year. Further information on other receivables is provided in note 26.

20 Borrowings

Current interest bearing loans and borrowings	Effective interest rate	Maturity	**2014 In thousands of US$**	2013 In thousands of US$
US$15,000,000 related party loan	LIBOR + 4.50%	2015	**9,936**	–
US$15,000,000 bank loan	LIBOR + 4.75%	2016	**5,085**	11,595
Total current borrowings			**15,021**	11,595

Non-current interest bearing loans and borrowings	Effective interest rate	Maturity	**2014 In thousands of US$**	2013 In thousands of US$
US$15,000,000 bank loan	LIBOR + 4.75%	2016	**1,677**	–

US$15 million bank loan

This loan is a US$15 million loan, of which the amount of US$9,275,000 bears interest at a rate of 3 month LIBOR plus 4.75% and the amount of US$5,725,000 bears interest at a rate of 3 month LIBOR plus 4.75%. The loan was entered into by Kagem Mining Limited with Barclays Bank Zambia plc. An initial drawdown of US$3 million of the facility occurred in 2012 and the remainder was drawn down in the 2013 financial year. The loan is repayable in monthly instalments over a period of 36 months from the date of first drawdown of the loan.

Security for this loan comprises a fixed and floating charge of all of the Kagem net assets to a level to cover the US$15 million facility, a mortgage over a property registered in the name of Kagem Mining Limited and a corporate guarantee from Gemfields plc. The facility of US$9,275,000 was used to pay the contractor undertaking the removal of waste in the Chama section of the Kagem mine and is an initial step towards Kagem Mining Limited becoming a fully independent and self-funding operation. The second part of the loan in the amount of US$5,725,000 was used to purchase various mining and other equipment.

The above loan facility was subject to four financial covenants, which were tested half yearly. One of the covenants was not met at 30 June 2013 due to an auction, which had been scheduled to take place in June 2013, being delayed until July 2013. Subsequent to the 30 June 2013 reporting date, this covenant has been fulfilled and on 21 August 2013, the bank signed a waiver not to demand immediate payment. In line with IAS 1, the total outstanding loan amount has been reported under current liabilities as at 30 June 2013.

Subsequent to the reporting date, the outstanding balance relating to the US$15 million bank loan was repaid and Kagem Mining Limited entered into a new revolving credit facility. See note 30 for further details.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

20 Borrowings *continued*

US$15 million related party loan

The loan facility is available in two separate tranches. The first drawdown of US$10 million took place in April 2014, and the second tranche of US$5 million is available to be drawn between 15 July 2014 and 30 November 2014. Both tranches are repayable, together with accrued interest, on 30 April 2015. There are no penalties for early repayment. The facility is unsecured.

The proceeds of the facility will be utilised by the Company as additional working capital and for general corporate purposes, helping to smooth the Company's centrally available cash flow given the intermittent nature of revenues from its gemstone auctions and the ongoing development of its ruby, rough gemstone trading and Fabergé businesses.

21 Other non-current liabilities

In thousands of US$	LTIP liability in Fabergé sub-group	Environmental restoration provision	Other provisions	Total provisions
Other non-current liabilities				
At 1 July 2012	–	690	663	1,353
Acquired through business combination	247	–	–	247
Additions in the year	–	214	647	861
At 30 June 2013	247	904	1,310	2,461
Lapse of cash-settled awards	(26)	–	–	(26)
Additions in the year	–	487	808	1,295
At 30 June 2014	**221**	**1,391**	**2,118**	**3,730**

Environmental restoration provision relates to the environmental restoration obligations in accordance with the Company's environmental policy and relevant local legislative requirements. The other non-current provisions consist of employee end of contract benefits and are payable in three years' time.

Fabergé sub-group LTIP

The Fabergé sub-group operates a cash-settled share-based remuneration scheme which is open to officers or employees of the Fabergé sub-group ("Qualified Persons") as determined by the Board of Fabergé, that 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 Fabergé sub-group.

The awards are measured at fair value using an appropriate pricing model. The fair value of the awards is charged to the Income Statement over the vesting period.

21 Other non-current liabilities *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 Group company under the terms of his/her contract.

The earliest vesting date is the first anniversary of the date of grant of any award. None of the awards were exercised during the period. The total number of awards vested but not exercised at 30 June 2014 was 17,255 (2013: 26,791) and the weighted average fair value was US$11 (2013: US$8). The value of awards outstanding at the year end ranged between US$4 and US$12 (2013: US$3 and US$12) and their weighted average remaining contractual life was four years (2013: five).

22 Trade and other payables

In thousands of US$	**2014**	2013
Trade payables	**8,566**	5,404
Other payables	**12,351**	4,690
Total trade and other payables	**20,917**	10,094

23 Contingent liabilities

There were Nil (2013: Nil) contingent liabilities at 30 June 2014.

24 Share capital

	2014		2013	
	Number of shares	**In thousands of US$**	Number of shares	In thousands of US$
Allotted, called up and fully paid				
Ordinary shares of 1p each				
At 1 July	**540,003,208**	**9,557**	324,706,551	6,169
Issued during the year for acquisition of Fabergé	**–**	**–**	213,999,999	3,367
Issued during the year – other	**805,001**	**13**	1,296,658	21
At 30 June	**540,808,209**	**9,570**	540,003,208	9,557

Share capital is denominated in Pounds Sterling. Details of the share option scheme are set out in note 25.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

25 Share-based payments

Share option scheme

The share capital of the Company is denominated in Pounds Sterling. Therefore, the following disclosures are presented in Pounds Sterling and US Dollars.

On 14 November 2013, 400,000 (2013: Nil) share options were granted to key employees of the Company. One third of the options granted vests at 13 November each year over a three-year period, during which the grantee has to remain in employment in order for vesting to occur.

On 1 January 2014, 5,800,000 (2013: 9,285,000) share options were granted to the Directors and key employees of the Company. One third of the options granted vests at 31 December each year over a three-year period, during which the grantee has to remain in employment.

The total expense recognised for 2014 arising from equity-settled share-based payment transactions was US$1,787,000 (2013: US$1,398,402).

At 30 June 2014, the following share options have been granted and are outstanding in respect of the ordinary shares:

	Number of options						
Exercise price	Outstanding at 1 July 2013	Granted	Reissued	Cancelled	Exercised	Outstanding at 30 June 2014	Final exercise date
12¢ (8p)	7,674,997	–	100,000	–	(503,333)	7,271,664	December 2020
32¢ (20p)	3,415,000	–	–	–	(170,001)	3,244,999	December 2021
46¢ (29p)	9,265,000	–	–	(2,333,333)	(131,667)	6,800,000	December 2022
51¢ (32p)	–	400,000	–	–	–	400,000	November 2023
56¢ (34p)	–	5,800,000	–	–	–	5,800,000	December 2023
Total	20,354,997	6,200,000	100,000	(2,333,333)	(805,001)	23,516,663	

The options exercisable at 30 June 2014 were 11,868,331 (2013: 6,197,222).

The exercise price of options outstanding at 30 June 2014 ranged between 8p and 34p (2013: 8p and 29p) and their weighted average contractual life was 8.0 years (2013: 8.6 years). The weighted average exercise price for options issued to Directors was 27¢ (17p) (2013: 30¢ (19p)). The weighted average share price (at the date of exercise) of options exercised during the year was 62¢ (38p) (2013: 48¢ (30p)).

The cash that may be received upon exercise of the options that are outstanding at the year end is estimated to be US$9,015,000 (2013: US$5,956,001).

25 Share-based payments *continued*

At 30 June 2013, the following share options had been granted and are outstanding in respect of the ordinary shares:

	Number of options					
Exercise price	Outstanding at 1 July 2012	Granted	Cancelled	Exercised	Outstanding at 30 June 2013	Final exercise date
12¢ (8p)	8,028,332	–	(116,667)	(236,668)	7,674,997	December 2020
32¢ (20p)	3,550,000	–	(125,000)	(10,000)	3,415,000	December 2021
46¢ (29p)	–	9,285,000	(20,000)	–	9,265,000	December 2022
Total	11,578,332	9,285,000	(261,667)	(246,668)	20,354,997	

The fair values of the options are calculated using the Black-Scholes method. The number of options granted in 2014 is 6,200,000 (2013: 9,285,000). Assumptions used in this model for the 12 months ended 30 June were:

	Issue date		
	November 2014	**January 2014**	January 2013
Fair value at measurement date	**36¢ (22p)**	**36¢ (21p)**	27¢ (18p)
Exercise price	**51¢ (32p)**	**56¢ (34p)**	44¢ (29p)
Share price at date of grant	**51¢ (32p)**	**56¢ (34p)**	52¢ (34p)
Expected volatility	**51.71%**	**50.28%**	41.62%
Option life	**10 years**	**10 years**	10 years
Expected dividends	**–**	**–**	–
Risk free interest rate (based on Bank of England rate)	**0.50%**	**0.50%**	0.50%

The expected volatility was based on the historical volatility data of Gemfields plc shares.

26 Financial instruments

The principal financial instruments used by the Group, are as follows:

Financial assets:
- trade and other receivables;
- cash and cash equivalents; and
- available-for-sale investments.

Financial liabilities:
- trade and other payables; and
- borrowings.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

26 Financial instruments *continued*

Financial assets

In thousands of US$	**2014**	2013
Financial assets at fair value:		
Available-for-sale investments	**270**	482
Total financial assets at fair value	**270**	482
Financial assets amortised cost:		
Other non-current assets[(a)]	**3,284**	3,137
Trade and other receivables[(b)]	**19,914**	6,387
Cash and cash equivalents	**36,837**	11,222
Financial assets measured at amortised cost	**60,035**	20,746
Total financial assets	**60,305**	21,228

(a) Other non-current assets excludes property lease premium.
(b) Trade and other receivables excludes prepayments.

The available-for-sale investments are Level 1, for which quoted prices on active market are available.

Financial liabilities

In thousands of US$	**2014**	2013
Held at amortised cost:		
Trade and other payables	**20,917**	9,024
Borrowings	**16,698**	11,595
Total financial liabilities held at amortised cost	**37,615**	20,619

Fair value of financial assets and liabilities

At 30 June 2014 and 2013, the carrying value of the Group's financial assets and liabilities approximated their fair values.

Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. The Directors have overall responsibility to determine the risk management objectives and policies of the Group. While retaining the ultimate responsibility for them, the Directors have delegated the authority for designing and operating processes that ensure the effective implementation of these objectives and policies to the finance function of the Group. The Directors regularly review the effectiveness of the processes put in place and, when required, approve specific policies and procedures designed to mitigate the financial risks.

There have been no substantive changes in the Group's exposure to financial instruments risks other than stated in the note.

26 Financial instruments *continued*

The principal financial instruments used by the Group, from which financial risk arises, are as described below:

- cash and cash equivalents;
- trade and other receivables;
- available-for-sale investments;
- trade and other payables; and
- borrowings.

Credit risk

The Group has low credit risk because it does not ship gemstones sold at auction to customers until payment has been received. There is a receivable balance at the end of the year relating to cut and polished emerald sales and rough rubies and corundum sold at auction. The entire balance has been received post year end.

Credit risk in relation to the Fabergé segment is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Fabergé is mainly exposed to credit risk from credit sales. It is Fabergé policy, implemented locally, to assess the credit risk of new customers before entering into contracts. The Group impaired receivables during the year for the amount of Nil (2013: US$39,000). The Group considers there to be no material difference between fair value of trade and other receivables and their carrying amount in the Statement of Financial Position.

Cash and cash equivalents

In relation to its cash and cash equivalents, the Group has to manage its currency exposures and the credit risk associated with the credit quality of the financial institutions in which the Group maintains its cash resources.

Under the treasury policy of the Group, approved by the Board and operated by the finance function, the corporate head office in London acts as the treasury centre of the Group. Business units maintain the minimum cash balances required by their operations. No cash resources controlled by the corporate treasury can be held with financial institutions with credit ratings lower than A–.

At 30 June 2014, 88% (2013: 77%) of the cash balance was held by Barclays Bank and the remaining 12% (2013: 23%) was held by other financial institutions.

Maximum exposure to credit risk

The Group's maximum exposure of trade and other receivables, and cash and cash equivalents to credit risk is its carrying amount.

Liquidity risk

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

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group seeks to maintain cash balances and agreed facilities at levels considered appropriate to meet ongoing obligations.

The Group maintains an integrated business performance and cash flow forecasting model, incorporating financial position information, which is updated monthly.

The Group performance against budget and associated cash flow forecast is evaluated on a monthly basis. The Directors receive rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances and Group performance against budget. At the reporting date, these projections indicated that the Group expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

26 Financial instruments *continued*

The following table illustrates the contractual maturity analysis of the Group's financial liabilities, including the liabilities that must be settled gross, based where relevant, on interest rates and exchange rates prevailing at the reporting date. The disclosure below sets out financial instruments' actual maturities, which for the year ended 30 June 2013 only differs to the ones reflected in the Statement of Financial Position for borrowings due to IAS 1 requirement for the loan to be reported within current assets in full. At 30 June 2014, the Group was compliant with the bank covenants, hence no reclassification was required.

In thousands of US$	Trade payables	Accruals	Borrowings	Other payables	Total
At 30 June 2014					
In one month	**–**	**–**	**–**	**–**	**–**
Between one and six months	**8,566**	**3,946**	**–**	**8,405**	**20,917**
Between six months and one year	**–**	**–**	**15,636**	**–**	**15,636**
Between one year and three years	**–**	**–**	**1,677**	**–**	**1,677**
	8,566	**3,946**	**17,313**	**8,405**	**38,230**
At 30 June 2013					
In one month	–	2,004	11,595	–	13,599
Between one and six months	5,404	–	–	2,686	8,090
Between six months and one year	–	–	–	–	–
Between one year and three years	–	–	–	–	–
	5,404	2,004	11,595	2,686	21,689

Interest rate risk

The Group manages the interest rate risk associated with its cash assets by ensuring that interest rates are as favourable as possible, through the use of bank treasury deposits, whilst managing the access the Group requires to the funds for working capital purposes.

Currency risk

Foreign exchange risk is inherent in the Group's activities and is accepted as such. The majority of the Group's costs are denominated in US$ or Pounds Sterling and hence the Group holds the majority of its cash in these currencies.

The Group is exposed to currency risk on payments for goods and services made to the local suppliers in the jurisdictions of its operations. It is the Group's policy not to hedge this currency risk exposure.

26 Financial instruments *continued*

At 30 June 2014 and 2013 the Group's financial assets and liabilities were denominated in the following currencies:

In thousands of US$	UK Pounds Sterling	US$	Euro	Zambian Kwacha	Indian Rupees	South African Rand	Swiss Franc	Other currencies	Total
At 30 June 2014									
Cash and cash equivalents	**390**	**35,505**	**349**	**186**	**417**	**81**	**203**	**(294)**	**36,837**
Long-term deposit	**–**	**566**	**–**	**–**	**–**	**–**	**–**	**–**	**566**
Long term receivable from Kariba Minerals Limited (joint venture)	**–**	**2,718**	**–**	**–**	**–**	**–**	**–**	**–**	**2,718**
Trade and other receivables	**1,021**	**10,550**	**–**	**4,643**	**3,441**	**–**	**174**	**85**	**19,914**
Borrowings	**–**	**(16,698)**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,698)**
Trade and other payables	**(3,750)**	**(8,645)**	**(190)**	**(1,688)**	**(1,785)**	**–**	**(1,336)**	**(3,523)**	**(20,917)**
Net monetary assets/(liabilities)	**(2,339)**	**23,996**	**159**	**3,141**	**2,073**	**81**	**(959)**	**(3,732)**	**22,420**
At 30 June 2013									
Cash and cash equivalents	1,259	6,523	1,326	144	256	35	1,465	214	11,222
Long-term deposit	305	294	–	–	–	–	104	–	703
Long-term receivable from Kariba Minerals Limited (joint venture)	–	2,434	–	–	–	–	–	–	2,434
Trade and other receivables	1,318	2,542	82	1,816	332	105	83	109	6,387
Borrowings	–	(11,595)	–	–	–	–	–	–	(11,595)
Trade and other payables	(3,939)	(1,946)	(280)	(3,637)	(159)	–	(124)	(9)	(10,094)
Net monetary assets/(liabilities)	(1,057)	(1,748)	1,128	(1,677)	429	140	1,528	314	(943)

Other market price risk

The Group generates revenue from the sale of rough and cut and polished gemstones as well as wholesale and retail sales of the gemstones and jewellery in the Fabergé business. The significant number of variables involved in determining the selling prices of gemstones, such as uniqueness of each individual gemstone, the colour of the rough material and the ruling US$ spot rate at the date of sale make it difficult to accurately extrapolate the impact of fluctuations in prices would have on the Group's revenue.

Capital

The Group seeks to maintain sufficient capital to enable its growth and safeguard its ability to continue as a going concern. Capital is defined as share capital, share premium, merger reserve, option reserve and cumulative translation reserve.

The primary objective of the Group is maximising shareholder value, which, from the capital perspective, is achieved by maintaining the capital structure that is most suited to the Group's size, strategy and underlying business risk. Currently, the Group has not paid dividends, focusing instead on delivering capital growth. The Group had US$5,000,000 (2013: US$11,595,000) debt facilities available, which have had not been drawn down as at 30 June 2014.

The Group manages its capital adequacy structure by the issues of ordinary shares, raising debt finance where appropriate, and managing Group cash and cash equivalents.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

27 Capital commitments

At 30 June 2014, Group had the following capital commitments:
(a) US$4,690,000 (2013: Nil) for the purchase of mining equipment in Kagem;
(b) US$26,294,000 (2013: US$853,900) for the overburden removal in Kagem; and
(c) US$3,578,000 (2013: Nil) for the purchase of mining equipment in Montepuez.

28 Commitments under operating leases

The Company had total future minimum lease payments under non-cancellable operating leases as set out below:

In thousands of US$	**2014**	2013
Not later than one year	**1,913**	2,037
Later than one year but not later than five years	**2,071**	3,897
Later than five years	**–**	–
	3,984	5,934

Total future minimum payments mostly relate to rent of the office in London as well as rent of space for Fabergé boutiques worldwide.

29 Related party transactions and ultimate controlling party

Balances with related parties:

In thousands of US$	**Amounts owed by related parties as at 30 June 2014**	**Amounts owed to related parties as at 30 June 2014**	Amounts owed by related parties as at 30 June 2013	Amounts owed to related parties as at 30 June 2013
Entities with significant interest in the Company[a]	**–**	**9,936**[1]	–	40
Joint ventures (in respect of operating and capital expenditure)[b]	**2,718**	**–**	2,434	–
Key management personnel of the entity[c]	**–**	**–**	–	88
Other related parties[d]	**53**	**98**	18	–

(1) US$10 million loan was received during the year. The year end balance is net of deferred finance costs, which are being amortised over the expected life of the loan.

Transactions during the year:

2014 **In thousands of US$**	**Goods/services sold by the Company and its subsidiaries to related parties**	**Goods/services purchased by the Company and its subsidiaries from related parties**	**Expenses paid by related party on behalf of the Group**	**Loans received by related parties from the Group**	**Loans received by the Group from related parties**	**Finance charges charged by related parties to the Group**
Entities with significant influence over the Company[a]	**–**	**–**	**–**	**–**	**10,000**	**97**
Joint ventures	**–**	**–**	**–**	**284**	**–**	**–**
Key management personnel of the entity[c]	**4**	**–**	**–**	**–**	**–**	**–**
Other related parties[d]	**82**	**578**	**–**	**–**	**–**	**–**

29 Related party transactions and ultimate controlling party *continued*

2013 In thousands of US$	Goods/services sold by the Company and its subsidiaries to related parties	Goods/services purchased by the Company and its subsidiaries from related parties	Expenses paid by related party on behalf of the Group	Loans received by related parties from the Group	Loans received by the Group from related parties	Finance charges charged by related parties to the Group
Entities with significant influence over the Company[a]	–	–	–	–	–	–
Fabergé (before being acquired by Gemfields plc on 28 January 2013)	742	–	–	–	–	–
Joint ventures	–	–	10	1,452	–	–
Key management personnel of the entity[c]	4	–	–	–	–	–
Other related parties[d]	59	–	115	–	–	–

(a) The Pallinghurst Resources Fund L.P. ("PRF") owns a see-through interest of 47.87% in the Company.
(b) The Group had a receivable of US$2,718,000, which represents a historical receivable of US$4,199,000 less a provision of US$1,481,000 (2013: net receivable of US$2,434,000, which represents a historical receivable of US$3,915,000 less a provision of US$1,481,000) from Kariba Minerals Limited (a joint venture) at the year end.
(c) All Directors of Gemfields plc are considered to be key management personnel. The list of all the Directors is set on pages 42 and 43.
(d) Pallinghurst Advisors LLP.

Pallinghurst Advisors LLP is based in the United Kingdom and acts as an investment adviser to Pallinghurst (Cayman) GP L.P. which is based in the Cayman Islands. Pallinghurst (Cayman) GP L.P. acts as investment manager to some of the Group's largest shareholders. See page 52 for information on the Group's significant shareholdings.

The Group made payments to Pallinghurst Advisors LLP during the year in relation to expenses it incurred on behalf of the Group. These expenses were mainly related to travel and administrative costs.

PRF is a subsidiary of Pallinghurst Resources Limited, which is listed on the Johannesburg Stock Exchange and Bermuda Stock Exchange. Brian Gilbertson is the Chairman of Pallinghurst Resources Limited, a Partner of Pallinghurst (Cayman) GP L.P. and a Member of Pallinghurst Advisors LLP. Brian Gilbertson is also the father of Sean Gilbertson, who is a Director of Gemfields plc and various other Group companies.

Gemfields plc acts as a guarantor for a US$6,762,000 loan facility (2013: US$11,595,278) taken by Kagem Mining in Zambia, a 75% owned subsidiary of the Company (see note 20).

All transactions with related parties for years ending 30 June 2014 and 30 June 2013 were carried out at arm's length.

Ultimate controlling party
The Group does not have an ultimate controlling party or parent company.

PRF owns a see-through interest of 47.87% in Gemfields plc. This interest gives PRF significant influence over the Group. In addition, PRF shares an affiliation with certain other Gemfields plc shareholders including NGPMR (Cayman) L.P. and Investec Pallinghurst (Cayman) L.P., as all share the same investment manager, Pallinghurst (Cayman) GP L.P.

Gemfields plc and PRF entered into an updated relationship agreement during August 2013 which governs the relationship between the Group and PRF and clarifies that the Group is managed autonomously and operates for the benefit of its shareholders as a whole, rather than solely for the benefit of PRF or any of its affiliates.

Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

30 Events after the reporting period

August 2014 emerald and beryl auction

From 5 to 8 August 2014, after the end of the financial year, an auction of predominantly lower quality emeralds and beryl was held in Lusaka, Zambia, and yielded aggregate revenues of US$15.5 million, the second highest aggregate revenue achieved for lower quality emeralds and beryl of this nature.

Acquisitions

Sri Lanka

In September 2014, the Company entered into a joint venture with EWGI, a Jersey registered company, in order to progress opportunities in the Sri Lankan sapphire and gemstone sector via three Sri Lankan subsidiaries which will be 75% and 25% held by Gemfields and EWGI respectively.

Under the terms of the agreements, the Company has acquired 75% operating interests in 16 exploration licences (covering diverse minerals) for a consideration of US$400,000.

The joint venture will also see the Company and EWGI establish a gemstone trading company called Ratnapura Lanka Gemstones (Pvt) Ltd, a company approved by the Board of Investment of Sri Lanka. The trading company will focus on sourcing rough sapphires from various sources in the local market.

Due to the close proximity of the transaction to the year end, the Directors have not finalised the accounting treatment for this transaction.

Kagem revolving credit facility

In August 2014, Kagem entered into a US$20 million revolving credit facility with Barclays Bank Zambia plc. Funds drawn under the facility bear interest at a rate of 3 month US Dollar LIBOR plus 4.5%. A drawdown of US$15 million took place on 29 August 2014.

The purpose of the loan was to replace the existing term loan with Barclays (which had an outstanding balance of US$6.8 million at 30 June 2014) and for financing Kagem's working capital and capital expenditure requirements.

Security for the loan comprises a fixed and floating charge over Kagem's net assets, equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields plc.

Sale of investment in Richland Resources Limited

In July 2014, the Company sold its entire 7.04% shareholding in Richland Resources Limited for total consideration of US$423,000, representing a profit of US$193,000 over the year end net book value of US$230,000.

Parent Company Statement of Financial Position

In thousands of US$	Note	2014	2013
Assets			
Non-current assets			
Property, plant and equipment	5	**156**	98
Available-for-sale investments	6	**270**	482
Investments in subsidiaries	7	**212,972**	212,972
Other non-current assets	8	**5,910**	2,283
Total non-current assets		**219,308**	215,835
Current assets			
Trade and other receivables	9	**84,272**	60,223
Inventories	10	**3,209**	5,340
Cash and cash equivalents		**3,119**	3,806
Total current assets		**90,600**	69,369
Total assets		**309,908**	285,204
Current liabilities			
Trade and other payables	11	**(16,617)**	(15,939)
Interest bearing loans	12	**(9,936)**	–
Total current liabilities		**(26,553)**	(15,939)
Total assets less current liabilities		**283,355**	269,265
Equity attributable to owners of the parent			
Share capital	16	**9,570**	9,557
Share premium		**97,379**	97,214
Merger reserve		**207,986**	207,986
Option reserve		**4,130**	2,736
Retained deficit		**(35,710)**	(48,228)
Total equity attributable to owners of the parent		**283,355**	269,265

The Financial Statements were approved by the Board on 19 September 2014 and signed on its behalf by

Devidas Shetty
Chief Operating Officer
Gemfields plc
Registered number: 05129023

The notes on pages 106 to 118 form part of these Parent Company Financial Statements.

Parent Company Statement of Changes in Equity

In thousands of US$	Share capital	Share premium	Merger reserve	Option reserve	Retained deficit	Total equity
Balance at 1 July 2012	6,169	96,901	121,005	1,338	(30,223)	195,190
Loss for the year	–	–	–	–	(18,005)	(18,005)
Issue of shares	3,388	313	86,981	–	–	90,682
Share-based payments	–	–	–	1,398	–	1,398
Balance at 30 June 2013	9,557	97,214	207,986	2,736	(48,228)	269,265
Profit for the year	**–**	**–**	**–**	**–**	**12,125**	**12,125**
Issue of shares	**13**	**165**	**–**	**(201)**	**201**	**178**
Share-based payments	**–**	**–**	**–**	**1,787**	**–**	**1,787**
Share options lapsed or cancelled	**–**	**–**	**–**	**(192)**	**192**	**–**
Balance at 30 June 2014	**9,570**	**97,379**	**207,986**	**4,130**	**(35,710)**	**283,355**

The nature and purpose of each reserve within shareholders' equity is described as follows:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	The difference between the fair value of the shares issued as consideration for acquisition of subsidiaries in excess of the nominal value of the shares, where 90% or more of shares are acquired.
Option reserve	Cumulative fair value of options charged to the Income Statement.
Retained deficit	Cumulative net gains and losses recognised in the Income Statement.

The notes on pages 106 to 118 form part of these Parent Company Financial Statements.

Parent Company Statement of Cash Flows

In thousands of US$	Note	2014	2013
Cash flows from operating activities			
Profit/(loss) for the year after tax	4	**12,125**	(18,005)
Depreciation and amortisation	5	**67**	44
Taxation	15	**(2,732)**	–
Share-based payments	21	**1,787**	1,398
Finance income	13	**(701)**	(401)
Finance expense	14	**136**	–
Loss on sale of property, plant and equipment		**–**	12
Impairment charge on investments	22	**252**	4,465
Loss on sale of available-for-sale investments		**–**	149
Increase in trade and other receivables	9	**(24,049)**	(11,018)
Increase in trade and other payables	11	**678**	7,874
Decrease/(increase) in inventory	10	**2,131**	(3,483)
Cash used for operations		**(10,306)**	(18,965)
Taxation paid	15	**(671)**	–
Net cash used for operating activities		**(10,977)**	(18,965)
Cash flows from investing activities			
Interest received	13	**701**	384
Cash received on sale of available-for-sale investments		**–**	309
Purchase of property, plant and equipment	5	**(125)**	(40)
Purchase of available-for-sale investments		**(40)**	–
Loan granted to Kariba Minerals Limited	8	**(224)**	(1,462)
Net cash generated from/(used for) investing activities		**312**	(809)
Cash flows from financing activities			
Issue of ordinary shares		**178**	33
Interest and other finance cost paid		**(200)**	–
Proceeds from borrowing		**10,000**	–
Net cash generated from financing activities		**9,978**	33
Net decrease in cash and cash equivalents		**(687)**	(19,741)
Cash and cash equivalents at start of year		**3,806**	23,547
Cash and cash equivalents at end of year		**3,119**	3,806

The notes on pages 106 to 118 form part of these Parent Company Financial Statements.

Notes to the Parent Company Financial Statements

For the year ended 30 June 2014

1 Basis of preparation
These Financial Statements represent the individual Parent Company (the "Parent Company").

The Financial Statements of the Parent Company for the year ended 30 June 2014, have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by European Union (the "EU") and as applied in accordance with the provisions of the Companies Act 2006.

The Parent Company's Financial Statements are presented in United States Dollars ("US$") and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

The IFRS Financial Statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 July 2013. New standards, amendments and interpretations effective in the year ended 30 June 2014 and standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these Financial Statements, which have not been adopted early, are described in detail in the Group's accounting policy on the pages 66 and 67 of the Consolidated Financial Statements.

2 Accounting policies
In addition to the accounting policies in note 1 to the Consolidated Financial Statements, the following accounting policies are relevant only to the Parent Company Financial Statements.

Investments in subsidiaries
Unlisted investments are carried at cost less provision for impairment.

Critical accounting estimates, judgements and assumptions
In the process of applying the Parent Company's accounting policies, which are described above and in note 1 to the Consolidated Financial Statements, the Directors have made judgements, estimations and assumptions regarding the future.

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.

The judgements, estimations and assumptions that have the most significant effect on the amounts recognised in the Financial Statements are detailed below.

(a) Value of the investments in subsidiaries
Investments in subsidiaries are carried at cost less provision impairment. Investments are reviewed for impairment if events or changes indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher.

3 Employees and Directors

	2014	2013
Administration staff (including Directors)	**28**	18
Average number of employees (including Directors)	**23**	13

In thousands of US$	2014	2013
Gross salaries (including Directors)	**7,282**	4,060
Social security costs	**874**	520
	8,156	4,580
Executive Directors' remuneration	**2,140**	995
Non-Executive Directors' fees	**285**	247
Share-based payments to Directors	**503**	517
	2,928	1,759

Details of Directors' remuneration are provided in the Directors' Remuneration Report on pages 53 to 57.

4 Profit for the year

The Parent Company has taken advantage of the exemption under section 408 (3) of the Companies Act 2006 and has not presented its Income Statement in these Financial Statements. The Parent Company's profit after tax for the year ended 30 June 2014 is US$12,125,000 (2013: loss after tax of US$18,004,756).

5 Property, plant and equipment

In thousands of US$	Total fixtures, fittings and equipment
Cost	
At 1 July 2012	186
Additions	40
At 30 June 2013	226
Additions	125
At 30 June 2014	**351**
Accumulated depreciation	
At 1 July 2012	84
Provided during the year	44
At 30 June 2013	128
Provided during the year	67
At 30 June 2014	**195**
Net book value	
At 30 June 2014	**156**
At 30 June 2013	98
At 1 July 2012	102

Notes to the Parent Company Financial Statements *continued*

For the year ended 30 June 2014

6 Available-for-sale investments

In thousands of US$	**2014**	2013
Investments into shares of listed entities:		
Richland Resources Limited	**230**	482
ZCCH-IM	**40**	–
Total available-for-sale investments	**270**	482

More details on the investments into Richland Resources Limited and ZCCH-IM are provided in note 12 to the Consolidated Financial Statements on page 85.

7 Investments in subsidiaries

In thousands of US$	Unlisted investments
Cost	
At 1 July 2012	131,592
Additions in the year	90,648
At 30 June 2013	222,240
Additions in the year	–
At 30 June 2014	**222,240**
Provision for impairment	
At 1 July 2012	(5,438)
Impairment charge	(3,830)
At 30 June 2013	(9,268)
At 30 June 2014	**(9,268)**
Net book value	
At 30 June 2014	**212,972**
At 30 June 2013	212,972
At 30 June 2012	126,154

Subsidiary undertakings
The list of subsidiary undertakings is disclosed in the note 17 of the Consolidated Financial Statements.

Joint operations and other listed investments
Details of the joint venture investment in Kariba Minerals Limited and available-for-sale investment in Richland Resources Limited and ZCCH-IM are disclosed in the note 12 to the Consolidated Financial Statement above.

8 Other non-current assets

In thousands of US$	2014	2013
Amounts due from joint venture	**2,507**	2,283
Deferred tax asset (note 15)	**3,403**	–
Total other non-current assets	**5,910**	2,283

9 Trade and other receivables

In thousands of US$	2014	2013
Amounts due from Group companies	**81,976**	57,980
Trade receivables	**480**	518
Other receivables and prepayments	**1,816**	1,725
Total trade and other receivables	**84,272**	60,223

All amounts shown under other receivables and prepayments fall due for payment within one year.

10 Inventories

In thousands of US$	2014	2013
Finished goods	**3,209**	5,340

11 Trade and other payables

In thousands of US$	2014	2013
Trade payables	**1,034**	2,125
Accruals and other payables	**4,340**	2,220
Amounts due to Group companies	**11,243**	11,594
Total trade and other payables	**16,617**	15,939

Intercompany balances incur no interest and are repaid when funds are available and are due on demand.

12 Interest bearing loans

In thousands of US$	2014	2013
Interest bearing loan from related party	**9,936**	–

Details of the interest bearing loan from related party are disclosed in note 20 of the Consolidated Financial Statements.

Notes to the Parent Company Financial Statements *continued*

For the year ended 30 June 2014

13 Finance income

In thousands of US$	2014	2013
Interest received	**701**	384
Exchange differences on translation	**–**	17
	701	401

14 Finance expense

In thousands of US$	2014	2013
Interest paid	**136**	–
	136	–

15 Current and deferred tax

In thousands of US$	2014	2013
Current tax	**671**	–
Deferred tax	**(3,403)**	–
Total tax credit	**(2,732)**	–
Profit/(loss) for the year	**9,393**	(18,005)
Expected tax charge based on the standard rate of the UK Corporation tax at the domestic rate of 21% (2013: 24%)	**1,973**	(4,321)
Adjusted for the effect of:		
Expenses not deductible for tax purposes	**409**	1,288
Group dividends not taxable	**(2,520)**	–
Carried forward tax losses	**–**	2,269
Movement in tax losses formerly not recognised	**(3,403)**	–
Tax losses generated in the period	**99**	–
Movement in other temporary differences not recognised	**(14)**	–
Foreign withholding tax	**671**	–
Non-deductible investment write off	**53**	764
Total tax credit	**(2,732)**	–

In the UK, the main rate of corporation tax was reduced to 23% as from 1 April 2013. Further reductions have reduced the main rate of corporation tax to 21% as from 1 April 2014 and 20% as from 1 April 2015.

15 Current and deferred tax *continued*

Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax assets are only recognised in relation to temporary differences which would give rise to deferred tax assets where it is considered probable that those temporary differences will be utilised in the foreseeable future, and therefore the asset is recoverable.

The movement on the deferred tax account is as shown below:

In thousands of US$	**2014**	2013
At 1 July	**–**	–
Tax losses	**3,403**	–
Recognised in the Income Statement in the year	**3,403**	–
At 30 June	**3,403**	–

At 30 June 2014 no deferred tax asset is recognised (2013: Nil) in relation to deductible temporary differences in the amount of US$5.2 million (2013: US$5.0 million) arising on the write off of available-for-sale investments.

16 Share capital

	2014		2013	
Share capital	**Number of shares**	**In thousands of US$**	Number of shares	In thousands of US$
Allotted, called up and fully paid				
Ordinary shares of 1p each				
At 1 July	**540,003,208**	**9,557**	324,706,551	6,169
Issued during the year	**805,001**	**13**	215,296,657	3,388
At 30 June	**540,808,209**	**9,570**	540,003,208	9,557

Details of the share option scheme are disclosed in note 25 of the Consolidated Financial Statements.

Notes to the Parent Company Financial Statements *continued*

For the year ended 30 June 2014

17 Financial instruments

The principal financial instruments used by the Parent Company, are detailed below:

Financial assets:
- trade and other receivables;
- cash and cash equivalents; and
- available-for-sale investments.

Financial liabilities:
- trade and other payables; and
- borrowings.

Financial assets

In thousands of US$	**2014**	2013
Financial assets at fair value:		
Available-for-sale investments	**270**	482
Total financial assets at fair value	**270**	482
Financial assets amortised cost:		
Trade receivables and other receivables[(a)]	**1,327**	1,155
Receivable from subsidiaries	**81,976**	57,980
Long-term receivable from Kariba Minerals Limited (joint venture)	**2,507**	2,283
Cash and cash equivalents	**3,119**	3,806
Total financial assets measured at amortised cost	**88,929**	65,224
Total financial assets	**89,199**	65,706

(a) Trade receivables and other receivables excludes prepayments.

The available-for-sale investments that are within the scope of IFRS 7 are Level 1, for which quoted prices on active market are available.

Financial liabilities

In thousands of US$	**2014**	2013
Financial liabilities at amortised cost:		
Trade payables and other payables	**5,374**	4,345
Amounts due to Group companies	**11,243**	11,594
Interest bearing loan from related party	**9,936**	–
Total financial liabilities measured at amortised cost	**26,553**	15,939

The Parent Company acted as a guarantor on the loan amount of US$6,762,000 (2013: US$11,595,278) taken by its subsidiary Kagem Mining Limited as at 30 June 2014, which was subsequently settled post year end. In August 2014, the Parent Company acted as a guarantor in relation to the US$20 million revolving credit facility entered into by Kagem Mining Limited with Barclays Bank Zambia plc. See note 30 to the Consolidated Financial Statements for further details. No liability was recognised in the Parent Company's accounts in respect of the bank guarantee as its fair value was considered immaterial.

17 Financial instruments *continued*

Fair value of financial assets and liabilities

At 30 June 2014 and 2013, the carrying value of the Parent Company's financial assets and liabilities approximated their fair values.

Financial risk management

The Parent Company is exposed to risks that arise from its use of financial instruments. The Directors have overall responsibility to determine the risk management objectives and policies of the Parent Company. While retaining the ultimate responsibility for them, the Directors have delegated the authority for designing and operating processes that ensure the effective implementation of these objectives and policies to the finance function of the Parent Company. The Directors regularly review the effectiveness of the processes put in place and, when required, approve specific policies and procedures designed to mitigate the financial risks.

There have been no substantive changes in the Parent Company's exposure to financial instruments risks other than stated in the note.

The principal financial instruments used by the Parent Company, from which financial risk arises, are as follows:

- cash and cash equivalents;
- trade and other receivables;
- available-for-sale investments;
- trade and other payables; and
- borrowings.

Credit risk

The Parent Company has limited credit risk because it does not ship gemstones sold to customers until payment has been received.

Cash and cash equivalents

In relation to its cash and cash equivalents, the Parent Company has to manage its currency exposures and the credit risk associated with the credit quality of the financial institutions in which the Parent Company maintains its cash resources.

Under the treasury policy of the Parent Company, approved by the Board and operated by the finance function, the corporate head office in London acts as the treasury centre of the Group. No cash resources controlled by the corporate treasury can be held with financial institutions with credit ratings lower than A–.

At 30 June 2014, 99% (2013: 99%) of the cash balance was held by Barclays Bank and the remaining 1% (2013: 1%) was held by other financial institutions.

Maximum exposure to credit risk

The Parent Company's maximum exposure to credit risk by class of financial instrument is shown in the table below:

In thousands of US$	**2014 Carrying value**	2013 Carrying value
Trade and other receivables	**1,327**	1,155
Receivable from subsidiaries	**81,976**	57,980
Long-term receivable from Kariba Minerals Limited (joint venture)	**2,507**	2,283
Cash and cash equivalents	**3,119**	3,806
Total	**88,929**	65,224

Notes to the Parent Company Financial Statements *continued*

For the year ended 30 June 2014

17 Financial instruments *continued*
Trade and other receivable maximum exposure to credit risk is limited to amounts owed by third parties.

The carrying value of financial assets that are past due or impaired is US$363,000 (2013: US$285,981).

Liquidity risk
Liquidity risk arises from the Parent Company's management of working capital. It represents the risk that the Parent Company will encounter difficulty in meeting its financial obligations.

The Parent Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Parent Company seeks to maintain cash at levels considered appropriate to meet ongoing obligations.

The Parent Company maintains an integrated business performance and cash flow forecasting model, incorporating financial position information, which is updated monthly.

The Parent Company's performance against budget and associated cash flow forecast is evaluated on a monthly basis. The Directors receive rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances and Parent Company's performance against budget. At the reporting date, these projections indicated that the Parent Company expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances.

The following table illustrates the contractual maturity analysis of the Parent Company's financial liabilities, including the liabilities that must be settled gross, based where relevant, on interest rates and exchange rates prevailing at the reporting date.

In thousands of US$	Trade payables	Other payables	Accruals	Payable to subsidiaries	Interest bearing loan from related party	Total
At 30 June 2014						
In one month	**–**	**–**	**–**	**–**	**–**	**–**
Between one and six months	**1,034**	**3,917**	**423**	**–**	**–**	**5,374**
Between six months and one year	**–**	**–**	**–**	**11,243**	**9,936**	**21,179**
	1,034	**3,917**	**423**	**11,243**	**9,936**	**26,553**
At 30 June 2013						
In one month	–	–	694	–	–	694
Between one and six months	2,125	–	1,526	–	–	3,651
Between six months and one year	–	–	–	11,594	–	11,594
	2,125	–	2,220	11,594	–	15,939

Interest rate risk
The Parent Company manages the interest rate risk associated with its cash assets by ensuring that interest rates are as favourable as possible, through the use of bank treasury deposits, whilst managing the access the Company requires to the funds for working capital purposes.

17 Financial instruments *continued*

Currency risk

Foreign exchange risk is inherent in the Parent Company's activities and is accepted as such. The majority of the Parent Company's costs are denominated in US$ or UK Pounds Sterling and hence the Parent Company holds the majority of its cash in these currencies.

At 30 June 2014 and 2013, the Parent Company's financial assets and liabilities were denominated in the following currencies:

In thousands of US$	Pounds Sterling	US$	Total
At 30 June 2014			
Cash and cash equivalents	**345**	**2,774**	**3,119**
Trade and other receivables	**68**	**81,908**	**81,976**
Long-term receivable from Kariba Minerals Limited	**–**	**2,507**	**2,507**
Interest bearing loan from related party	**–**	**(9,936)**	**(9,936)**
Trade and other payables	**(782)**	**(15,835)**	**(16,617)**
Net monetary assets/(liabilities)	**(369)**	**61,418**	**61,049**
At 30 June 2013			
Cash and cash equivalents	329	3,477	3,806
Trade and other receivables	637	58,498	59,135
Long-term receivable from Kariba Minerals Limited	–	2,283	2,283
Trade and other payables	(2,679)	(13,260)	(15,939)
Net monetary assets/(liabilities)	(1,713)	50,998	49,285

The Parent Company's functional currency is US$.

Other market price risk

The Parent Company generates revenue from the sale of rough and cut and polished gemstones. The significant number of variables involved in determining the selling prices of gemstones, such as uniqueness of each individual gemstone, the colour of the rough material and the ruling US$ spot rate at the date of sale make it difficult to accurately extrapolate the impact which fluctuations in emerald prices would have on the Parent Company's revenue.

Capital

The Parent Company seeks to maintain sufficient capital to enable its growth and safeguard its ability to continue as a going concern. Capital is defined as share capital, share premium, merger reserve, option reserve and retained deficit.

The primary objective of the Parent Company is maximising shareholder value, which, from the capital perspective, is achieved by maintaining the capital structure that is most suited to the Parent Company's size, strategy and underlying business risk. Currently, the Parent Company has not paid dividends, focusing instead on delivering capital growth. The Company had US$5 million (2013: Nil) debt facilities available, which were not drawn down as at 30 June 2014.

The Parent Company manages its capital adequacy structure by the issues of ordinary shares, raising debt finance where appropriate and managing the Parent Company cash and cash equivalents.

Notes to the Parent Company Financial Statements *continued*

For the year ended 30 June 2014

18 Capital commitments

At the year end, the Parent Company had no capital commitments (2013: Nil).

19 Related party transactions and ultimate controlling party

Balances at the end of the year:

In thousands of US$	**Amounts owed by related parties at 30 June 2014**	**Amounts owed to related parties at 30 June 2014**	Amounts owed by related parties at 30 June 2013	Amounts owed to related parties at 30 June 2013
Entities with significant influence over the Company[a]	**–**	**9,936**[1]	–	40
Subsidiaries (in respect of operating and capital expenditure)[b]	**81,976**	**11,243**	57,980	11,597
Joint ventures (in respect of operating and capital expenditure)[c]	**2,507**	**–**	2,283	–
Key management personnel of the entity[d]	**–**	**–**	–	88
Other related parties[e]	**53**	**98**	18	–

(1) US$10 million loan was received during the year. The year end balance is net of deferred finance costs, which are being amortised over the expected life of the loan.

Transactions during the year:

2014 **In thousands of US$**	**Goods/services sold by the Company to related parties**	**Goods/services purchased by the Company from related parties**	**Expenses paid by the Company on behalf of related parties**	**Expenses paid by related parties on behalf of the Company**	**Loans received by related parties from the Company**	**Finance charges charged to related parties by the Company**	**Loan balances repaid by related parties to the Company**	**Loans received by the Company from related parties**	**Finance charges charged by related parties to the Company**
Entities with significant influence over the Company[a]	–	–	–	–	–	–	–	10,000	97
Subsidiaries[b]	33,364	3,174	1,660	–	15,347	731	–	–	–
Joint ventures[c]	–	–	–	–	284	–	–	–	–
Key management personnel of the entity[d]	–	–	–	–	–	–	–	–	–
Other related parties[e]	82	510	–	–	–	–	–	–	–

19 Related party transactions and ultimate controlling party *continued*

2013 In thousands of US$	Goods/services sold by the Company to related parties	Goods/services purchased by the Company from related parties	Expenses paid by the Company on behalf of related parties	Expenses paid by related parties on behalf of the Company	Loans received by related parties from the Company	Finance charges charged to related parties by the Company	Loan balances repaid by related parties to the Company	Loans received by the Company from related parties	Finance charges charged by related parties to the Company
Entities with significant influence over the Company[a]	–	–	–	–	–	–	–	–	–
Subsidiaries[b]	3,682	1,644	1,355	109	31,526	–	34,991	–	–
Joint ventures[c]	–	–	10	–	1,452	–	–	–	–
Key management personnel of the entity[d]	4	–	–	–	–	–	–	–	–
Other related parties[e]	–	–	100	–	–	–	–	–	–

(a) The Pallinghurst Resources Fund L.P. ("PRF") owns combined direct and indirect interest of 47.87% in the Parent Company.
(b) Includes all subsidiaries listed in note 17 of the Consolidated Financial Statements. Gemfields plc acts as a guarantor for a US$6,762,000 outstanding loan (2013: US$11,595,278) taken by Kagem in Zambia, a 100% owned subsidiary of the Company (note 17 of the Consolidated Financial Statements).
(c) The Company had a receivable of US$2,507,000 (2013: US$2,283,375) from Kariba Minerals Limited (a joint venture) at the year end. This was in respect of operating and capital expenditure.
(d) All Directors of Gemfields plc are considered to be key management personnel. The list of all the Directors is set on pages 42 and 43.
(e) Other related parties include Pallinghurst Advisors LLP and Brian Gilbertson.

Pallinghurst Advisors LLP is based in the United Kingdom and acts as an investment adviser to Pallinghurst (Cayman) GP L.P. which is based in the Cayman Islands. Pallinghurst (Cayman) GP L.P. acts as investment manager to some of the Group's largest shareholders. See page 52 for information on the Company's significant shareholdings.

The Parent Company made payments to Pallinghurst Advisors LLP during the year in relation to expenses it incurred on behalf of the Parent Company. These expenses were mainly related to travel and administrative costs.

PRF is a subsidiary of Pallinghurst Resources Limited, which is listed on the Johannesburg Stock Exchange and Bermuda Stock Exchange. Brian Gilbertson is the Chairman of Pallinghurst Resources Limited, a Partner of Pallinghurst (Cayman) GP L.P. and a member of Pallinghurst Advisors LLP. Brian Gilbertson is the father of Sean Gilbertson, who is a Director of Gemfields plc and various other Gemfields plc Group companies.

All of the transactions with related parties disclosed above for the financial years ended 30 June 2014 and 30 June 2013 were carried out at arm's length.

There is no ultimate controlling party, see note 29 to the Consolidated Financial Statements for further details.

Notes to the Parent Company Financial Statements *continued*

For the year ended 30 June 2014

20 Commitments under operating leases

The Parent Company had total future commitments under non-cancellable operating leases as set out below:

In thousands of US$	**2014**	2013
Not later than one year	**284**	281
Later than one year but not later than five years	**84**	332
	368	613

Operating leases relate to rent of the main UK offices.

21 Share-based payments

Details of share-based payment are disclosed in note 25 of the Consolidated Financial Statements.

22 Impairment charge

An impairment review of the Parent Company's assets resulted in an impairment charge in relation to the carrying value of the available-for-sale investments in the prior year.

In thousands of US$	**2014**	2013
Investments		
Impairment of investment in Almizan Development Limited	**–**	(2,398)
Impairment of investment in Sarina Global Limited	**–**	(1,432)
Impairment of investments in subsidiaries (note 7)	**–**	(3,830)
Impairment of investment in Richland Resources Limited (note 6)	**(252)**	(635)
Impairment charge	**(252)**	(4,465)

At 30 June 2014, the market value of the Group's investment in Richland Resources Limited was US$230,000 (2013: US$482,379).

23 Events after the reporting period

In addition to the events after the reporting period reported in the Consolidated Financial Statements, the following event took place.

On 16 July 2014, the Company entered into a loan facility agreement with its 100% owned subsidiaries, Fabergé Services Limited and Fabergé Limited, for an aggregate amount of up to US$25 million. The applicable interest rate is stated as 3 month US Dollar LIBOR plus 4.5% until 30 June 2016. The loan is unsecured.

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