

# FOX MARBLE

FOX MARBLE  
HOLDINGS PLC  
ANNUAL REPORT  
& FINANCIAL STATEMENTS

2017





*Figure 1 – Freshly separated block at Maleshevë*

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*Figure 2 – Quarry Operations Maleshevë*



*Figure 3 – Breccia Paradisea block nearing the end of its cut on a gang saw in Fox Marble factory*

## Introduction

Fox Marble Holdings plc ("Fox Marble" or "Company") is a marble company focused on the extraction and processing of dimensional stone from quarries in Kosovo and the Republic of Macedonia. Established in 2011, Fox Marble has acquired the rights to over 300 million cubic metres of a range of premium quality marble. Fox Marble is the first UK quoted company investing and operating primarily in Kosovo, and the first to be producing and marketing high quality marble.

Fox Marble's long term goal is to expand its portfolio of quarries and production capacity, and to create a premium marble brand through which Kosovo and the region is established as a major centre of marble production.

## Highlights for the year ended 2017

- Marble processing factory completed in September 2017, with over 14,000 sqm of material processed up to 31 December 2017. The factory is capable of producing high quality slabs cut to internationally recognised standards to within a 2mm tolerance with a high quality finish.
- Total production of 8,811 tonnes of marble at the Prilep and Maleshevë quarries (2016 – 4,631 tonnes, of which 2,687 tonnes at Prilep and Maleshevë).
- Revenue for the year of €1.2 million (2016 – €0.8 million) with further advances of €0.4 million received. 4,641 tonnes of material sold in 2017 (2016 – 1,243 tonnes), together with over 5,000 sqm of processed material (2016 – 6,118 sqm).
- Operating loss for the year of €2.9 million (2016 – €3.0 million). Loss for the year of €3.4 million (2016 – 2.7 million). The increase in overall loss is caused by an increase in finance costs in the year.
- New sales contract entered into with OM Enterprises ("OM") in September 2017 to purchase a minimum of 5,000 tonnes of material over the next three years. OM has paid a \$500,000 advance payment in respect of the first 2,500 tonnes of material.
- Three year sales agreement signed with Mr Shailesh Patil. Subject to achieving a minimum commitment of 3,000 tonnes per annum and payment of a £0.5 million advance, the agreement grants exclusivity over the GCC (Gulf Cooperation Council) region. The minimum commitment under the Agreement equates to approximately €0.6 million to €0.8 million per annum.
- Recurring block orders to large wholesalers in India and Turkey, including Mahadev Marble Pvt, RK Marble Pvt, and Simsekler Dogaltas Madencilik A.S totalling €0.5 million.

## Highlights year to date 2018

- Successful share placing completed in January 2018 raising £2.8 million through the issue of 26,283,331 ordinary shares at 10.5p. The Company simultaneously issued 7,457,140 shares to discharge £783,000 of the Company's outstanding loans and other liabilities to certain Directors and to Brandon Hill Capital Limited.
- On 30 January 2018 the Company repaid the Series 1 Loan Note due to Amati Global Investors Limited in the amount of €1.1 million and repaid the short term borrowings due to Peers Hardy (UK) Limited in the amount of €0.6 million.
- Following the repayment of debt completed on the 31 January 2018, and through the issue of shares, the debt outstanding in the Company as at 30 April 2018 was reduced to €0.76 million in the form of unsecured convertible loan notes.
- Cash balance as at 30 April 2018 of €0.4 million.
- Capital investment made in the quarries to support increased production in 2018 of €0.5 million, together with the purchase, installation and commissioning of a state of the art CNC machine to allow bespoke cut to size polished slabs and tiles to be produced in the factory.





*Figure 4 – Tiles order being prepared for shipment*



*Figure 5 – CNC machine cutting marble tiles to size*

## Chairman's statement

I'm pleased to present my report for the year ended 31 December 2017. The Company has made important progress over the year, and whilst sales have been lower than expected the business, particularly after the recent fundraising and repayment of debt, is on a firmer financial footing than it was a year ago. Our factory in Kosovo is now fully operational, we have entered into a number of promising sales agreements, and we are beginning to see momentum building in the demand for our marble.

Our long term goal is to expand our production capacity, and to create a premium marble brand through which Kosovo and the region is established as a major centre of marble production in the world. Our detailed strategy together with our strategic objectives for 2018 are set out clearly in the Strategic Report section of this Annual Report. Throughout 2018 we will focus on developing our quarries and expanding production, increasing production of processed material at our factory, supplying quality stone to our existing customers, widening our customer base and identifying new markets. The Board remains dedicated to ensuring that our systems and controls are fit for purpose as the business grows and that our employees are appropriately looked after by ensuring high standards of training and workplace safety.

Over the course of 2017, Fox Marble focused on the development of the M3 quarry in Maleshevë, where Illirico Selene and Illirico Bianco are produced. The market for this marble is proving to be very promising and the Company has sold over 1,900 tonnes of this material. 2017 saw a fourfold increase in production at this quarry and a new quarry face has been opened to further expand production. The Company's other operational quarries at Cervenillë, Syriganë, and Prilep will be operated in line with demand. The fundraising in January 2018 has enabled the Company to invest in replacement and additional quarrying equipment which will be key enabling the Company to increase production over the coming year.

Our marble processing factory in Lipjan, Kosovo, is producing polished marble slabs to a high degree of finish and precision. The factory, which is the first of its kind in the Balkans, provides a clear route to the local tile and slab market as well as significantly reducing the costs of processing our marble. The completion of the factory and the quality of material being produced marks a major milestone, not only for the Company but also for Kosovo's marble industry and we expect to see significant growth in the sale of material processed in house in the year ahead.



*Figure 6 – Blocks of Illirico Selene newly cut from the bench*



Although sales in 2017 were lower than expected, we are beginning to see momentum build as demand for our marble increases. We have entered into sales agreements with Mahadev Marmo PVT Ltd, RK Marble Pvt Ltd, and OM Enterprises in India, and Simsekler Dogaltas Madencilik AS in Turkey for block marble. Additionally we have also entered into distribution agreements in the USA and Middle East for cut and polished slabs and we continue to supply marble for high-end developments in London, elsewhere in the UK and Australia.

The results for the year reflect on-going costs incurred in developing our quarries, quarry operating expenses, overhead expenditure and financing costs. The loss for the year of €3.4 million is higher than in 2016 due to higher financing costs and increased inventory provisions. Costs and cash continue to be managed very tightly. Net cash at 31 December 2017 was €0.5 million and at 30 April 2018 was €0.4 million.

Stone Alliance, 59% owned by Fox Marble, now has exclusive rights for a 40 year period to 40 quarry sites. The initial stages of fundraising for this significant project have commenced and we hope to be able to report further progress in the year ahead.

I would like to thank all of our employees who work incredibly hard, and importantly, have embraced our vision to establish Kosovo as a major supplier of high quality marble worldwide.

I remain confident in the prospects and potential for Fox Marble. Our objectives for 2018 are to achieve notably higher sales and to significantly reduce operating losses. This will be critically dependent on the Company's ability to produce sufficient quantities of material to satisfy existing orders as well as to win new orders.

**Andrew Allner**

Non-Executive Chairman

10 May 2018

**Reports**

Pages 8 to 21 comprise the Strategic report, pages 24 to 28 the Report of the Directors and pages 29 to 31 the Directors' Remuneration Report, all of which are presented in accordance with English company law. The liabilities of the directors in connection with these reports shall be subject to the limitations and restrictions provided by such law. These reports are intended to provide information to shareholders and are not designed to be relied upon by any other party of for any other purpose.

**Disclaimer**

This annual report and accounts may contain certain statements about the future outlook for Fox Marble Holdings Plc and its subsidiaries. Although we believe our expectations are based on reasonable assumptions, any statement about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

## Strategic Report

### Our Vision

- **Establish Kosovo and the Balkans as a centre for marble, providing a core business on which to build a new stone industry in the region**
- **Build on the unique opportunities of a large resource, low costs of production, a highly trained workforce and proximity to major markets, to create a profitable business.**
- **Bring premium quality marble to the global market in volume and at competitive prices.**

#### *Sales and marketing*

Fox Marble's sales strategy is built around a diverse sales team comprising both staff and partners, with many years' stone industry experience between them, operating from key hubs in the UK, US, Italy, SW Balkans, India and China.

The team has concentrated its efforts on sales to large prestigious projects covering a range of domestic, commercial, educational and religious buildings. We have also focused on high volume/high turnover wholesale customers as well as creating a rapidly expanding wider customer portfolio for both blocks and slabs. Our clients range from designers and architects to block dealers, stone processors and smaller wholesalers.

Following the US\$1.8m sale and purchase agreement with Mahadev Marmo PVT Ltd ("Mahadev") announced in February 2017, the Company has made further progress in India. We are making regular block sales to major marble wholesalers, including Mahadev and RK Marble Pvt Ltd, one of the largest marble companies in the world. Materials sold include Illirico Selene, Alexandria White, Breccia Paradisea and Argento Grigio.

In September 2017, Fox Marble signed a sales agreement with OM Enterprises, a leading tile manufacturer based in Kolkata, India, to purchase a minimum of 5,000 tonnes of material over three years which included the payment of a US\$500,000 advance. In 2017, 536 tonnes of material was shipped to OM Enterprises, with a further 600 tonnes of material selected in 2018 following resumption of quarry production after the winter shutdown.

In 2017, we entered into a €400,000 sales contract with Simsekler Dogaltas Madencilik A.S, a premier natural stone group in Turkey to supply Illirico Selene and Alexandrian White marble. We shipped over 1,100 tonnes of material to them during 2017. Simsekler owns 9 marble quarries in Turkey as well as 3 factories and 2 showrooms, and warehouses located in Ankara and Istanbul. We have received further orders in 2018, and anticipate that Simsekler will remain a substantial customer for Fox Marble.



**Figure 7 – Illirico Bianco flooring installed at Lillie Square**



**Figure 8 – Cleansing altar carved from Alexandrian White**

In August 2017, Fox Marble signed a Memorandum of Understanding with Pristine Stone NYC LLC, a natural stone importer and distributor in the USA, to establish a new distribution outlet for Fox Marble products in the United States. Under the three-year agreement, Pristine Stone will act as a marketing, sales and distribution agent for the marble material produced by the Company. The marble supplied to Pristine Stone will be cut and polished into slabs and tiles at our own processing factory in Lipjan, Kosovo, before being shipped to the United States. Pristine Stone's management team has over twenty years' experience in the stone industry including sales, fabrication, and installation.

In December 2017, Fox Marble signed a three-year sales agreement with Mr Shailesh Patil. Subject to achieving a minimum commitment of 3,000 tonnes per annum, the agreement confers upon Mr Patil exclusivity as Fox Marble's distributor for GCC nations, comprising Oman, Qatar, Saudi Arabia, Bahrain, Kuwait and the UAE. The minimum commitment under the agreement equates to approximately €600,000 to €800,000 per annum. As part of the agreement, Mr Patil committed to a £500,000 advance payment to be offset against future orders.

We are continuing to make sales of processed marble slabs to installers and developers, including luxury developments in London.



### Factory



**Figure 9 – View of the resin ovens in the factory allowing slabs to be treated prior to polishing. In the foreground a slab of Rosso Cait with resin freshly applied waits to be added to the line.**

A 5,400 square metre double skinned steel factory for the cutting and processing of blocks into polished slabs and tiles has been erected on a 10-hectare site that the Company acquired in Lipjan, close to Pristina airport in Kosovo.

The Company is pleased to confirm that the factory, sited in Lipjan Kosovo, became fully operational in Q4 2017. The gangsaws, resin line, and polishing line are fully installed, commissioned and operational, and are processing the Company's block marble. The factory is the only one in the Balkans region that includes a resin line – essential for producing slabs and tiles to internationally accepted standards of finish.

The slabs produced have been assessed by experts in the field and are cut to within a 1mm tolerance on thickness, quality comparable to that produced by industry leading processors in Carrara, Italy with high level finishes.

The factory has already processed over 14,000 square metres of block marble from its quarries in Kosovo and Macedonia, and is polishing this to fulfill current orders, including supplying Marble Dino SH.pk in Kosovo with processed slabs under the terms of the offtake agreement signed in 2015.

Production at our own factory in Kosovo provides several key benefits to the Company:

- Reduction in the cost of processing, increasing the margins on the sale of processed slabs and tiles. Previously, the Company has relied on processing facilities provided by third parties in Italy and Albania. This involved additional costs for both processing, transport and storage.
- Access to the local Balkans market where we are the only domestic supplier of slabs and tiles.
- Entry into the international tile market helped by the lower cost base that the factory will provide.

- Improvement in quarry yields as we can process more marginal blocks that would not be attractive to our international block customers due to shipping and tariff costs.
- Greater flexibility in responding to our customers' needs as we will no longer have to rely on third party processing.

We have engaged additional specialist sales resources to handle the anticipated increase in the sale of processed marble from Fox Marble.



**Figure 10 – Three slabs of Illirico Bianco being polished in the Fox Marble factory. Polishing heads rotate at high speed across the slabs to provide high quality finish.**

### **Quarry Operations**

#### **Maleshevë**

In July 2013, the Company acquired the rights to the Maleshevë quarry in Kosovo from a local company. The licence to the quarry is for 20 years with an irrevocable option to extend the period by a further 20 years thereafter. The Company incurs a royalty of 20% on net profit generated from the sale of block marble to the previous licence holder of the quarry.

In October 2015, the Company acquired the rights to a further 300-hectare site close to the Company's existing licence resource in Maleshevë from a local company. By November 2015, this quarry had been opened and the first blocks extracted and sent for testing. As the two Maleshevë quarries are adjacent, operational efficiencies can be achieved.

These quarries contain a mixture of Illirico Bianco, Illirico Superiore and the silver-grey marble Illirico Selene. The initial market response to both the Illirico Selene and Illirico Bianco was significant and to address this anticipated demand the Company has invested significant resources and effort since 2016 to accelerate the development of these quarries to produce multiple open high volume benches capable of producing blocks in the quantities to meet demand. The Company quarried 6,526 tonnes during the 2017 year (2016 – 1,255 tonnes) focussing on marble block quality, which has improved as further benches have been opened, and deepening and expanding the existing benches. Due to space constraints on the existing quarry face, we have opened a second quarry face from the other side of the stone mass, which will allow us to increase the rate of block production.



The strategic focus on the development of the Maleshevë quarry in 2016 has proved sound with over 1,900 tonnes of Illirico Selene sold in 2017. We have continued to focus production efforts in Kosovo on the Maleshevë quarry, as demand for our Illirico Selene is currently outpacing our level of production.

The Illirico Superiore has been specified, delivered and installed for both the penthouses and common area of the new, prestigious Lillie Square development in London.



**Figure 11 – The quarry at Maleshevë**

### **Prilep**

The Company entered into an agreement to operate a quarry in Prilep, Macedonia in 2013. The agreement is for a period of 20 years with an irrevocable option to extend the period for a further 20 years thereafter. The Prilep quarry contains a highly desirable white marble. This is one of a small cluster of quarries, in the Stara river valley overlooked by the Sivec pass.

The Prilep Alpha quarry is controlled by a local partner who has appointed Fox Marble to operate the quarry on its behalf. Fox Marble will receive 42.5% of the gross revenue from the sale of all block marble from this quarry and is responsible for the costs associated with extracting the marble from the quarry. The Company has the rights to an additional quarry nearby, Prilep Omega, which it acquired in 2014.

Following a copyright dispute over the rights to use the name "Sivec" for the Company's white dolomitic marble quarried in Macedonia, Fox Marble has relaunched its white marble under the trade name Alexandrian White.





**Figure 12 – Operations at the Prilep Quarry**

Stone from the Pelagonian marble crescent is now extracted by several independent operators, each using its own brand name. Polaris, Sivec, Veprcani White, Sivec Snow White and our own Alexandrian White are current examples. All Pelagonian dolomitic marble is distinguished by its whiteness and homogeneous crystalline and micro-granular structure. Other common characteristics are the high proportion of magnesium oxide (the defining characteristic of dolomitic marble), limited presence of other minerals, an average pressure resistance of 160MPa and porosity below 1%. Once processed, it is highly reflective and is an ideal 'cool' marble for use in hot climates. However, it works equally well in cold climates where its compact and uniform internal structure makes it resistant to ice and extreme cold.

#### ***Cervenillë***

This site was the first of our quarries to be opened in November 2012. It is being exploited across three separate locations (Cervenillë A, B & C) from which red (Rosso Cait), red tinged grey (Flora) light and darker grey (Grigio Argento) marble is being produced in significant quantities. The polished slabs from this quarry have sold well. The most noteworthy sales included those to St George PLC (Berkeley Homes) for the prestigious Thames riverside Chelsea Creek development.

In 2016, the decision was made to focus quarry resources at the nearby Maleshevë quarry in order to accelerate development to address expected demand. Quarry staff and equipment were therefore re allocated from this quarry. The quarry remains open and quarrying can be restarted at all three sites at less than three weeks' notice.

#### ***Syriganë***

The quarry at Syriganë is open across four benches. The site contains a variety of the multi-tonal breccia and Calacatta-type marble and produces significant volumes of breccia marble in large compact blocks. Output is marketed as Breccia Paradisea (predominantly grey and pink) and Etrusco Dorato (predominantly gold and grey).

<i>Licence area</i>	<i>Country</i>	<i>Status</i>	<i>Marble Type</i>	<i>Reserve Volume</i> (million m <sup>3</sup> )	<i>Production Volume</i> <sup>(4)</sup> (tonnes)
<b>Cervenillë</b>	Kosovo	Operational – commercial levels of blocks extracted	Rosso Cait, Grigio Argento, Flora	32.51 <sup>(1)</sup>	14,513
<b>Verrezat</b>	Kosovo	Site opened – ready for extraction	Rosso Cait, Grigio Argento, Flora	16.83 <sup>(1)</sup>	–
<b>Antenë</b>	Kosovo	Site not currently operational	Black	97.24 <sup>(2)</sup>	–
<b>Pejë</b>	Kosovo	Site not currently operational	Honey Onyx	42.10 <sup>(1)</sup> & 101.17 <sup>(2)</sup>	–
<b>Syriganë</b>	Kosovo	Operational – commercial levels of blocks extracted	Breccia Paradisea, Etruscan Dorato	36.62 <sup>(2)</sup>	12,230
<b>Maleshevë</b>	Kosovo	Operational	Illirico Bianco, Illirico Selene	4.75 <sup>(3)</sup>	8,279
<b>Drini</b>	Kosovo	Site not currently operational	Grey Emperador	Not measured	–
<b>Prilep Alpha</b>	Macedonia	Operational – commercial levels of blocks extracted	Alexandrian White	Not measured <sup>(5)</sup>	5,606
<b>Prilep Omega</b>	Macedonia	Under development	Alexandrian White	Not measured <sup>(5)</sup>	–

(1) Indicated resource – as indicated by the Competent Persons Report prepared by Dr Magne Martinsen of Golder Associates in 2012

(2) Inferred resource – as indicated by the Competent Persons Report prepared by Dr Magne Martinsen of Golder Associates in 2012

(3) 2005 US Aid report.

(4) Total production volume to 31 December 2017. One cubic metre of marble weighs approximately 2.7 tonnes.

(5) Internal surveys performed by the Company on the Prilep quarries indicate an initial volume of 0.2 million m<sup>3</sup> based on the first phase of quarry development plans.

## Financing

On 19 January 2018, the Company issued 26,283,331 new Ordinary Shares with a nominal value of £262,833 at a price of 10.5 pence per share to raise £2,759,750. Proceeds from the placing and subscription were used to fund the expansion of production capabilities at Fox Marble's quarries and factory, to repay existing debt obligations and to provide the Company with additional working capital as demand increases as it continues to develop sales channels.

In addition, the Company discharged £783,000 of its outstanding loans and other liabilities by the issue of a further 7,457,140 new Ordinary Shares to certain Directors and to Brandon Hill Capital Limited at a price of 10.5 pence per share.

On 30 January 2018, the Company settled outstanding liabilities in relation to the Series 1 Loan Note due to Amati Global Investors Limited and all liabilities in relation to the short term borrowings due to Peers Hardy (UK) Limited.

The combined impact of the repayments made and the discharging of liabilities has reduced the Fox Marble Holdings Plc borrowings from £2,710,000, to £675,000 as at 31 January 2018 thereby improving the strength of the group balance sheet as the Company moves forward.

## Stone Alliance Project

In October 2016 Fox Marble announced that Stone Alliance LLC, a new company formed and 59% owned by Fox Marble signed a non-binding Memorandum of Understanding with the Parliament of Kosovo with the aim of creating a world class new stone industry for Kosovo. The Company has been granted Commercial Advocacy by the Advocacy Centre of the United States Department of Commerce, ensuring the company benefits from the active support of

the US Government. Through submission of exploration licences, Stone Alliance now has exclusive rights for a 40 year period to 40 quarry sites offering a variety of marble and dimension stone. Stone Alliance intends to raise a minimum €100m from external sources to facilitate the opening of 40 proposed marble quarries and factories over a five year period in the region with a view to establishing Kosovo as a global presence in the stone industry, creating in excess of 2,000 jobs.

Fox Marble's role, in addition to being a major shareholder within the Stone Alliance project, will be as follows:

- To provide expertise on technical matters, including quarry operations, gained from being the sole marble quarry owner and operator in the region; in addition Fox Marble will provide management and strategic services to Stone Alliance in the initial phases of the operations allowing Stone Alliance to progress more quickly in its development. These services will be provided by Fox Marble at cost plus an agreed margin.
- To provide the sales and marketing platform to sell Stone Alliance material. Fox Marble will provide access to its customer database and use of the Fox Marble brand to facilitate the entry of the Stone Alliance product to the market. Fox Marble will act as a sales agent and in return it will earn a commission on sales of the Stone Alliance product.
- The Chairman and CEO of Fox Marble Holdings Plc will both sit on the board of Stone Alliance.



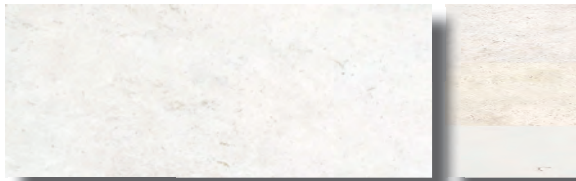
***Figure 13 – Newly processed slab of Selene at the Fox Marble factory***



## Strategic objectives for 2018

	<i>Benefits</i>	<i>Link to Risks</i>	<i>KPI</i>
<p><b>Quarry development and production</b></p> <p>A key focus for 2018 will be the continued development of the quarry sites to increase levels of production, as well as the size and quality of blocks produced. To achieve this the Company is investing in quarry equipment, staff training and opening new benches and faces where appropriate. Our target for 2018 is production of 20,000T of high quality marble blocks.</p>	Sales growth and reduction in cost per tonne of marble produced.	Quarry development risk	<ul style="list-style-type: none"> <li>• Production Tonnage</li> <li>• Gross margin</li> </ul>
<p><b>Workplace safety</b></p> <p>The Group's aim is to achieve and maintain a high standard of workplace safety. In order to do this the Group will continue training and supporting employees and set demanding standards for workplace safety.</p>	Confident, capable and safe workforce	Operational risk	<ul style="list-style-type: none"> <li>• Number of significant near misses and reported injuries</li> </ul>
<p><b>In house production of slabs and tiles</b></p> <p>In 2018 the Company aims to increase slab production at the factory, and use the recently installed CNC (Computer Numerical Controlled) machine to produce bespoke cut to size marble products efficiently. Our target is the production of in excess of 40,000 sqm of saleable processed material in 2018.</p>	Entry into processed marble market, and local Balkan market	Operational risk	<ul style="list-style-type: none"> <li>• Processing volume</li> <li>• Gross margin</li> </ul>
<p><b>Maturing key sales relationships</b></p> <p>A central focus of 2018 will be the development of key sales relationships to establish a reliable recurring sales base through existing customer relationships and agreements and driven by the increased quarry production.</p>	Sales growth and financial stability	Production and sales risk	<ul style="list-style-type: none"> <li>• Sales volumes</li> </ul>
<p><b>Widening customer base and new markets</b></p> <p>In 2018, a strategic focus of the Company will be to expand its customer base, this will include a focus on online sales activities and modernising marble marketing and sales, and targeting of new markets in GCC and Asia.</p>	Sales growth	Production and sales risk	<ul style="list-style-type: none"> <li>• Customer numbers</li> <li>• New customer orders</li> </ul>
<p><b>Systems and Quality control</b></p> <p>Serving our clients in the stone industry requires the Company to be flexible and responsive to orders as they arrive and be able to ensure consistency of output. To achieve this a key strategic objective for 2018 will be the development of systems and processes to handle large volumes of orders efficiently and to a high level of satisfaction.</p>	Efficiency and high customer satisfaction.	Operational risk	<ul style="list-style-type: none"> <li>• Recurring orders for processed material.</li> <li>• Time between order and delivery</li> </ul>
<p><b>Cost containment</b></p> <p>Containment of both production and processing costs and overheads remains one of the central elements of the Fox Marble business plan.</p>	Competitive pricing	Operational risk	<ul style="list-style-type: none"> <li>• EBITDA</li> </ul>

## The Fox Marble Collection



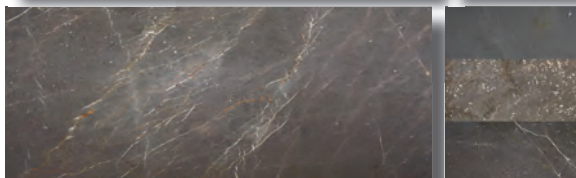
**Illirico Bianco** is our benchmark Kosovo white stone. Colour ranges from warm cream to white. It has an attractive fossil pattern which directly complements its twin, the grey Illirico Selene, with which it occurs in alternating layers in our Malishevë quarry.



**Illirico Superiore** is a deep quarry high-grade compact warm white stone. This is an exceptionally fine and compact variant of Illirico Bianco from Malishevë. Colour variation is similar but, with many fewer fossils and it resembles the finest Portland stone although harder.



**Alexandrian White** is a predominantly white, fine-grained sculpture-grade dolomitic marble. Quarried at our Prilep Alpha quarry in Macedonia, the grey marking on this stone can vary from largely linear stripes to an attractive dappling.



**Grigio Argento** ranges in colour from almost blue grey to a slightly warmer tone. It has an impressive dense quality and attractive white to gold veining. It can be quarried and processed to maximise or minimise the presence and effect of fossils. This versatile stone comes from our Cervenillë quarry in Kosovo.



**Illirico Selene** is one of our most sought after stones. A unique silver grey in colour, it occurs in alternate bands many metres thick with its twin, Illirico Bianco. Similar in composition and patterning to the Bianco, this stone works equally well on its own or paired with its twin.



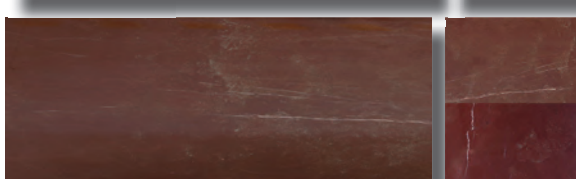
**Flora** comes from the same quarry as the Grigio Argento and Rosso Cait, this is both technically similar to them and transitional between them in colour. The transitional character of the stone yields a broad colour and pattern range.



**Breccia Paradisea** is one of two fine and crystalline breccias from Syrganë in northern Kosovo. It has red as the highlight colour over the grey and white background it shares with its twin, Etrusco Dorato. The gold of the Etrusco lifts the other colours where it is present.



**Etrusco Dorato** exhibits a dominant gold colour over a grey and white field, complemented by the reds also to be found in the Breccia Paradisea. Single slabs are striking. Book matched they are stunning. Book matching is illustrated at [www.foxmarble.net](http://www.foxmarble.net).



**Rosso Cait** is the red compliment to Grigio Argento and Flora and comes from the same quarry, Cervenillë. This stone, which exhibits some colour and fossil marking variation, works well as a highlight or bold statement colour.

## Results and Dividends

<i>Key Performance Indicators</i>	<b>2017</b>	<b>2016</b>
<b>Number of operational quarries</b>	4	4
<b>Quarry production (tonnes)</b>	8,812	4,631
<b>Revenue</b>	€1,203,270	€801,040
<b>Average recorded selling price (blocks per tonne)</b>	€170	€171
<b>Average recorded selling price (slabs per sqm)</b>	€72	€75
<b>EBITDA</b>	(€2,802,437)	(€2,850,915)
<b>Operating loss for the year</b>	(€2,933,443)	(€3,044,915)
<b>Loss for the year</b>	(€3,437,389)	(€2,756,417)
<b>Expenditure on property, plant and equipment<sup>(1)</sup></b>	€496,366	€1,307,105

(1) Expenditure on property, plant and equipment in 2016 includes €250,957 of block marble paid in partial consideration for the acquisition of plant and equipment for the factory site.

The Group recorded revenues in the year of €1,203,270 (2016 – €801,040). The Group incurred an operating loss of €2,933,443 for the year ended 31 December 2017 (2016 – €3,044,915). The operating loss reflects the costs incurred to bring the quarries to a stage required for production of more consistent and larger block sizes. Additionally the Group has invested in targeted marketing activity to increase its worldwide presence through attendance at industry fairs and key events.

The Group incurred a loss after tax for the year ended 31 December 2017 of €3,437,389 (2016 – €2,756,417). The increase in loss in the year was driven by a higher finance charge of €503,946 (2016 – gain of €42,492). Further in 2016 a fair value gain on the Series 1 convertible loan notes of €246,006 was recognised, with no equivalent gain recognised in 2017. The higher finance charge in 2017 is driven by a charge arising on the movement in the fair value of the derivative arising on the convertible loan notes of €303,369 (2016 – €44,758), interest expense on borrowings of €300,884 (2016 – €147,545) as a result of higher levels of debt in the Group and a lower foreign exchange gain recognised of €99,846 (2016 – €244,900).

### *Reconciliation of EBITDA to loss for the year*

	<i>Year to 31 December 2017</i>	<i>Year to 31 December 2016</i>
	€	€
Loss for the year	(3,437,389)	(2,756,417)
Plus/(less):		
Net finance (costs)/income	503,946	(42,492)
Fair value adjustment of convertible loan notes	–	(246,006)
Depreciation	99,194	126,889
Amortisation	31,812	65,311
EBITDA	(2,802,437)	(2,850,915)

The Company does not anticipate payment of dividends until its operations become significantly cash generative.



## Sustainable development

Fox Marble aims to build and maintain relationships based on trust and mutual benefit with its stakeholders. Preventing and managing social and environmental risks, while seeking opportunities for improvement, are critical to maintaining the Group's competitiveness and capacity to grow.

### Risk

Fox Marble recognises that risk is inherent in all of its business activities. Its risks can have a financial, operational or reputational impact. The Company's system of risk identification, supported by established governance controls, ensures that it effectively responds to such risks, whilst acting ethically and with integrity for the benefit of all of our stakeholders.

Once identified, risks are evaluated to establish root causes, financial and non-financial impacts, and likelihood of occurrence. Consideration of risk impact and likelihood is taken into account to create a prioritised risk register and to determine which of the risks should be considered as a principal risk. The effectiveness and adequacy of mitigating controls are assessed. If additional controls are required, these will be identified and responsibilities assigned.

The Company's management is responsible for monitoring the progress of actions to mitigate key risks. The risk management process is continuous; key risks are reported to the Audit Committee and at least once a year to the full Board.

The following risk factors, which are not exhaustive, are particularly relevant to the Group's business activities:

#### *Operational risks*

The activities of the Group are subject to all of the hazards and risks associated with natural resource companies. These risks and uncertainties include, but are not limited to, environmental hazards, industrial accidents, geological problems, unanticipated changes in rock formation characteristics, encountering unanticipated ground or water conditions, land slips, flooding, levels of wastage, periodic interruptions due to the interruption of utilities, inclement or hazardous weather conditions and other acts of God or unfavourable operating conditions.

Should any of these risks and hazards affect the Group's operations, it may cause the cost of production to increase to a point where it would no longer be economic to extract stone from the Group's properties, require the Group to write-down the carrying value of one or more quarries, cause delays or a stoppage of mining and processing, result in the destruction of mineral properties or processing facilities, cause death or personal injury and related legal liability, any and all of which may have a material adverse effect on the Group.

Risks to personnel are mitigated through the implementation of robust health and safety training and practices, supported by detailed procedures. Oversight of the Group's procedures lies with the Board of Directors. The Group has instilled a zero tolerance attitude for safety incidents at all levels of operations, with rules incorporated into operational procedures, safety manuals and all communications on safety. All significant incidents on site are required to be reported to the Board of Directors. No significant incidents were recorded in the current year. Other operational risks are mitigated through the use of trained personnel, detailed monitoring of operations on a technical and geological basis to ensure that issues are identified and addressed promptly.

#### *Quarry development risk*

A number of the Group's quarries are at an early stage of development. As a result, there can be no assurance that the colour, texture, quality and other characteristics of the marble slabs processed and blocks mined from the quarries will be consistent with the material that has been quarried to date. In addition, the mineralogical and chemical composition, bulk density, hardness, water absorption and mechanical properties of marble quarried may change as the resource is further exploited. In the event that the marble extracted is of a lower quality than expected, then demand for, and the realisable price of, the Group's marble may be lower than expected.

The Group mitigates these risks with the use of highly trained quarry personnel and geologists, and the detailed assessment of the resource including, where appropriate, drilling, technical surveys and third party reviews. Further, the Group maintains a broad portfolio of quarry projects and prospects with sufficient potential in terms of inferred and indicated resources.

#### *Production and sales risk*

There can be no assurance that the Group will be profitable in the future. The Group expects to continue to incur losses unless and until such time as some or all the quarries are at a level of development which allows the

production of commercially significant volumes of material and generate sufficient revenues to fund continuing operations.

The Group is at an early stage in the development of its sales and customer base. The Group's level of historical sales is low and the volume of sales is anticipated to grow significantly over the next twelve months. The Group has invested in the development of its customer base through marketing initiatives to develop awareness of its brand and product.

To mitigate production risk, quarry operations have approved business plans and targets while working within strict working capital controls and robust budgeting and cost control processes.

#### ***Environmental risks and hazards***

All phases of the Group's operations are subject to environmental regulation in Kosovo and Macedonia. Environmental legislation is evolving in a manner that may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Group's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Group holds interests that are unknown to the Group at present and that have been caused by previous or existing owners or operators of the properties.

To mitigate this risk, the Group has developed and is rolling out policies and procedures to ensure environmental standards are met in excess of current local legislation. The Group will continue to monitor evolving standards within each of its operating environments.

#### ***Political and regulatory risk***

The Group's operating activities are subject to laws and regulations governing expropriation of property, health and worker safety, employment standards, waste disposal, protection of the environment, mine development, land and water use, mineral production, exports, taxes, labour standards, occupational health standards, toxic wastes, the protection of endangered and protected species and other matters.

Kosovo has less developed legal systems than more established economies which could result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters.

To mitigate this risk the Group takes an active role in industry and other stakeholder engagement processes with the local government.

#### ***Key personnel risk***

Key personnel risk is the risk of losing either a member of the Board or one of the Group's key quarrying or sales professionals. This could have an adverse effect on the ability of the business to complete its operational plans.

To mitigate this risk, the Company's management has put in place plans to ensure skills development and retention and proactive recruitment processes are in place.

#### ***Capital risk***

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet, plus net debt.

The Group's activities expose it to a number of risks including cash flow risk, liquidity risk and foreign currency risk. Disclosure of management's objectives, exposure and policies in relation to these risks can be found in note 22 to these financial statements.

Finally I would like to thank all our staff and our Board colleagues for their unstinting efforts on behalf of Fox Marble.

On behalf of the board

**Chris Gilbert**

Chief Executive Officer

10 May 2018



## Directors



***Andrew Allner, Non-Executive Chairman***

Andrew is currently Non-Executive Chairman of The Go-Ahead Group plc and SIG plc. He is a Non-Executive Director of Northgate plc. He was Non-Executive Chairman of Marshalls and Non-Executive Director and Chairman of the Audit Committee of CSR plc and Senior Independent Director and Chairman of the Audit Committee of AZ Electronic Materials SA. Previously Andrew was Group Finance Director of RHM plc, taking a lead role in its flotation on the London Stock Exchange and its subsequent sale to Premier Foods plc. He was CEO of Enodis plc and also served in senior executive positions with Dalgety plc, Amersham International plc and Guinness plc. He was a partner at PricewaterhouseCoopers and is a graduate of Oxford University.



***Chris Gilbert, CEO***

In 1992, Chris co-founded Infectious Records, an independent record company which grew to be one of the most successful independent record companies in the UK. Following this he founded Auriga Networks, a satellite transmission company which numbered among its clients NATO, the British and US Army, BBC, Fox Television and CBS News. In addition, Chris co-founded DarkStar Technologies, a high tech start up providing internet security and data management services to the entertainment industry. Chris co-founded Crosstown Songs, a buy and build music publishing venture funded by Cargill which became a major independent music publishing company which was sold to KKR/Bertelsmann.



***Fiona Hadfield, Finance Director***

Fiona Hadfield is a chartered accountant. She previously worked with Deloitte LLP. Fiona joined Crosstown Songs as Chief Financial Officer, overseeing all financial aspects of the company's disposal of assets to KKR and Bertelsmann. Fiona is a graduate of Oxford University.



***Sir Colin Terry KBE CB DL FREng, Non-Executive Director***

Sir Colin spent 37 years in the Royal Air Force reaching the rank of Air Marshal. He was Chief of Staff at RAF Logistics Command, Chief Engineer (RAF) and Air Officer Commanding-in-Chief at RAF Logistics Command, and RAF Board member for logistics. He was Group Managing Director at Inflight Engineering and Chair of the Engineering Council (UK) in addition to being a senior advisor to both Safran and Alenia Aermacchi for several years. In addition, Sir Colin was Non-Executive Chairman of Meggit plc, and AviaMediaTech Ltd. Sir Colin is currently a Non-Executive Chairman of Boxarr Ltd and the Executive Chairman of Centronic Group Ltd and Non-Executive Chairman of Centronic Ltd and a Non-Executive director of Aveillant Limited. He is also a Fellow of the Royal Academy of Engineering and of Imperial College, and a Deputy Lieutenant in Buckinghamshire.



***Roy Harrison OBE, Non-Executive Director***

A former Chief Executive of the Tarmac Group, Senior Non-Executive Director at the BSS Group and President of the Construction Products Association, Roy also served as Non-Executive Chairman of the AIM listed Renew Holdings plc and has held Non-Executive roles in a number of private construction products companies. Roy is Chairman of the Thomas Telford Multi Academy Trust having spent 25 years establishing and running new or rescued Schools under the Thomas Telford Banner.

## Advisers

***Company Secretary***

**Lorraine Young**  
60 Gracechurch Street,  
London,  
EC3V 0HR

***Broker***

**Brandon Hill Capital Ltd**  
1 Tudor Street,  
London EC4Y 0AH

***Independent Auditors***

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory  
Auditors  
1 Embankment Place, London,  
WC2N 6RH

***Nominated advisor***

**Cairn Financial Advisers LLP**  
Cheyne House  
Crown Court  
62-63 Cheapside  
London EC2V 6AX

***Principal Bankers***

**HSBC Bank plc**  
70 Pall Mall,  
London  
SW1Y 5EZ

***Registrars***

**Computershare**  
The Pavilions,  
Bridgwater Road,  
Bristol  
BS13 8AE

## Report of the Directors

The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2017.

### Principal Activities

The principal activity of Fox Marble Holdings plc ("Fox Marble" or "Company") and its subsidiary companies Fox Marble Limited, H&P Sh.P.K, Granit Shala Sh.P.K, Rex Marble Sh.P.K and Fox Marble Kosova Sh.P.K (collectively "Fox Marble Group" or "Group") is the exploitation of marble quarry reserves in the Republic of Kosovo and Republic of Macedonia.

A detailed business review of the year and future developments is included in the Chairman's statement and Strategic Report on pages 8-21.

### Results and Dividends

The Group's results are set out in the consolidated statement of comprehensive income on page 39. The audited financial statements for the year ended 31 December 2017 are set out on pages 39 to 67.

The Group incurred an operating loss €2,933,443 (2016 – €3,044,915) for the year ended 31 December 2017. The Group incurred a loss after tax for the year ended 31 December 2017 of €3,437,389 (2016 – €2,756,417).

The Company does not anticipate payment of dividends until the operations become significantly cash generative. Further detail is included in the Strategic Report on pages 8-21.

### Fundraising and capital

On 3 January 2018, the Company announced its intention to issue 7,235,712 new Ordinary Shares at a price of 10.5 pence per share by means of a Placing through Brandon Hill Capital Limited to raise £759,750 before expenses and to issue a further 19,047,619 new Ordinary Shares at 10.5 pence per share by means of a Subscription to raise £2,000,000 before expenses. The issue of shares was completed on 19 January 2018 and 29 January 2018 respectively. The Company also issued £235,000 of convertible loan notes.

Proceeds from the Placing and Subscription were used to fund the expansion of production capabilities at Fox Marble's quarries and factory, repay existing debt obligations and provide the Company with additional working capital to support the expanded production. Production capabilities have been expanded through the purchase of additional equipment for the quarries, and a state of the art CNC machine for the marble processing factory.

In addition, the Company discharged £783,000 of the Company's outstanding loans and other liabilities by the issue of a further 7,457,140 new Ordinary Shares to certain Directors and to Brandon Hill Capital Limited at the Issue Price.

On 30 January 2018, the Company settled outstanding liabilities in relation to the Series 1 Loan Note due to Amati Global Investors Limited.

On 30 January 2018, the Company settled outstanding liabilities in relation to the short term borrowings due to Peers Hardy (UK) Limited.

### Future development

Refer to the Strategic Report on pages 8-21.



## Directors

The Directors of Fox Marble Holdings plc who served during the year and up to the date of signing the financial statements were:

Andrew Allner  
 Chris Gilbert  
 Fiona Hadfield  
 Roy Harrison OBE  
 Sir Colin Terry KBE CB DL  
 Richard Round (Resigned 4 May 2017)

## Substantial Shareholders

Fox Marble Holdings plc has been notified as of 9 May 2018 of the following interests in excess of 3% of its issued share capital:

	Number of ordinary shares	% of issued share capital
Dr Etrur Albani	19,972,254	9.29%
Mr Chris Gilbert	19,497,663	9.07%
Shailesh Patil	19,047,619	8.88%
Miton Group Plc	13,960,316	6.49%
Mr Dominic Redfern	12,038,888	5.60%
Artemis Investment Management LLP	9,722,222	4.52%
Amati Global Investors Limited	8,846,734	4.11%

The Group does not provide any third party qualifying indemnity provisions or qualifying pension scheme indemnity provisions.

## Corporate Governance

Although Fox Marble Holdings plc, as an AIM quoted company, is not required to comply with the UK Corporate Governance Code as issued by the Financial Reporting Council, the Board of directors is committed, where practicable, to developing and applying high standards of corporate governance appropriate to the Company's size and stage of development.

### Board Structure

The Board has five directors, three of whom are non-executive.

The Board is responsible for the management of the business of the Company, setting its strategic direction and establishing appropriate policies. It is the directors' responsibility to oversee the financial position of the Company and monitor its business and affairs, on behalf of the shareholders, to whom they are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal controls and risk management.

The non-executive directors bring a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk and performance. The independence of each non-executive director is assessed at least annually, and all of the non-executive directors are considered to be independent at the date of this report.

The following table shows the directors' attendance at scheduled Board meetings, which they were eligible to attend during the 2017 financial year:

<i>Director</i>	<i>Attendance at Board Meetings</i>
Andrew Allner	11/11
Chris Gilbert	11/11
Fiona Hadfield	11/11
Roy Harrison OBE	11/11
Richard Round <sup>(1)</sup>	2/2
Sir Colin Terry KBE CB DL	11/11

(1) Resigned 4 May 2017

### **Board Committees**

The terms of reference of the board committees and are reviewed regularly and are available on the Company's website [www.foxmarble.net](http://www.foxmarble.net).

#### **Remuneration Committee**

The Remuneration Committee consists of Andrew Allner, Sir Colin Terry and Roy Harrison (Committee Chairman). It is responsible for reviewing the performance of the senior executives and for determining their levels of remuneration. The Committee makes recommendations to the Board, within agreed terms of reference regarding the levels of remuneration and benefits including participation in the Company's share plan.

#### **Nomination Committee**

The Nomination Committee meets as required to consider the composition of and succession planning for the Board, and to lead the process of appointments to the Board. The Committee Chairman is Andrew Allner. The other members of the Committee are Chris Gilbert, Roy Harrison and Sir Colin Terry.

#### **Audit Committee**

The Audit Committee consists of two non-executive Directors: Roy Harrison and Sir Colin Terry (Committee Chairman). Andrew Allner attends the committee meetings by invitation. The Audit Committee meets at least three times a year to consider the annual and interim financial statements and the audit plan. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported upon, reviewing accounting policies and for meeting the auditors and reviewing their reports relating to the financial statements and internal control systems.

### **Internal controls and financial risk management**

The Board acknowledges its responsibility for maintaining appropriate internal control systems and procedures to safeguard the Group's assets, employees and the business of the Group. The directors have recognised the changing requirements of the Group as it has developed from a private company start-up through re-registration as a public company and admission to trading on AIM, to a growing multi-asset operating Group.

The Board has established and operates a policy of continuous review and development of appropriate financial, operational, compliance and risk management controls, which cover expenditure approval, authorisation and treasury management, together with operating procedures consistent with the accounting policies of the Group.

The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss.

The Board has approved the Group's current operating and capital budget and performance against budget is monitored and reported to the Board on a monthly basis. The directors confirm that the effectiveness of the internal control system during the accounting year has been reviewed by the Board. Steps are underway to reinforce as needed all processes and systems as the Company grows. The Board does not consider it necessary to establish an internal audit function considering the current size of the Group.

### **Financial Judgements**

The Committee reviews both the half-year and the annual financial statements. This process includes an analysis by management of key judgements made in determining the results.

The Committee gives particular attention to significant matters where judgement is involved, which are complex in nature.

The key matters reviewed are shown in the table below:

**Significant risks considered by the Committee in relation to the financial statements**

**Corresponding actions taken by the Committee to address the issues**

Group's ability to continue as a going concern

The Committee reviewed the Group's going concern statement set out in Report of the Directors'. In considering the assessments made the Committee paid particular attention to the robustness of the stress testing scenarios. The external auditor reviewed management's assessment and discussed this review with the Committee.

Valuation of Inventory

The Committee reviewed the calculations and assumptions provided by management which support the valuation of inventory. The Committee reviewed the judgements around the expected net realisable value of the inventory in conjunction with forecast sales. The committee is comfortable with the carrying value of inventory.

## Environmental policy

The Group is aware of the potential impact that its subsidiary companies may have on the environment. The Group ensures that it complies with all local regulatory requirements and seeks to implement a best practice approach to managing the environmental aspects of its operations based on ISO 14001.

## Health and Safety

Quarrying and stone processing will always carry risks. Protecting the safety of employees and contractors is of fundamental importance. A safe and healthy workforce contributes to an engaged, motivated and productive workforce that mitigates operational stoppages. Safety is also considered a principal risk. The Group's aim is to achieve and maintain a high standard of workplace safety. In order to achieve this objective the Group provides training and support to employees and sets demanding standards for workplace safety. Throughout 2017, all operations continued to implement safety plans, with a focus on effective management required to manage significant safety risks, learning and identifying potential hazards, and promoting accountability. These will remain priorities in 2018, with the aim of ensuring that each of our sites follows a consistent approach.

## Independent Auditors

Each of the directors at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed at the Annual General Meeting.

## Going Concern

The Directors have reviewed detailed projected cash flow forecasts and are of the opinion that it is appropriate to prepare this report on a going concern basis. In making this assessment they have considered:

- (a) the current working capital position and operational requirements;
- (b) the timing of expected sales receipts and completion of existing orders;
- (c) the sensitivities of forecast sales figures over the next two years;
- (d) the timing and magnitude of planned capital expenditure; and
- (e) the level of indebtedness of the company and timing of when such liabilities may fall due, and accordingly the working capital position over the next 18 months.



The forecasts assume a significant increase of production compared to 2017 at the Prilep Alpha and Maleshevë quarries to complete existing and anticipated orders. Further the Company is anticipating significant growth in revenue through the realisation of existing sale contracts and offtake agreements as well as from newly generated sales.

There are a number of key risks and uncertainties that could impact the financial performance of the company. These include the fact that levels of production at Maleshevë and Prilep can be impacted by unforeseen delays due to inclement weather or equipment failure; lower than expected quality of material being produced by the quarries; and delays in the fulfilment of the Company's order book.

As at 30 April 2018 the Company has €0.44 million in cash and €0.76 million in convertible loan notes falling due between 31 August 2019 and 3 January 2020. On 2 June 2017, the Company entered into a facility arrangement of £1,000,000 at an interest rate of 9% per annum arranged by Brandon Hill Capital Limited, which may be drawn down at the Company's request. This facility expires on 30 June 2019, and is undrawn at 10 May 2018.

In the event that the cash receipts from sales are lower than anticipated the Company has identified that it has available to it a number of other contingent actions in addition to those noted above, that it can take to mitigate the impact of potential downside scenarios. These include seeking additional financing, leveraging existing sale agreements, reviewing planned capital expenditure, reducing overheads and further renegotiation of the terms on its existing debt obligations.

In conclusion having regard to the existing and future working capital position and projected sales, the Directors are of the opinion that the Group has adequate resources to enable it to undertake its planned activities for the next twelve months.

**Chris Gilbert,**

Director

10 May 2018

## Directors' Remuneration Report

The Company discloses certain information relating to directors' remuneration in this report.

### Remuneration Committee

The Company has established a Remuneration Committee, as set out in the Corporate Governance Report on page 25. The Remuneration Committee advises the Board on Group compensation policy and may obtain advice from independent remuneration consultants appointed by the Company. The Remuneration Committee meets as required and executive directors do not vote on their own remuneration or incentives.

### Remuneration policy

The Company's policy is to maintain levels of compensation for the Group that are comparable and competitive with peer group companies, so as to attract and retain individuals of the highest calibre, by rewarding them as appropriate for their contribution to the Group's performance. The Company may take independent advice in structuring remuneration packages of directors and employees.

### Terms of appointment

The terms of each executive director's appointment are set out in their service agreements which are effective for an indefinite period but may be terminated in accordance with specified notice periods. Each service agreement sets out details of basic salary, fees, benefits-in-kind and share option grants. The directors do not participate in any group pension scheme and their remuneration is not pensionable.

The executive directors are eligible to participate in discretionary bonus arrangements. Bonuses are payable in cash and are awarded by the Board, upon recommendations by the Remuneration Committee. Details of the directors' compensation are set out below.

The terms of appointment of the non-executive directors' are set out in their letters of appointment which are effective for renewable three year terms but may be terminated in accordance with specified notice periods. The non-executive directors' do not participate in any group pension scheme and their remuneration is not pensionable. Details of non-executive directors' compensation are set out below.

### Basic salaries

The basic salary of each executive director is established by reference to their responsibilities.

### Fees

The fees paid to non-executive directors are determined by the Board and reviewed periodically to reflect current rates and practice commensurate with the size of the Company and their roles.

The non-executive directors of the Company agreed from 1 January 2016 to utilise their fees (net of tax) to subscribe for Ordinary Shares in the Company. In addition, Executive Director Chris Gilbert agreed to utilise fifty per cent of his remuneration (net of tax) to subscribe for Ordinary Shares in the Company at the Company's request from 1 March 2016. The volume of Ordinary Shares subscribed for is calculated quarterly in arrears and with reference to the 30-day volume weighted average price per Ordinary Share as at the time of issue.

### Share options

No share options were granted to the directors in the current or previous year. The Company granted options on 31 August 2012 over an aggregate of 120,000 Ordinary Shares at an exercise price of 20p per share to the Finance Director, Fiona Hadfield under the terms of its Discretionary Share Option Plan 2011. The options vested on the 31 August 2015 and have not been exercised. The Company does not operate any other long term incentive plans or share-based payment. Further details on the plan are set out in note 20.

## Annual Remuneration of Directors

Remuneration in respect of Directors was as follows:

Year ended 31 December 2017	Salary €	Consultancy Fees €	Benefits in kind €	Total €
<b>Executive directors</b>				
Chris Gilbert <sup>(1)</sup>	82,972	70,719	-	153,691
Fiona Hadfield	91,303	-	-	91,303
	<b>174,275</b>	<b>70,719</b>	<b>-</b>	<b>244,994</b>
<b>Non-Executive directors</b>				
Andrew Allner <sup>(2)</sup>	68,478	-	-	68,478
Sir Colin Terry <sup>(2)</sup>	34,239	-	-	34,239
Roy Harrison <sup>(2)</sup>	34,239	-	-	34,239
Richard Round <sup>(3)(4)</sup>	-	21,205	-	21,205
	<b>136,956</b>	<b>21,205</b>	<b>-</b>	<b>158,161</b>
	<b>311,231</b>	<b>91,924</b>	<b>-</b>	<b>403,155</b>
Year ended 31 December 2016	Salary €	Consultancy Fees €	Benefits in kind €	Total €
<b>Executive directors</b>				
Chris Gilbert	94,517	68,999	1,997	165,513
Dr Etrur Albani <sup>(5)</sup>	79,802	39,092	1,997	120,891
Fiona Hadfield <sup>(6)</sup>	34,047	-	-	34,047
Candice Sutherland <sup>(6)</sup>	96,573	-	-	96,573
	<b>304,939</b>	<b>108,091</b>	<b>3,994</b>	<b>417,024</b>
<b>Non-Executive directors</b>				
Andrew Allner	70,497	-	-	70,497
Sir Colin Terry	35,249	-	-	35,249
Roy Harrison	35,249	-	-	35,249
Dr Paul Jourdan <sup>(5)(7)</sup>	-	26,436	-	26,436
Richard Round <sup>(3)(4)</sup>	8,812	-	-	8,812
	<b>149,807</b>	<b>26,436</b>	<b>-</b>	<b>176,243</b>
	<b>454,746</b>	<b>134,527</b>	<b>3,994</b>	<b>593,267</b>

- (1) Executive Director Chris Gilbert agreed to utilise fifty per cent of his remuneration (net of tax) to subscribe for Ordinary Shares in the Company. The balance of €70,380 due from the 1 September 2016 to 31 December 2017 is accrued by the Company and not yet paid.
- (2) The Non-Executive Directors of the Company agreed to utilise their fees (net of tax) to subscribe for Ordinary Shares in the Company. Shares were issued on the 19 January 2018 in relation to their fees for the period from The Board of Directors' remuneration is settled in GBP and is therefore subject to foreign exchange movements upon translation to EUR.
- (3) Appointed 20 September 2016
- (4) Resigned 4 May 2017
- (5) Resigned 20 September 2016
- (6) On 1 August 2015 Fiona Hadfield resigned and Candice Sutherland was appointed to the board. On the 20 September 2016 Candice Sutherland resigned and Fiona Hadfield was reappointed to the board.
- (7) Fees in respect of the services provided by Dr Paul Jourdan were paid to Amati Global Partners LLP.

## Directors' interests in the share capital of the Company

The interests of the directors who held office during the year ended 31 December 2017 in the shares of the Company are given below.

<i>Director</i>	<i>As at 31 December 2017</i>	<i>As at the date of this report</i>
Andrew Allner	1,008,350	1,386,921
Chris Gilbert	19,497,663	19,497,663
Fiona Hadfield	–	–
Roy Harrison	789,408	5,748,931
Richard Round	–	–
Sir Colin Terry	179,264	393,459

This report was approved by the Board of Directors and signed on its behalf by:

**Roy Harrison OBE**

Chairman of the Remuneration Committee

10 May 2018



## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law 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 and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in Report of the Directors confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors

**Chris Gilbert**  
Director

10 May 2018

# Independent auditors' report to the members of Fox Marble Holdings plc

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Fox Marble Holdings plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position and the statement of financial position of the parent company as at 31 December 2017; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity and the statement of changes in equity of the parent company for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Overview



- Overall Group materiality: €112,000 (2016: €117,000), based on 1% of total assets.
- Overall parent company materiality: €112,000 (2016: €85,000), based on 1% of total assets, capped to the level of Group materiality.
- We conducted full scope audits at two significant components based on their size and risk characteristics: the operating entity in Kosovo and the head office in London. Our work enabled us to obtain coverage of 98% of consolidated revenue and 99% of the total assets for the Group.
- Specified procedures were performed on certain balances and transactions of one entity relating to fixed and current assets, current liabilities and operating expenses.
- As part of our year end audit, the Group team exercised oversight over the component auditor in Kosovo through a review of the component auditors' work papers, conference calls and other forms of communication as considered necessary.

Our key audit matters comprised:

- Going concern.
- Valuation of inventory.

### ***The scope of our audit***

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### ***Key audit matters***

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

We determined that there were no key audit matters applicable solely to the parent company to communicate in our report.

<b><i>Key audit matter (Group)</i></b>	<b><i>How our audit addressed the key audit matter</i></b>
<p><b><i>Going concern</i></b></p> <p>Management performed an assessment of the Group's ability to continue as a going concern as at the date of signing these financial statements. They prepared detailed projected cash flow forecasts based on forecast sales, quarry production figures and the factory processing capabilities as well as reflecting current financing commitments. In making their assessment management considered the timing of expected sales receipts, completion of existing orders, sensitivities of forecast sales figures, operational requirements and the timing and magnitude of planned capital expenditure.</p> <p>The forecasts assume a significant increase in production compared to 2017 at the Prilep and Maleshevë quarries to fulfil existing and anticipated orders. The forecast also assumes a significant growth in revenue through the conversion of the existing sale and purchase contracts and signed offtake agreements into delivered sales. There are a number of risks and uncertainties in relation to the forecast levels of production and realisation of the sales order book that could impact the financial performance of the Group.</p> <p>In making their assessment, management also considered the Group's current and future debt position that has improved considerably since the year-end with the repayment of large loan balances through the equity placing that completed in January 2018.</p> <p>Having regard to the existing and future working capital position and projected sales of the Group, management concluded that there are no material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Accordingly the directors of the Group have reviewed the cash flow forecasts prepared by management, evaluated the impact on the Group and concluded that the going concern basis of</p>	<p>We obtained management's evaluation of the cash flow forecasts for the Group for 2018 and 2019, which supports their use of the going concern basis of accounting for the Group and the parent company. We tested the integrity of the forecasts, including mathematical accuracy.</p> <p>The forecasts include a number of key assumptions. We held extensive discussions with management and examined key assumptions, such as forecast sales revenue, production, operating costs and financing related cash outflows:</p> <ul style="list-style-type: none"> <li>• Forecasted sales revenue: Management's forecast of sales consists of sales expected to be realised from existing sales contracts and identified leads. Management has sensitised the forecasted revenue, based on past sales performance. We examined the sales contracts supporting the revenue forecasts. For the identified leads, we examined draft contracts and correspondence with the customers supporting future sales projections as well as assessed the history of actual realised sales. We found management's sensitivity analysis in respect of contracted sales to be reasonable, and further sensitised the sales leads forecast.</li> <li>• Production assumptions: We examined management's forecast of production at the quarries and processing at the factory to consider whether the quantum of blocks forecast to be quarried together with the inventory at the year end is sufficient to meet management's forecast of demand and processing needs of the factory.</li> <li>• Operating costs assumptions: We examined management's forecast of the quarry and factory operating costs and performed reasonableness checks against the current year operating expenses and levels of production.</li> </ul>

**Key audit matter (Group)**

accounting in the preparation of the financial statements is appropriate.

Refer to Going Concern (Note 4 of the financial statements) and Significant accounting policies (Note 3 of the financial statements).

**How our audit addressed the key audit matter**

- Financing assumptions: We considered the timing of future repayments of debt and noted the upsides available from unutilised debt facilities.

We also considered the historical accuracy of management's forecasting and performed sensitivity testing for reasonable possible changes in the key assumptions.

Based on our audit work performed, we concur that the use of the going concern basis is appropriate and the disclosure provided in Note 4 of the financial statements is sufficient to inform members about the directors' going concern assessment.

**Valuation of inventory**

At the year end, the value of inventory net of a provision for impairment of €0.72m (2016: €0.48m) was €4.04m (2016: €3.71m).

Inventories are stated at the lower of cost and net realisable value. The cost of inventory is based on weighted average cost, which includes the absorption of various costs of production and in the case of inventory held at processing facilities, direct transport costs. The inventory balance has been categorised into block stock and slab stock. The weighted average cost of slabs is calculated based on the cost of blocks processed and processing costs that are included on an average cost per tonne basis. In their determination of net realisable value, management use a contractually agreed selling price and apply a contingency to arrive at the net realisable value of the stock.

Management undertook a review of the current carrying values of all their individual inventory lines and compared these to the net realisable value, supported by recent sales history, market prices and future demand. Where carrying values exceeded net realisable value, a provision for impairment was booked.

Refer to Inventories (Note 14 of the financial statements), Significant accounting policies and Critical accounting estimates and areas of judgement (Note 3 of the financial statements) and the Audit Committee report within the Report of the Directors.

We obtained management's inventory valuation and provision calculations and obtained an understanding of the basis of each significant estimate and the key assumptions used for the determination of weighted average cost, net realisable value and any provision for impairment.

We focused on this area due to the material quantum of aged slow moving inventory and the judgement involved in estimating the net realisable value of inventory and determining the appropriate level of provisioning.

- Tested the weighted average cost of inventory: We examined management's basis for the allocation of expenses on a per unit basis, with a focus on the basis for determination of the weighted average cost for the factory stock. These were tested as a part of our underlying transactional testing of expenses at the local entity.
- Examined management's cost versus net realisable value (NRV) analysis: We tested the estimated selling price applied by management by agreeing it to signed contracts and invoices, and examined the contingency applied by management on slow moving inventory, which is greater than that in the prior year. We obtained evidence that, for each type of marble sold in the year, the average price per square metre was greater than the discounted price applied by management. We also tested that costs to complete were appropriately incorporated in management's determination of NRV.
- Evaluation of provision for impairment of inventory: We considered the level of provisioning in relation to the aged inventory and challenged management on their level of provisioning. This was checked for consistency against management's inventory weighted average cost calculations that we tested.
- Tested forecasted demand: We obtained and examined management's revenue forecast to gain additional evidence that there is sufficient future demand for all types of marble to support the recoverability of the carrying value of inventory and



<b>Key audit matter (Group)</b>	<b>How our audit addressed the key audit matter</b>
	<p>NRV assumed by management. We agreed contracted sales to signed contracts, past invoices and purchase orders or correspondence supporting actualisation of future demand. For identified leads, we agreed to draft contracts or correspondence to determine that the intention to complete an order exists.</p> <p>Based on our analysis we did not identify any material issues with the carrying value of inventory.</p>

### **How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the statutory reporting unit level by us, as the Group engagement team, or through involvement of our component auditor in Kosovo. The Group's assets and operations are primarily located in Kosovo. Financial reporting is undertaken in offices in Kosovo and London.

Where work was performed by our component auditor in Kosovo, we determined the level of involvement we needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. As part of our year end audit, the Group team's involvement comprised of a review of component auditors' work papers, conference calls and other forms of communication as considered necessary.

The Group team directly performed the work over the parent company, the intermediate holding company as well as the consolidation.

We identified two entities which, in our view, required an audit of their complete financial information, the main operating subsidiary in Kosovo and the parent company in the United Kingdom. Specific audit procedures on certain balances and transactions were also performed on a further entity. The above gave us coverage of 98% over consolidated revenue and 99% over consolidated total assets. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

### **Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<b>Group financial statements</b>	<b>Parent company financial statements</b>
<b>Overall materiality</b>	€112,000 (2016: €117,000).	€112,000 (2016: €85,000).
<b>How we determined it</b>	1% of total assets.	1% of total assets, capped to the level of Group materiality.
<b>Rationale for benchmark applied</b>	We believe that total assets provides us with a consistent year on year basis for determining materiality. Given the current stage in the Group's lifecycle with limited revenue transactions to date, we believe that it is not appropriate to use a profit measure at this time.	We believe that a total assets benchmark is an appropriate basis for determining materiality for the parent company, given that it is an investment holding company. The materiality was capped to the level of Group overall materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €58,000 and €110,000. We agreed

with the Audit Committee that we would report to them misstatements identified during our audit above €11,200 (Group audit) (2016: €6,000) and €11,200 (Parent company audit) (2016: €6,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### **Conclusions relating to going concern**

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### ***Strategic Report and Report of the Directors***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

## **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 32, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and

using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditors' responsibilities for the audit of the financial statements***

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## **Other voluntary reporting**

### **Directors' remuneration**

The parent company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the parent company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### **Timothy McAllister (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

10 May 2018

## Consolidated Statement of Comprehensive Income

### For the year ended 31 December

	Note	Year to 31 December 2017 €	Year to 31 December 2016 €
<b>Revenue</b>		1,203,270	801,040
Cost of sales		(795,895)	(502,626)
<b>Gross profit</b>		<u>407,375</u>	<u>298,414</u>
Administrative and other operating expenses		(3,340,818)	(3,343,329)
<b>Operating loss</b>	6	<u>(2,933,443)</u>	<u>(3,044,915)</u>
Fair value adjustment of convertible loan notes	8	-	246,006
Net finance (costs)/income	9	(503,946)	42,492
<b>Loss before taxation</b>		<u>(3,437,389)</u>	<u>(2,756,417)</u>
Taxation	10	-	-
<b>Loss for the year</b>		<u>(3,437,389)</u>	<u>(2,756,417)</u>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year attributable to owners of the parent company</b>		<u>(3,437,389)</u>	<u>(2,756,417)</u>
<b>Loss per share</b>			
Basic loss per share	11	(0.02)	(0.02)
Diluted loss per share	11	(0.02)	(0.02)



## Consolidated Statement of Financial Position

As at 31 December

	Note	2017 €	2016 €
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	12	1,161,989	1,193,801
Property, plant and equipment	13	4,754,087	4,662,570
Trade and other receivables	15	56,307	-
<b>Total non-current assets</b>		<b>5,972,383</b>	<b>5,856,371</b>
<b>Current assets</b>			
Trade and other receivables	15	985,647	1,568,007
Inventories	14	3,319,467	3,231,916
Cash and cash equivalents	22	542,287	937,512
<b>Total current assets</b>		<b>4,847,401</b>	<b>5,737,435</b>
<b>Total assets</b>		<b>10,819,784</b>	<b>11,593,806</b>
<b>Current liabilities</b>			
Trade and other payables	16	1,373,096	890,343
Borrowings	17	1,739,025	1,290,001
<b>Total current liabilities</b>		<b>3,112,121</b>	<b>2,180,344</b>
<b>Non-current liabilities</b>			
Borrowings	17	1,702,453	-
<b>Total non-current liabilities</b>		<b>1,702,453</b>	<b>-</b>
<b>Total liabilities</b>		<b>4,814,574</b>	<b>2,180,344</b>
<b>Net assets</b>		<b>6,005,210</b>	<b>9,413,462</b>
<b>Equity</b>			
Share capital	18	2,284,476	2,281,345
Share premium		26,424,202	26,399,156
Accumulated losses	19	(22,823,182)	(19,385,793)
Share based payment reserve	20	84,171	83,211
Other reserve		35,543	35,543
<b>Total equity</b>		<b>6,005,210</b>	<b>9,413,462</b>

The financial statements on pages 39 to 67 were approved and authorised for issue by the Board on 10 May 2018 and are signed on its behalf.

**Chris Gilbert,**

Director

10 May 2018

## Consolidated Statement of Cash Flows

### For the year ended 31 December

	Note	Year ended 31 December 2017 €	Year ended 31 December 2016 €
<b>Cash flows from operating activities</b>			
<b>Loss before taxation</b>		(3,437,389)	(2,756,417)
Adjustment for:			
Net finance costs/(income)	9	503,946	(42,492)
Fair value adjustment	8	-	(246,006)
<b>Operating loss for the year</b>		<u>(2,933,443)</u>	<u>(3,044,915)</u>
Adjustment for:			
Amortisation	12	31,812	65,311
Depreciation	13	404,848	241,652
Foreign exchange losses on operating activities		30,921	351,663
Equity settled transactions	20	960	-
Provision for bad debts	15	92,368	51,601
Provision for inventory		492,723	236,723
Changes in working capital:			
Decrease in trade and other receivables	15	503,685	1,146
Barter transaction <sup>(1)</sup>		-	(250,957)
Increase in inventories	14	(580,274)	(477,022)
Increase in accruals	16	120,919	55,745
Increase in trade and other payables	16	361,834	159,761
<b>Net cash used in operating activities</b>		<u>(1,473,647)</u>	<u>(2,609,292)</u>
<b>Cash flow from investing activities</b>			
Expenditure on property, plant & equipment	13	(496,366)	(1,056,148)
Deposits paid on property, plant & equipment	15	(70,000)	(119,209)
Interest on bank deposits		461	2,674
<b>Net cash used in investing activities</b>		<u>(565,905)</u>	<u>(1,172,683)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of issue costs)	18	28,177	2,525,330
Proceeds from the issue of long-term debt (net of issue costs)	17	2,061,548	-
Repayment of debt	17	(171,194)	-
Interest paid on loan note instrument	17	(243,283)	(273,960)
<b>Net cash inflow from financing activities</b>		<u>1,675,248</u>	<u>2,251,370</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(364,304)</b>	<b>(1,530,605)</b>
Cash and cash equivalents at beginning of year		937,512	2,819,780
Exchange losses on cash and cash equivalents		(30,921)	(351,663)
<b>Cash and cash equivalents at end of year</b>	22	<b>542,287</b>	<b>937,512</b>

(1) In the year ended 31 December 2016 the company sold €250,957 of block marble in partial consideration for the acquisition of plant and equipment for the factory site.

## Consolidated Statement of Changes in Equity

### For the year ended 31 December

	Share Capital	Share Premium	Share based payment reserve	Other Reserve	Accumulated losses	Total equity
Note	18		20		19	
	€	€	€	€	€	€
<b>Balance at 1 January 2016</b>	2,008,809	24,146,362	83,211	35,543	(16,629,376)	9,644,549
Loss and total comprehensive loss for the year	-	-	-	-	(2,756,417)	(2,756,417)
<b>Transactions with owners</b>						
Share capital issued	272,536	2,252,794	-	-	-	2,525,330
<b>Balance at 31 December 2016 and at 1 January 2017</b>	2,281,345	26,399,156	83,211	35,543	(19,385,793)	9,413,462
Loss and total comprehensive loss for the year	-	-	-	-	(3,437,389)	(3,437,389)
<b>Transactions with owners</b>						
Share options charge	-	-	960	-	-	960
Share capital issued	3,131	25,046	-	-	-	28,177
<b>Balance at 31 December 2017</b>	2,284,476	26,424,202	84,171	35,543	(22,823,182)	6,005,210

## Statement of Financial Position of the parent company

### As at 31 December

	Note	2017 €	2016 €
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	26	2,028,195	2,028,195
<b>Total non-current assets</b>		<b>2,028,195</b>	<b>2,028,195</b>
<b>Current assets</b>			
Trade and other receivables	15	19,864,131	18,056,938
Cash and cash equivalents		441,663	899,015
<b>Total current assets</b>		<b>20,305,794</b>	<b>18,955,953</b>
<b>Total assets</b>		<b>22,333,989</b>	<b>20,984,148</b>
<b>Current liabilities</b>			
Trade and other payables	16	578,022	223,130
Borrowings	17	1,739,025	1,290,001
<b>Total current liabilities</b>		<b>2,317,047</b>	<b>1,513,131</b>
<b>Non-current liabilities</b>			
Borrowings	17	1,702,453	-
<b>Total non-current liabilities</b>		<b>1,702,453</b>	<b>-</b>
<b>Total liabilities</b>		<b>4,019,500</b>	<b>1,513,131</b>
<b>Net assets</b>		<b>18,314,489</b>	<b>19,471,017</b>
<b>Equity</b>			
Share capital	18	2,284,476	2,281,345
Share premium		26,424,202	26,399,156
Accumulated losses	19	(10,478,360)	(9,292,695)
Share based payment reserve	20	84,171	83,211
<b>Total equity</b>		<b>18,314,489</b>	<b>19,471,017</b>

The Company has elected to take advantage of the exemption under section 408 of the Companies Act 2006 not to present the parent company statement of comprehensive income. The loss for the year for the Company is €1,185,665 (2016 – €537,444).

The financial statements on pages 38 to 71 were approved and authorised for issue by the Board on 10 May 2018, and signed on its behalf.

**Chris Gilbert,**

Director

10 May 2018

Company number: 07811256



## Statement of Changes in Equity of the parent company

### Year ended 31 December

Note	Share Capital	Share Premium	Share based payment reserve	Accumulated losses	Total equity
	€	€	€	€	€
<b>Balance at 1 January 2016</b>	2,008,809	24,146,362	83,211	(8,755,251)	17,483,131
Loss and total comprehensive loss for the year	-	-	-	(537,444)	(537,444)
<b>Transactions with owners</b>					
Share capital issued	272,536	2,252,794	-	-	2,525,330
<b>Balance at 31 December 2016 and at 1 January 2017</b>	2,281,345	26,399,156	83,211	(9,292,695)	19,471,017
Loss and total comprehensive loss for the year	-	-	-	(1,185,665)	(1,185,665)
<b>Transactions with owners</b>					
Share capital issued	3,131	25,046	-	-	28,177
Share options charge	-	-	960	-	960
<b>Balance at 31 December 2017</b>	2,284,476	26,424,202	84,171	(10,478,360)	18,314,489

# Notes to the consolidated and parent company financial statements

## 1. General information

The principal activity of Fox Marble Holdings plc and its subsidiary companies Fox Marble Limited, H&P Sh.P.K, Granit Shala Sh.P.K, Rex Marble Sh.P.K, Fox Marble Asia Limited, Stone Alliance LLC and Fox Marble Kosova Sh.P.K (collectively "Fox Marble Group" or "Group") is the exploitation of quarry reserves in the Republic of Kosovo and the Republic of Macedonia.

Fox Marble Holdings plc is the Group's ultimate Parent Company ("the Parent Company"). It is incorporated in England and Wales and domiciled in England. The address of its registered office is 15 Kings Terrace, London, NW1 0JP. Fox Marble Holdings plc shares are admitted to trading on the London Stock Exchange's AIM market.

## 2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. IFRS includes Interpretations issued by the IFRS Interpretations Committee (formerly – IFRIC).

The consolidated financial statements have been prepared under the historical cost convention, apart from financial assets and financial liabilities (including derivative instruments) which are recorded at fair value through the profit and loss. The preparation of consolidated financial statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

In publishing the parent company financial statements together with the Group financial statements, the Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

The parent company financial statements of Fox Marble Holdings plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of the parent company's financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of the parent company financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, plant and equipment; (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements': 10(d), (statement of cash flows) 16 (statement of compliance with all IFRS), 38A (requirement for minimum of two primary statements, including cash flow statements), 38B-D (additional comparative information), 111 (cash flow statement information), and 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The accounting policies set out below have been applied consistently across the Group and to all periods presented in these financial statements.

### **3. Significant accounting policies**

#### ***Basis of consolidation***

The Group financial statements consolidate those of Fox Marble Holdings plc (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 consolidated financial statements incorporate the financial information of Fox Marble Holdings plc and its subsidiaries Fox Marble Limited, Fox Marble Kosova Sh.P.K., H&P Sh.P.K., Granit Shala Sh.P.K., Rex Marble Sh.P.K., Fox Marble Asia Limited and Stone Alliance LLC.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Further to this subsidiaries are entities over which the Group has the power to govern the financial and operating policies of the subsidiary and consistent accounting policies have been adopted across the group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

#### ***Revenue Recognition***

Revenue is derived from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have passed. This is usually when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Barter transactions are recognised at the fair value of the consideration received or rendered. When the fair value of the transactions cannot be measured reliably, the revenue / expense is measured at the fair value of the goods/services provided or received, adjusted by the amount of cash or cash equivalent transferred.

#### ***Inventory***

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation of quarrying equipment and infrastructure for quarries under development is calculated using the Hours of Use ("HOU") method to write off the cost of the assets proportionately to their use in the development of the quarry site.

Depreciation of quarrying equipment and infrastructure for fully developed quarries is calculated using the Units of Production ("UOP") method to write off the cost of the assets proportionately to the extraction of material from the

quarries. Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Depreciation of processing equipment and infrastructure is calculated using the UOP method to write off the cost of the assets proportionately to the production of processed slabs in the factory. Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Depreciation of items of property, plant and equipment, other than quarrying & processing equipment and infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life.

The estimated useful lives of property, plant and equipment are as follows:

- Quarry Plant and machinery – 5-15 years
- Processing Factory and Machinery – 5-20 years
- Leasehold improvements – Period of the lease
- Office equipment – 3-5 years
- Land – indefinite

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Land is not depreciated.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### ***Leases***

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

#### ***Intangible exploration and evaluation assets***

All costs associated with exploration and evaluation including the costs of acquiring exploration and exploitation licences, annual licence fees, rights to explore, topographical, geological and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a dimensional stone resource, are capitalised as intangible exploration and evaluation assets and subsequently measured at cost.

The costs are allocated to quarry locations within a licence area. Each area is treated as a cash-generating unit ("CGU") because the underlying geology and risks and rewards of exploration within a quarry are considered to be similar.

If an exploration project is successful, the related expenditures will be depreciated over the estimated life of the reserves or life of the licence whichever is less on a straight line basis. The asset is amortised once it is available for use. The amortisation is included within operating loss in the statement of comprehensive income. Where a project does not lead to the discovery of commercially viable quantities of dimensional stone resources and is relinquished, abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off to profit or loss.

The recoverability of capitalised exploration costs is dependent upon the discovery of economically viable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the extraction thereof.

#### ***Impairment of exploration and evaluation assets and property, plant and equipment***

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount

(being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying value. Impairment losses are recognised in profit or loss.

Impairment reviews for intangible exploration and evaluation assets and property, plant and equipment are carried out on the basis of quarry sites with each area representing a single CGU. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances applies:

- unexpected geological occurrences that render the resources uneconomic;
- title to the asset is compromised;
- variations in dimensional stone prices that render the project uneconomic;
- variations in foreign currency rates; or
- the Group determines that it no longer wishes to continue to evaluate or develop the field.

Non-financial assets which have suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

### ***Investments***

Investments in subsidiaries, associates and joint ventures are recorded at cost in the Parent Company's statement of financial position. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the period they occur.

### ***Financial instruments***

Financial assets and financial liabilities are recognised when the Group has become a party to the contractual provisions of the instrument.

#### ***Financial assets***

##### ***Trade and other receivables***

Trade and other receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence that amounts will not be recovered in accordance with the original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate including the expected costs to dispose of the asset. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in profit or loss.

##### ***Cash and cash equivalents***

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### ***Financial liabilities and equity***

#### ***Convertible loan notes***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Interest-bearing loans (including loan notes) are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement, redemption or conversion, are recognised in profit or loss over the term of the instrument using the effective rate of interest.

Instruments where the holder has the option to redeem for a variable amount of cash a pre-determined quantity of equity instruments are classified as a derivative liability. The derivative element is fair valued at each period and any changes in fair value are recognised in profit or loss.



The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

#### ***Trade and other payables***

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

#### ***Fair value hierarchy***

Assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

#### ***Equity settled transactions***

The Group has applied the requirements of IFRS 2 Share-Based Payments for all grants of equity instruments.

The Group has entered into equity settled share based payments as consideration for services received. Equity settled share based payments are measured at fair value at the date of issue.

The Group has measured the fair value by reference to the equity instruments issued as it is not possible to measure reliably the fair value of the services received. In the absence of market prices, fair value has been based on the Directors' valuation of the Company as at the issue date.

#### ***Income tax***

The tax expense represents the sum of the tax payable for the period and deferred tax.

The tax payable is based on taxable profit for the year. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon rates enacted and substantively enacted at the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### ***Foreign currencies***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euros (€) which is the Company's functional and the group's presentation currency. The Euro/Sterling exchange rate at 31 December 2017 was 1.1261 (2016 – 1.1674). The average Euro/Sterling exchange rate for the year ended 31 December 2017 was 1.1413 (2016 – 1.2248).

Transactions in currencies other than the functional currency are initially recorded at the exchange rate prevailing on the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates have fluctuated significantly during the year, in which case the exchange rate at the date of the transaction is used. All exchange differences arising, if any, are transferred to the Group's translation reserve, except to the extent that they relate to non-controlling interests, and are recognised as income or as expenses in the period in which the operation is disposed of, or when control, significant influence or joint control is lost.

### ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### ***Critical accounting estimates and areas of judgement***

#### ***Impairment assessment***

The Group assesses at each reporting date whether there are any indicators that its assets and cash generating units (CGUs) may be impaired. Operating and economic assumptions, which could affect the valuation of assets using discounted cash flows, are updated regularly as part of the Group's planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU, and are therefore indicators of impairment or impairment reversal.

In performing the impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using discounted cash flow models. These models are subject to estimation uncertainty and there is judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants as outlined below.

#### ***Going concern***

The Group assesses at each reporting date whether it is a going concern for the foreseeable future. In making this assessment management considers:

- (a) the current working capital position and operational requirements;
- (b) the timing of expected sales receipts and completion of existing orders;
- (c) the sensitivities of forecast sales figures over the next two years;
- (d) the timing and magnitude of planned capital expenditure; and
- (e) the level of indebtedness of the company and timing of when such liabilities may fall due, and accordingly the working capital position over the next 18 months.

Management considers in detail the going concern assessment, including the underlying assumptions, risks and mitigating actions to support the assessment. The assessment is subject to estimation uncertainty and there is judgement in determining underlying assumptions.

#### ***Quarry reserves***

Engineering estimates of the Group's quarry reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated quarry reserves can be designated as "proved" and "probable". Proved and probable quarry reserve estimates are updated at regular intervals taking into account recent production and technical information about each quarry. In addition, as prices and cost levels change from year to year, the value of proved and probable quarry reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in depreciation and amortisation rates calculated on units of production ("UOP") basis.

Changes in the estimate of quarry reserves are also taken into account in impairment assessments of non-current assets.

#### ***Treatment of convertible loan note***

On 31 August 2012, the Company issued a €1,295,278 (£1,060,000) fixed rate convertible unsecured loan note 2017 under the terms of the agreement signed on 24 August 2012 with Amati Global Investors Limited ("Series 1 Loan Note").

The convertible loan notes have been accounted for as a liability held at amortised cost. At the date of issue, the fair value of the liability component was estimated using the prevailing market interest rate for similar non-convertible debt.

The conversion option results in the Company repaying a GBP denominated liability in return for issuing a fixed number of shares and as such has been classified as a derivative liability. The liability is held at fair value and any changes in fair value over the period are recognised in profit or loss.

The Company has fair valued the identified embedded derivatives included within the contract using a Black Scholes methodology, which has resulted in the recording of a liability of €303,368 at 31 December 2017 (2016 – €70,531). The main assumptions used in the valuation of the derivative conversion option as at 31 December 2017 were: underlying share price of £0.1175 (31 December 2016: £0.075), EUR/GBP spot rate of 1.13 (31 December 2016: 1.17), historic volatility of 51% (31 December 2016: 53%) and risk free rate of 0.5% (31 December 2016: 0.6%)

#### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### ***New standards and interpretations not yet adopted***

##### **(a) New standards, amendments and interpretations**

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017 have had a material impact on the group or parent company.

##### **(b) New standards, amendments and interpretations not yet adopted**

In these Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 15: Revenue from Contracts with Customers will be effective for annual periods beginning on or after 1 January 2018. The standard deals with revenue recognition and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the Group's contracts with its customers. The standard provides clarification about when control of goods is passed to customers and contains more guidance about the measurement of revenue contracts which have discounts, rebates and other payments to customers. During 2017, the Group completed a review of the requirements of IFRS 15 against current accounting policies. The Group has concluded that there will be no material impact of adopting IFRS 15.
- IFRS 9: Financial Instruments will be effective for annual periods beginning on or after 1 January 2018. The standard includes requirements for classification and measurement, impairment and hedge accounting. The Group has evaluated the impact of IFRS 9 and concluded that it does not expect a material impact on the recognition and measurement of income and costs in the Income Statement or of assets and liabilities in the Balance Sheet. The Group has assessed the classification and measurement of certain financial assets on the Balance Sheet and concluded that whilst there will be changes in classification, such as money market funds there is no expected material impact on results. Further, the nature of the Group's current hedging activities and the quantum of its bad debt risk means that the impact of IFRS 9 will be immaterial in respect of these items. IFRS 9 mandates certain additional disclosures, which the Group will make in the future.
- IFRS 16: Leases will be effective for annual periods beginning on or after 1 January 2019. The standard changes the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise lease liabilities and 'right of use' assets on the Balance Sheet, with exemptions for low value and short-term leases. The Group is in the process

of evaluating the impact of IFRS 16 on its current lease arrangements, which mainly consists of office and warehouse properties.

A number of other new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2018 and have not yet been applied in preparing these Financial Statements.

Adoption of the above is not expected to have a material impact on the Group financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

#### **4. Going concern**

The Directors have reviewed detailed projected cash flow forecasts and are of the opinion that it is appropriate to prepare this report on a going concern basis. In making this assessment they have considered:

- (a) the current working capital position and operational requirements;
- (b) the timing of expected sales receipts and completion of existing orders;
- (c) the sensitivities of forecast sales figures over the next two years;
- (d) the timing and magnitude of planned capital expenditure; and
- (e) the level of indebtedness of the company and timing of when such liabilities may fall due, and accordingly the working capital position over the period to 31 December 2020.

In the event that the cash receipts from sales are lower than anticipated the Company has identified that it has available to it a number of other contingent actions, in addition to those noted above, that it can take to mitigate the impact of potential downside scenarios. These include seeking additional financing, leveraging existing sale agreements, reviewing planned capital expenditure, reducing overheads and further renegotiation of the terms on its existing debt obligations.

In conclusion having regard to the existing and future working capital position and projected sales, the Directors are of the opinion that the Group has adequate resources to enable it to undertake its planned activities for the next twelve months.

#### **5. Segmental information**

The chief operating decision maker is the Board of Directors. The Board of directors reviews management accounts prepared for the Group as a whole when assessing performance.

All of the operations of Fox Marble Holdings plc are located in the Republic of Kosovo and Republic of Macedonia. All sales of the Group are as a result of the extraction and processing of marble. It is the opinion of the directors that the operations of the Company represent one segment, and are treated as such when evaluating its performance.

All intangible assets held by the Group relate to intangible assets acquired in relation to mining rights and licences in Macedonia and exploration and evaluation expenditure incurred in Kosovo. Of the non-current assets held by the Group of €5,972,383 (2016 – €5,856,371), €4,750,757 (2016 – €4,662,570) relates to Property, Plant and Machinery acquired for the exploitation of assets in Kosovo and Macedonia and €1,161,989 (2016 – €1,193,801) relates to mining rights and licences and capitalised costs of exploration and licencing.

The Group incurs certain costs in the United Kingdom in relation to head office expenses. In the year under review included in the operating costs for the year of €3,340,818 (2016 – €3,343,329) were costs incurred in the United Kingdom of €1,411,130 (2016 – €1,437,627). Interest expense of the Group of €503,946 (2016 income of €42,492) is incurred in the United Kingdom.

The Group has a branch operation situated in Carrara, Italy.

All revenue, which represents turnover, arises solely within Kosovo and relates to external parties.

Group	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Revenue by territory		
Europe	653,937	742,404
India	495,282	3,140
United States of America	31,621	-
China	22,430	-
Other	-	55,496
<b>Total revenue</b>	<b>1,203,270</b>	<b>801,040</b>

## 6. Expenses by nature

Group	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Operating loss is stated after charging/(crediting):		
Cost of materials sold	795,895	502,626
Inventory provision	492,723	236,723
Fees payable to the Company's auditors	108,110	92,057
Legal & professional fees	348,754	349,324
Consultancy fees and commissions	401,939	213,564
Staff costs	748,034	947,072
Operating lease rental	67,158	62,973
Other head office costs	195,648	117,770
Travelling, entertainment & subsistence costs	102,486	84,229
Depreciation	99,194	128,689
Amortisation	31,812	65,311
Quarry operating costs	247,751	313,987
Foreign exchange gain	2,277	351,663
Share based payment charge	960	-
Marketing & PR	92,348	124,001
Testing, storage, sampling and transportation of materials	255,922	168,628
Provision for bad debts	92,368	51,601
Sundry expenses	53,334	35,737
<b>Cost of sales, administrative and other operational expenses</b>	<b>4,136,713</b>	<b>3,845,955</b>

The analysis of auditors' remunerations is as follows:

Group	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Fees payable to the Company's auditors and its associates for services to the group		
Audit of UK parent company	30,510	12,200
Audit of consolidated financial statements	56,500	56,317
Audit of overseas subsidiaries	15,450	15,000
Audit of UK subsidiaries	5,650	-
Total audit services	<b>108,110</b>	<b>83,517</b>
Other Services	-	8,540
	<b>108,110</b>	<b>92,057</b>



## 7. Directors and Employees

The employee benefit expenses during the year were as follows:

Group	2017 €	2016 €
Wages and salaries	668,037	851,644
Social security costs	79,997	95,428
	<b>748,034</b>	<b>947,072</b>

The monthly average number employed by the Group during the year, including the Executive Directors, was:

Group	2017	2016
Directors	5	7
Administration	10	10
Quarry side	53	55
	<b>68</b>	<b>72</b>

Key management personnel, as defined by IAS 24 "Related Party Disclosures", have been identified as the Board of Directors. Detailed disclosures of directors' individual remuneration, directors' transactions and directors' interests and share options, for those directors who served during the year, are given in the Directors' Remuneration Report on page 29. The aggregate amount of Directors remuneration for the year was as follows:

Group	2017 €	2016 €
Salary	311,231	454,746
Consultancy fees	91,924	134,527
Short term employee benefits & benefits in kind	-	3,994
<b>Aggregate emoluments payable to directors</b>	<b>403,155</b>	<b>593,267</b>

The Board of Directors' remuneration is settled in GBP and is therefore subject to foreign exchange movements upon translation to EUR. None of the Company's directors exercised share options during the years ended 31 December 2017 and 2016, respectively.

The highest paid director's emoluments were as follows

Group	2017 €	2016 €
Total amount of emoluments payable	153,691	165,512

## 8. Fair value adjustment

The fair value adjustment of €246,006 for the year ended 31 December 2016 is as a result of a revision to the fair value of the convertible loan note instrument using the reduced interest rate of 8% per annum. No equivalent charge was incurred in the year ended 31 December 2017.

## 9. Net finance (costs)/income

	2017 €	2016 €
<b>Finance costs</b>		
Interest expense on borrowings	(300,884)	(147,545)
Movement in the fair value of derivative (note 17)	(303,369)	(44,758)
Other interest expense	-	(12,779)
<b>Finance income</b>		
Net foreign exchange gain on loan note instrument	99,846	244,900
Interest income on bank deposits	461	2,674
	<b>(503,946)</b>	<b>42,492</b>

## 10. Taxation

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the Group as follows:

	2017 €	2016 €
<b>Reconciliation of effective tax rate</b>		
Loss before income tax	(3,437,388)	(2,756,417)
Tax calculated at domestic tax rates applicable to profits in the respective countries at a weighted average rate of 17.06% (2016 – 16.7%)	586,572	460,322
Tax effect of expenses that are not deductible in determining taxable profit	(61,464)	(9,474)
Capital allowances in excess of depreciation and amortisation	(132)	(90)
Deferred tax asset not recognised in respect of losses	(524,976)	(450,758)
<b>Total tax expense for the year</b>	-	-

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's losses for this accounting year are taxed at an effective rate of 19.25% (2016 – 20%).

The tax computations of Fox Marble Holdings plc group show it has tax losses carried forward of €15,813,583 (2016 – €12,691,479). However due to the uncertainty of the timing of future profits, no deferred tax asset has been recognised in these financial statements.

The deferred tax asset not recognised by the group at 31 December 2017 is €2,487,899 (2016 – €1,962,921).

## 11. Loss per share

	2017 €	2016 €
Loss for the year used for the calculation of basic LPS	(3,437,388)	(2,756,417)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic LPS	181,198,281	171,797,179
Effect of potentially dilutive ordinary shares	-	-
Weighted average number of ordinary shares for the purpose of diluted LPS	181,198,281	171,797,179
<b>Loss per share:</b>		
Basic	(0.02)	(0.02)
Diluted	(0.02)	(0.02)

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of the Ordinary Shares which would be in issue if all the options granted other than those which are anti-dilutive, were exercised.

The following potentially dilutive instruments have been excluded from the calculation of weighted average number of ordinary shares for the year ended 31 December 2017 for the purpose of calculating diluted loss per share on the basis that the instruments would be anti-dilutive.

- A grant of 120,000 options granted under the DSOP. (See note 20 for further details)
- Shares issuable under unsecured convertible loan notes issued by the Company. (See note 17 for further details)
- 175,000 performance warrants granted to Beaufort Securities Limited. (See note 20 for further details)

**12. Intangible assets**

Group:	Mining rights and licences €	Capitalised exploration and evaluation expenditure €	Total €
<b>Cost</b>			
As at 1 January 2016	1,256,376	92,866	1,349,242
<b>As at 31 December 2016 and 1 January 2017</b>	<b>1,256,376</b>	<b>92,866</b>	<b>1,349,242</b>
<b>As at 31 December 2017</b>	<b>1,256,376</b>	<b>92,866</b>	<b>1,349,242</b>
<b>Accumulated amortisation</b>			
As at 1 January 2016	84,275	5,855	90,130
Amortisation charge	62,947	2,364	65,311
<b>As at 31 December 2016 and as at 1 January 2017</b>	<b>147,222</b>	<b>8,219</b>	<b>155,441</b>
Charge for the year	29,455	2,357	31,812
<b>As at 31 December 2017</b>	<b>176,677</b>	<b>10,576</b>	<b>187,253</b>
<b>Net Book Value</b>			
As at 1 January 2016	1,172,101	87,011	1,259,112
As at 31 December 2016	1,109,154	84,647	1,193,801
<b>As at 31 December 2017</b>	<b>1,079,699</b>	<b>82,290</b>	<b>1,161,989</b>

Capitalised exploration and evaluation expenditure represents rights to the mining of decorative stone reserves in the Pejë, Syriganë and Rahovec quarries in Kosovo. The Group was granted in 2011 rights of use by the local municipality for twenty years over land in the Syriganë and Rahovec region through acquisition of the issued share capital of Rex Marble SH.P.K and H&P SH.P.K.

On the 16 August 2014 the Company entered into a sub-lease arrangement with New World Holdings (Malta) Limited in relation to the Omega Alexandrian White marble quarry at Prilep in Macedonia. This new quarry site is adjacent to the Company's existing operations in Prilep. The consideration for the sub-lease was €1,256,376 (£1,000,000) and a subsequent 40% gross revenue royalty obligation. The sub-lease has an initial term of 20 years, which is extendable by the Company for a further twenty years. The sub-lease grants the Company the exclusive right to quarry, process, remove and sell marble from the quarry. The Company will pay for and provide all the equipment and staff required to operate this quarry. The quarry is not yet operational.

Intangible assets relating to quarries not yet in operation are treated as exploration and evaluation assets and assessed for impairment in accordance with IFRS 6 Exploration and evaluation of mineral resources. The Group has assessed intangible assets for indicators of impairment and concluded there are no indicators of impairment arising in the current year.

**13. Property, plant and equipment**

Group:

	Construction in Progress	Quarry Plant & Machinery	Factory Plant & Machinery	Land	Office Equipment and Leasehold improvements	Total
	€	€	€	€	€	€
<b>Cost</b>						
As at 1 January 2016	1,772,312	2,456,212		160,000	27,983	4,416,507
Additions	1,014,463	290,524		-	2,118	1,307,105
<b>As at 31 December 2016 and as at 1 January 2017</b>	<b>2,786,775</b>	<b>2,746,736</b>		<b>160,000</b>	<b>30,101</b>	<b>5,723,612</b>
Additions	253,815	242,164		-	387	496,366
Transfers	(3,040,590)	-	3,040,590	-	-	-
<b>As at 31 December 2017</b>	<b>-</b>	<b>2,988,900</b>	<b>3,040,590</b>	<b>160,000</b>	<b>30,488</b>	<b>6,219,978</b>
<b>Accumulated depreciation</b>						
As at 1 January 2016	-	801,517		-	17,873	819,390
Depreciation charge	-	236,682		-	4,970	241,652
<b>As at 31 December 2016 and as at 1 January 2017</b>	<b>-</b>	<b>1,038,199</b>		<b>-</b>	<b>22,843</b>	<b>1,061,042</b>
Depreciation charge	-	355,585	44,949	-	4,315	404,848
<b>As at 31 December 2017</b>	<b>-</b>	<b>1,393,784</b>	<b>44,949</b>	<b>-</b>	<b>27,158</b>	<b>1,465,891</b>
<b>Net Book Value</b>						
As at 1 January 2016	1,772,312	1,654,695		160,000	10,110	3,597,117
As at 31 December 2016	2,786,775	1,708,537		160,000	7,258	4,662,570
<b>As at 31 December 2017</b>	<b>-</b>	<b>1,595,116</b>	<b>2,995,641</b>	<b>160,000</b>	<b>3,330</b>	<b>4,754,087</b>

The Company has assessed property, plant and equipment for indicators of impairment and concluded there are no indicators of impairment arising in the current year. During the current year the Company completed work on its marble processing factory and has therefore transferred €3,040,590 of assets from construction in progress to Factory Plant & Machinery.

**14. Inventories**

Group:	2017 €	2016 €
Finished goods	3,319,467	3,231,916

The cost of inventories recognised as an expense and included in cost of sales amounted to €752,568 (2016 – €502,626). In the current year the Company has recognised a provision of €492,723 (2016 – €236,723) in relation to inventory. The cumulative provision against inventory held in stock at 31 December 2017 is €717,711 (2016 – €465,541).

**15. Trade and other receivables**

Group:	2017	2016
	€	€
<b>Non-current assets</b>		
Other receivables	56,307	-
	<b>56,307</b>	-
<b>Current assets</b>		
Trade receivables	501,586	254,090
Less: provision for impairment in receivables	(199,751)	(107,383)
Trade receivables (net)	<b>301,835</b>	<b>146,707</b>
Deposits on capital equipment	338,751	283,750
Other receivables	137,170	362,542
Prepayments	95,259	117,981
VAT recoverable	112,632	657,027
	<b>985,647</b>	<b>1,568,007</b>
Company:	2017	2016
	€	€
<b>Current assets</b>		
Prepayments	38,963	44,745
Amounts due from subsidiary undertaking	19,733,360	17,910,036
Other receivables	56,307	91,406
VAT recoverable	35,501	10,751
	<b>19,864,131</b>	<b>18,056,938</b>

Included in other receivables at 31 December 2017 are other receivables of €56,307 (2016 – €58,638) relating to the issue of share capital made by the Company on the 31 August 2011. Included in this balance are amounts due from directors of €48,889 (2016 – €50,706).

Trade receivables are disclosed net of a provision for bad and doubtful debts. The provision for bad and doubtful debts is based on specific risk assessment and reference to past default experience. The group recognises a provision for over 50% of trade receivables over one year. A bad debt expense of €92,368 has been recognised in the year (2016 – €51,601) resulting in a cumulative provision of €199,751 included in trade receivables (2016 – €107,383). The majority of the provision arose as a result of the entry of Pisani Plc, a major distributor, into administration in the year and is not expected to be recurring.

Included in receivables for the Group are receivables denominated in GBP of €145,035 (2016 – €257,815). There are nil receivables denominated in USD (2016 – nil). Included in receivables for the Company are receivables denominated in GBP of €130,770 (2016 – €193,649). All GBP denominated receivables have been translated to Euro at the exchange rate prevailing at 31 December 2017. All other receivables are Euro denominated. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Included in receivables for the Group are deposits on capital equipment of €338,751 (2016 – €283,750). These relate to additional equipment which the Group expects to install within the next twelve months.

The amount due from subsidiary undertakings is due from Fox Marble Limited, and is non-interest bearing and repayable on demand and management believe this amount is recoverable.

**16. Trade and other payables**

Group:	2017	2016
	€	€
Trade payables	435,342	266,897
Advances received from customers	380,843	265,778
Amounts due to related parties	251,204	66,666
Other payables	94,855	21,639
Accruals	183,139	257,747
Other tax and social security payable	27,713	11,616
	<b>1,373,096</b>	<b>890,343</b>



Company:	2017	2016
	€	€
Trade payables	247,497	128,153
Amounts due to related parties	168,923	43,776
Accruals	77,124	51,201
Other liabilities	84,478	-
	<b>578,022</b>	<b>223,130</b>

Amounts due to related parties are considered further in note 24.

Included in trade and other payables of the Group are GBP denominated payables of €905,775 (2016 – €526,875) and USD denominated payables of €298,063. All other trade and other payables are Euro denominated. All GBP denominated payables have been translated to Euro at the exchange rate prevailing at 31 December 2017.

All trade and other payables of the Company are GBP denominated and have been translated to Euro at the exchange rate prevailing at 31 December 2017. All trade and other payables at 31 December 2017 are due within one year and are non-interest bearing. The directors consider that the carrying amount of trade and other payables approximates their fair value.

### 17. Borrowings

Group and Company:	2017	2016
	€	€
Current borrowings		
Convertible loan notes held at amortised cost	1,026,120	1,219,471
Other borrowings held at amortised cost	572,794	-
Derivative over own equity at fair value	140,111	70,530
	<b>1,739,025</b>	<b>1,290,001</b>
Non-current borrowings		
Convertible loan notes held at amortised cost	670,294	-
Other borrowings held at amortised cost	798,370	-
Derivative over own equity at fair value	233,789	-
	<b>1,702,453</b>	<b>-</b>

#### (i) Series 1 Loan Note

On 31 August 2012 the Company issued a €1,295,278 (£1,060,000) fixed rate convertible unsecured loan note 2017 under the terms of the agreement signed 24 August 2012 with Amati Global Investors Limited ("Series 1 Loan Note").

At any time prior to repayment of the Series 1 Loan Note, a stockholder is able to issue a conversion notice. Under the initial terms, the stockholder would receive such number of fully paid ordinary shares as satisfied by the formula: 1 ordinary share for every y pence nominal of stock converted, where y is the lesser of: 20 + (number of whole months which have lapsed between the date of issue of the stock held by the stockholder and the date of receipt of by the Company of a conversion notice multiplied by 0.1666); and 26.

Under the initial terms of the loan note interest accrued on the Series 1 Loan Note at 8% per annum from the date of issue due quarterly in arrears, until 31 August 2015. On the 1 November 2015, the interest rate was raised by the loan note holder to 25% per annum. On the 7 June 2016 the company renegotiated the terms of the loan note. As a result the interest rate reverted to 8% per annum. Further the conversion price was reduced to 10 pence.

As at 31 December 2017 the Series 1 Loan Note held at amortised cost had a balance of €1,026,120 (2016 – €1,219,471). The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2017 the derivative had a value of €140,111 (2016 – €70,531). The fair value has been assessed using a Black Scholes methodology.

On 30 January 2018, the facility and any outstanding accrued interest of the Series 1 Loan Note was repaid in full.

#### (ii) Series 3 Loan Note

On 28 June 2017, the Company issued a convertible loan note with a value of £440,000 ("Series 3 Loan Note") to a non related party. This new Series 3 Loan Note has an interest rate of 8% per annum, in line with the Series 1 Loan Note issued to Amati Global Investors Limited. The Loan Note is due for conversion or repayment on 31 August 2019 with a conversion price set at 10p.

As at 31 December 2017, the Series 3 Loan Note held at amortised cost had a balance of €495,616. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2017 the derivative had a value of €171,891. The fair value has been assessed using a Black Scholes methodology.

#### (iii) Series 4 Loan Note

On 28 December 2017, the Company issued a convertible loan note with a value of £160,000 ("Series 4 Loan Note") to a non related party. This new Series 4 Loan Note has an interest rate of 8% per annum, in line with the Series 1 Loan Note issued to Amati Global Investors Limited. The Loan Note is due for conversion or repayment on 31 August 2019 with a conversion price set at 10.5p.

As at 31 December 2017 the Series 4 Loan Note held at amortised cost had a balance of €174,678. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2017 the derivative had a value of €61,897. The fair value has been assessed using a Black Scholes methodology.

#### (iv) Other Borrowings

On 10 February 2017, the Company entered into a short term finance arrangement with Peers Hardy (UK) Limited for £500,000 repayable on the 10 August 2017 at an interest rate of 15%. The term of the facility may be increased at the Company's request to 31 October 2018. As at 31 December 2017 the loan note held at amortised cost had a balance of €572,794. The facility was fully repaid on the 30 January 2018.

On 2 June 2017 the Company entered into a £1,000,000 facility arrangement with Brandon Hill Capital Limited, which may be drawn down at the Company's request. As at 31 December 2017 £200,000 had been drawn down under this facility.

As at 31 December 2017 the loan note held at amortised cost had a balance of €233,213. Brandon Hill Capital Limited agreed to convert their outstanding loan into new Ordinary Shares at 10.5p per share as part of the Placing announced by the Company on 3 January 2018. On 22 January 1,904,761 Ordinary Shares were issued in full settlement of the outstanding liability. The facility remains in place till 30 June 2019.

On 7 December 2017 the Company announced that it had received an unsecured loan of £500,000 from Roy Harrison OBE, a non-executive director of the Company. As at 31 December 2017 the loan note held at amortised cost had a balance of €565,158. Roy Harrison Limited agreed to convert his outstanding loan into new Ordinary Shares at the 10.5 pence per share as part of the Placing announced by the Company on 3 January 2018. On 22 January 2018 4,761,904 Ordinary Shares were issued in full settlement of the outstanding liability.

The directors consider that the carrying amount of borrowings approximates their fair value at 31 December 2017.

### 18. Share capital

Group and Company:	2017 Number	2016 Number	2017 €	2016 €
Issued, called up and fully paid Ordinary shares of £0.01 each				
At 1 January	<b>181,067,074</b>	159,848,266	<b>2,281,345</b>	2,008,809
Issued in the year	<b>277,777</b>	21,218,758	<b>3,131</b>	272,536
At 31 December	<b>181,344,851</b>	181,067,024	<b>2,284,476</b>	2,281,345

The Company has one class of ordinary share capital.

- a. On a resolution at a general meeting, every member (whether present in person, by proxy or authorised representative) has one vote in respect of each ordinary share held by him.
- b. All ordinary shares rank equally in the right to participate in any approved dividend distribution applicable to this class of share.
- c. Except as otherwise provided below, all dividends must be
  - i. Declared and paid according to the amounts paid up on the shares on which the dividend is paid; and
  - ii. Apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

- d. If any share is issued in terms of providing that it ranks for dividend as from a particular date that share ranks for dividend accordingly.
- e. In the event of any winding up all shares will rank equally in relation to distribution of capital.
- f. All shares are non-redeemable.

On 12 July 2017, Fox Marble issued 277,777 new ordinary shares of 1p each ("Ordinary Shares") in the Company to Beaufort Securities Limited at a deemed price of 9p per share, being the closing bid price on 11 July 2017, in lieu of cash payment for annual broking fees.

The Company has not recognised any transaction costs in relation to the issue of share capital within share premium in the year to 31 December 2017 (2016 – €201,805).

On 19 January 2018, following the passing of all authorities at a General Meeting held on that day, the Company issued 14,692,852 ordinary shares at 10.5p per share. On 29 January 2018 the Company issued 19,047,619 ordinary shares to Kesari Tours PVT Limited at a price of 10.5p per share. Further details are included in note 29.

### 19. Accumulated losses

Group:	Year ended 31 December 2017 €	Year ended 31 December 2016 €
At 1 January	(19,385,793)	(16,629,376)
Loss for the year	(3,437,389)	(2,756,417)
<b>At 31 December</b>	<b>(22,823,182)</b>	<b>(19,385,793)</b>
Company:	Year ended 31 December 2017 €	Year ended 31 December 2016 €
At 1 January	(9,292,695)	(8,755,251)
Loss for the year	(1,185,665)	(537,444)
<b>At 31 December</b>	<b>(10,478,360)</b>	<b>(9,292,695)</b>

Accumulated losses for the Group and Company include a charge of €6,035,228 incurred in the year ended 31 December 2012.

Between 25 August 2011 and 29 September 2011 Fox Marble Limited issued €1,508,807 (£1,195,000) of unsecured convertible loan notes due 2016 ("Pre IPO loan note"). In the event of admission of the Company and its parent to AIM these loan notes were to convert to a variable number of ordinary shares of the Company to provide a conversion value of 5:1. On the 24 August 2012, following the acquisition of Fox Marble Limited by Fox Marble Holdings plc the loan notes were novated from Fox Marble Limited to Fox Marble Holdings plc.

Following the admission of the Company to AIM on the 31 August 2012 the loan notes with a carrying value of €1,508,807 (£1,195,000) were converted into 29,875,000 shares at an issue price of 20p, with a total value of €7,544,035 (£5,975,000) resulting in a non-cash accounting charge of €6,035,228 being recognised in the statement of comprehensive income.

### 20. Share based payment reserve

Group and Company:	Year ended 31 December 2017 €	Year ended 31 December 2016 €
At 1 January	83,211	83,211
Equity settled share based payment charge	960	–
<b>At 31 December</b>	<b>84,171</b>	<b>83,211</b>

On the 12 June 2017 Beaufort Securities Limited was granted performance warrants, in each case subject to the mid-price of the ordinary shares trading above the exercise price for a consecutive period of more than 3 months. These warrants may be exercised for a period of up to 3 years from their date of issue.

The Company has a set up a Discretionary Share Option Plan (DSOP) for the benefit of employees. The Company granted options over an aggregate of 120,000 Ordinary Shares at the IPO Placing Price of 20p to Fiona Hadfield under the terms of the DSOP on 31 August 2012. The options vested after three years. Fair value of the options has been evaluated using a Black Scholes model.

	Date of Issue	Exercise price	Granted	Outstanding
<b>Performance Warrants</b>				
Beaufort Securities Limited	12 July 2017	15p	100,000	100,000
Beaufort Securities Limited	12 July 2017	20p	75,000	75,000
<b>Share options</b>				
DSOP Share scheme	31 August 2012	20p	120,000	120,000

All other warrants issued by the Company have expired un-exercised.

## 21. Leases and municipal rights of use

Area		Area m <sup>2</sup> '000	Lease start date	Period	Payment
Peja	Lease	1,780	10/03/2011	20 years	20% of profits associated with activities carried out on leased land
Rahovec	Municipal rights of use	2,000	04/02/2011	10 years	€0.5 per cubic metre extracted
Syriganë	Municipal rights of use	540	18/03/2011	20 years	€0.5 per cubic metre extracted

Leases and municipal rights of use relate to the Group's rights over land on which the quarry sites are located.

## 22. Capital and financial risk management

### Capital risk management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to equity holders comprising issued share capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio and net debt/cash. This ratio is calculated as total borrowings divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus total borrowings.

The gearing ratios at 31 December 2017 and 31 December 2016 are as follows:

Group	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Total borrowings (note 17)	(3,441,478)	(1,290,001)
Less cash and cash equivalents	542,287	937,512
<b>Net debt</b>	<b>(2,899,191)</b>	<b>(352,489)</b>
Total equity	6,181,887	9,413,462
Total capital	9,623,365	10,703,463
<b>Gearing ratio</b>	<b>35.76%</b>	<b>12.05%</b>

Company	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Total borrowings (note 17)	(3,441,478)	(1,290,001)
Less cash and cash equivalents	441,663	899,015
<b>Net debt</b>	<b>(2,999,815)</b>	<b>(390,986)</b>
Total equity	18,314,489	19,471,018
Total capital	21,755,967	20,761,019
<b>Gearing ratio</b>	<b>15.82%</b>	<b>6.20%</b>

### **Financial risk management**

The Group is exposed to a number of financial risks through its normal operations, the most significant of which are credit, foreign exchange and liquidity risks.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. Risk management is carried out by the board of directors. The board has established policies and principles for overall risk management covering specific areas such as foreign exchange risk, credit risk and investment of excess liquidity.

#### **Credit risk**

Credit risk is managed on a group basis. The Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to retail customers are settled in cash. Management does not expect any losses from non-performance by these counterparties.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was €1,491,982 (2016 – €2,387,538). Financial assets are assessed for impairment annually and a provision for bad debt of €92,368 has been recognised in 2017 (2016 – €51,601).

As at 31 December 2017 the Group holds €542,287 in cash and cash equivalents (2016 – €937,512). The Group mitigates banking sector credit risk through the use of banks with no lower than a single A rating.

As at 31 December 2017 the Company holds €441,663 in cash and cash equivalents (2016 – €899,015). The Company mitigates banking sector credit risk through the use of banks with no lower than a single A rating.

#### **Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and GBP. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.



There is exposure to movements in the GBP/EUR exchange rate as a portion of the cash held by the group is denominated in GBP and the Group's borrowing facilities are GBP denominated.

Group	31 December 2017 €	31 December 2016 €
Cash denominated in EUR	229,187	102,980
Cash denominated in GBP	278,034	831,231
Cash denominated in USD	35,066	3,301
	<b>542,287</b>	<b>937,512</b>
Company		
Cash denominated in EUR	186,899	95,000
Cash denominated in GBP	254,764	804,015
	<b>441,663</b>	<b>899,015</b>

As at 31 December 2017 if the currency has weakened/strengthened by 10% against the GBP with all other variables constant, post-tax profit would have been €240,369 higher/lower, mainly as a result of the foreign exchange gains/losses on translation of the GBP denominated convertible loan note and GBP denominated receivables and payables (2016 – €77,868). Similarly the Company has calculated the impact of a 10% increase or decrease in the GBP/EUR exchange rate would have a €294,001 (2016 – €77,868) impact on the net assets of the Company, with all other variables held constant. A 10% variation in the foreign exchange rate is considered appropriate as it reflects a maximum volatility in the exchange rates over the given period.

For the Company, as at 31 December 2017 if the currency has weakened/strengthened by 10% against the GBP with all other variables constant, post-tax profit would have been €240,369 higher/lower, mainly as a result of the foreign exchange gains/losses on translation of the GBP denominated convertible loan note and GBP denominated receivables and payables (2016 – €51,429). Similarly the Company has calculated the impact of a 10% increase or decrease in the GBP/EUR exchange rate would have a €261,757 (2016 – €51,429) impact on the net assets of the Company, with all other variables held constant. A 10% variation in the foreign exchange rate is considered appropriate as it reflects a maximum volatility in the exchange rates over the given period.

The Group manages foreign exchange risk through natural hedging of its cash deposits against existing GBP/EUR commitments and by monitoring exchange rate fluctuations and forecast cash flows to examine the need for any formal hedging arrangement.

### Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the group treasury.

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The following are the contractual maturities of financial liabilities for the Group as at 31 December 2017 based upon contractual cash flows:

<b>31 December 2017</b>	Carrying Amount €	Contractual cash flows €	6 months or less €	6-12 months €	1-2 years €	2-5 years €
Borrowings	3,441,478	3,225,294	–	1,756,794	720,736	747,764
Trade and other payables	1,373,096	1,373,096	1,373,096	–	–	–
	<b>4,814,574</b>	<b>4,598,390</b>	<b>1,373,096</b>	<b>1,756,794</b>	<b>720,736</b>	<b>747,764</b>

<b>31 December 2016</b>	Carrying Amount €	Contractual cash flows €	6 months or less €	6-12 months €	1-2 years €	2-5 years €
Borrowings	1,290,001	1,303,199	49,689	1,253,510	-	-
Trade and other payables	890,343	890,343	890,343	-	-	-
	<b>2,180,344</b>	<b>2,193,542</b>	<b>940,032</b>	<b>1,253,510</b>	-	-

For the Company as at 31 December 2017 and 2016, contractual liabilities with regards to convertible loan notes are the same as for the Group. Trade and other payables' contractual cash flows payable in 6 months or less as at 31 December 2017 are €578,022 (2016 – €231,130).

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium-, long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

### *Fair Values*

The directors have reviewed the financial statements and have concluded that, there are no significant differences between the book values and the fair values of the financial assets and financial liabilities of the Group and Company as at 31 December 2017 and 2016.

### **23. Subsidiary undertakings**

	% Ownership	Date acquired/ incorporated	Registered Office	Place of incorporation	Principal activity
Fox Marble Limited	100%	3 August 2012	15 Kings Terrace, London, NW1 0JP	England & Wales	Operating Company
Fox Marble Kosova Sh.P.K	100%	11 December 2012	Garibaldi 1/2, Pristina,	Kosovo	Operating Company
Rex Marble Sh.P.K	100%	3 August 2012	Bulevardi Ddshmoret e Kombit, Nr.72IA-7, Pristina	Kosovo	Holding of licences & rights
H&P Sh.P.K	100%	3 August 2012	Bill Klinton n36, Pristina	Kosovo	Holding of licences & rights
Granit Shala Sh.P.K	100%	3 August 2012	Banje, Istog	Kosovo	Holding of licences & rights
Fox Marble Asia Limited	51%	7 November 2016	15 Kings Terrace, London, NW1 0JP	England & Wales	Dormant
Stone Alliance LLC	59%	13 April 2015	1209 Orange street, Wilmington, Delaware 19801	United States	Dormant

All the shareholdings in subsidiary undertakings comprise ordinary shares. Fox Marble Kosova Sh.P.K, Rex Marble Sh.P.K, H&P Sh.P.K and Granit Shala Sh.P.K are held via the Company's shareholding in Fox Marble Limited.

There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of the group, to transfer cash or assets from other entities within the group or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the Group.

Fox Marble Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Companies Act 2006 for the year ended 31 December 2017.

### **24. Related party transactions**

The executive directors are also considered key management as defined by IAS 24 'Related Party Disclosures (revised 2009)'. The remuneration of key management is considered in note 7.

As at 31 December 2017 the Group has accrued €239,302 due to directors of the Company in respect of fees due to them (2016 – €51,738). As at 31 December 2017 the Company has accrued €168,923 due to directors of the Company in respect of fees due to them (2016 – €43,766). As at 31 December 2017 there are no amounts

payable (2016 – €2,560) to directors of the Company as repayment for corporate and travel expenses incurred on behalf of the Company.

The Company only financial statements of Fox Marble Holdings plc include amounts receivable from its subsidiary undertaking Fox Marble Limited of €19,733,360 (2016 – €17,910,036). Amounts provided to Fox Marble Limited relate to the provision of funding for operations and capital expenditure.

The Company and Group have receivables from directors and former directors of the Company of €48,889 (2016 – €50,706) relating to the issue of share capital on the 31 August 2011. Please refer to note 15 for further detail.

On 7 December 2017 the Company announced that it had received an unsecured loan of £500,000 from Roy Harrison OBE, a non-executive director of the Company. As at 31 December 2017 the loan note held at amortised cost had a balance of €565,158. Roy Harrison Limited agreed to convert his outstanding loan into new Ordinary Shares at the 10.5 pence per share as part of the Placing announced by the Company on the 3 January 2018. On the 22 January 2018 4,761,904 Ordinary Shares were issued in full settlement of the outstanding liability.

## 25. Commitments

### (a) Capital commitments

Capital expenditure contracted for but not yet incurred at the end of the reporting year is as follows:

Group:	2017 €	2016 €
Property plant and equipment	124,250	74,685

As at 31 December 2017 the Group had capital equipment deposits receivable of €380,843 (2016 – €283,750) which are expected to be capitalised into property plant and equipment in 2018.

### (a) Operating lease commitments

The Group leases office space and warehousing showroom space under non-cancellable operating lease agreements. Lease terms are between one and five years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Expiring within one year	20,525	20,525
Expiring within one to five years	49,099	78,566
	<b>69,624</b>	<b>99,091</b>

## 26. Investments

Company:	2017 €	2016 €
Investments in Fox Marble Limited	2,028,195	2,028,195
	<b>2,028,195</b>	<b>2,028,195</b>

## 27. Controlling Parties

There is considered to be no controlling party. Chris Gilbert and Dr Etrur Albani are deemed to be acting in concert for the purposes of the City Code, and who as at 10 May 2018 control 18.35% of the share capital of the Company.

## 28. Contingent Liabilities

Mermeren Kombinat AD launched proceedings against Company claiming that the Company's use of the name of Sivec for the marble produced at its quarries in Prilep, Macedonia was in breach of trademark they held.

On 14 June 2017 the Intellectual Property and Enterprise Court held that the use of the name SIVEC by Fox Marble Holdings plc was an infringement of Mermeren Kombinat AD's EU trade mark. Damages awarded are still being assessed by the Court, but are not expected to be material.

## 29. Events after the reporting period

On 3 January 2018, the Company announced its intention to issue 7,235,712 new Ordinary Shares at a price of 10.5 pence per share by means of a placing through Brandon Hill Capital Limited to raise £759,750 before expenses and to issue a further 19,047,619 new Ordinary Shares at the Issue Price by means of a Subscription to raise £2 million before expenses. The subscriber under the Subscription Agreement is Kesari Tours PVT Limited.

In addition, the Company announced its intention to discharge £783,000 of the Company's outstanding loans and other liabilities by the issue of a further 7,457,140 new Ordinary Shares to certain Directors and to Brandon Hill Capital Limited at 10.5 pence for share.

Proceeds from the placing and subscription have been used to fund the expansion of production capabilities at Fox Marble's quarries and factory, repay existing debt obligations and provide the Company with additional working capital as demand increases as it continues to develop sales channels.

On 3 January 2018, the Company announced that it has signed a three-year sales agreement with Mr Shailesh Patil. Subject to achieving a minimum commitment of 3,000 tonnes per annum, the agreement confers upon Mr Patil exclusivity as Fox Marble's distributor for GCC nations, comprising Oman, Qatar, Saudi Arabia, Bahrain, Kuwait and the UAE. The minimum commitment under the agreement equates to approximately €600,000 to €800,000 per annum. As part of the agreement, Mr Patil has committed to a \$500,000 advance payment against future orders.

On 19 January 2018, following the passing of all authorities at a General Meeting held on that day the Company issued 14,692,852 ordinary shares at 10.5p per share. On 29 January the Company issued 19,047,619 ordinary shares to Kesari Tours PVT Limited at a price of 10.5p per share.

On 31 January 2018 the Company settled outstanding liabilities in relation to the Series 1 Loan Note due Amati Global Investors Limited. On 31 January 2018 the Company settled outstanding liabilities in relation to the short term borrowings du Peers Hardy (UK) Limited.

On 2 March 2018 the Company was notified that Beaufort Securities Limited was being placed into insolvency and the Financial Conduct Authority has imposed requirements on BSL and BACSL to cease all regulatory activity. As a result Beaufort Securities Limited ceased being joint broker to the Company.

## Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of Fox Marble Holdings plc will be held at CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street London EC4N 6AF at 11.00am on 5 June 2018 to consider the following resolutions; of which numbers 1 to 4 will be proposed as ordinary resolutions and number 5 as a special resolution.

1. To receive the annual report and financial statements for the year ended 31 December 2016
2. To re-elect Chris Gilbert as a director of the Company
3. To reappoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the directors to determine their remuneration
4. THAT the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or convert any security into, shares in the Company ("Rights") up to an aggregate nominal amount of £716,951 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company or on 30 June 2019, whichever is earlier, and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights under such offer or agreement as if this authority had not expired.

### Special Resolution

5. THAT, subject to and conditional upon the passing of resolution 4 above, the directors of the Company be empowered under section 570 of the Companies Act 2006 ("the Act") to allot equity securities (within the meaning of section 560 of the Act) for cash and/or to sell or transfer shares held by the Company in treasury (as the directors shall deem appropriate) under the authority conferred on them under section 551 of the Act by resolution 7 above as if section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
  - a. the allotment of equity securities in connection with any rights issue or other pro-rata offer in favour of the holders of ordinary shares of 1p each in the Company where the equity securities respectively attributable to the interests of all such holders of shares are proportionate (as nearly as may be) to the respective numbers of shares held by them, provided that the directors of the Company may make such arrangements in respect of overseas holders of shares and/or to deal with fractional entitlements as they consider necessary or convenient; and
  - b. the allotment (otherwise than under sub-paragraph (a) above) of equity securities and/or the sale or transfer of shares held by the Company in treasury (as the directors shall deem appropriate) up to an aggregate nominal amount of £215,085.

and this authority shall expire on the earlier of 30 June 2019 or the conclusion of the Company's Annual General Meeting in 2019 provided that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities under such offers or agreements as if the power conferred by this resolution had not expired and provided further that this authority shall be in substitution for, and to the exclusion of, any existing authority conferred on the directors.

By order of the board

**Lorraine Young**

Company Secretary

10 May 2018

Registered office: 15 Kings Terrace, NW1 0JP, London, United Kingdom



## Notes

### 1. Right to attend, speak and vote

If you want to attend, speak and vote at the AGM you must be on the Company's register of members at 10.00 am on 1 June 2018. This will allow us to confirm how many votes you have on a poll. Changes to the entries in the register of members after that time, or, if the AGM is adjourned, 48 hours (excluding non-working days) before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.

### 2. Appointment of proxies

If you are a member of the Company you may appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting. You may only appoint a proxy using the procedures set out in these notes and in the notes on the proxy form, which you should have received with this notice of meeting.

A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes on the form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

You may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares which you hold. If you wish to appoint more than one proxy you may photocopy the proxy form or alternatively you may contact the Company Secretary, Lorraine Young, 60 Gracechurch Street, London EC3V 0HR.

### 3. Appointment of proxy using hard copy proxy form

The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you do not indicate on the proxy form how your proxy should vote, they will vote or abstain from voting at their discretion. They will also vote (or abstain from voting) at they think fit in relation to any other matter which is put before the meeting.

To appoint a proxy using the proxy form, the form must be completed, signed and received by the Company Secretary no later than 48 hours (excluding non-working days) before the meeting. Any proxy forms (including any amended proxy forms) received after the deadline will be disregarded.

The completed form may be returned by any of the following methods:

- Sending or delivering it to Lorraine Young at 60 Gracechurch Street, London EC3V 0HR
- Scanning it and sending it by email to [lorraine.young@shma.co.uk](mailto:lorraine.young@shma.co.uk)

If the shareholder is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer or attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### 4. Appointment of proxy by joint members

In the case of joint holders, where more than one joint holder purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

### 5. Changing your instructions

To change your proxy instructions simply submit a new proxy form using the methods set out above. The amended instructions must be received by the Company Secretary by the same cut-off time noted above. Where you have appointed a proxy using a hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company Secretary on telephone number +44 (0) 207 264 4405. If you submit more than one valid proxy form, the one received last before the latest time for the receipt of proxies will take precedence.

### 6. Termination of proxy appointments

In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Lorraine Young, 60 Gracechurch Street, London EC3V 0HR. Alternatively you may send the notice by email to [lorraine.young@shma.co.uk](mailto:lorraine.young@shma.co.uk). In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an

officer or attorney. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, your revocation notice must be received by the Company Secretary no later than 48 hours (excluding non-working days) before the meeting. If your revocation is received after the deadline, your proxy appointment will remain valid. However, the appointment of a proxy does not prevent you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

#### 7. Communications with the Company

Except as provided above, members who have general queries about the meeting should telephone the Company Secretary on +44 (0) 207 264 4405 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

#### 8. Issued shares and total voting rights

As at 5.00pm, on the day immediately prior to the date of posting of this notice of meeting, the Company's issued share capital comprised of 215,085,322 ordinary shares of 1p each. Each ordinary share carries the right to one vote and therefore, the total number of voting rights in the Company at that time was 215,085,322.

## Explanation of Resolutions

The Company's annual general meeting will be held at 11.00 am on 5 June 2018 at CMS Cameron McKenna Nabarro Olswang LLP Cannon Place, 78 Cannon Street London EC4N 6AF. The notice of meeting is set out on page 68 of this document. Details of resolutions to be considered at the meeting are given below.

#### ***Annual report and accounts (resolution 1)***

Company law requires that the annual report and accounts are laid before members.

#### ***Director's re-election (resolution 2)***

In accordance with the Company's articles, Chris Gilbert is standing for re-election to the Board of Directors. Biographical details of all of the directors can be found on pages 22 and 23 of the annual report.

#### ***Auditors' appointment and determination of their fees (resolution 3)***

Company law requires shareholders to reappoint the auditors each year. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them and to authorise the directors to set their fees will be proposed at the Annual General Meeting.

#### ***Authority to allot shares (resolutions 4 and 5)***

In accordance with current guidelines, the Directors seek authority to allot up to a maximum of 71,695,107 ordinary shares. This represents approximately 33% of the issued ordinary share capital as at 10 May 2018. Further, in order to retain some flexibility, the Directors seek power to allot 21,508,532 equity securities wholly for cash other than on a pre-emptive basis to current shareholders pro-rata to their existing holdings. This amount represents 10% of the issued ordinary share capital as at 10 May 2018. These authorities will continue in force until the AGM to be held in 2019 or 30 June 2019, whichever is the earlier.

It is intended to renew each of the above authorities at each annual general meeting.

# FOX --- MARBLE

Fox Marble Holdings Plc Annual Report  
& Financial Statements  
2017





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