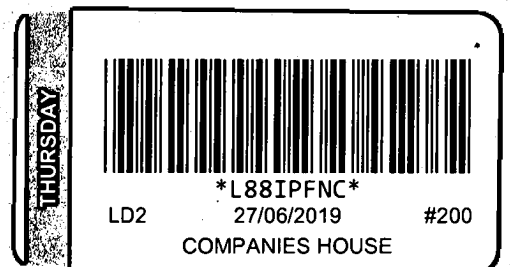
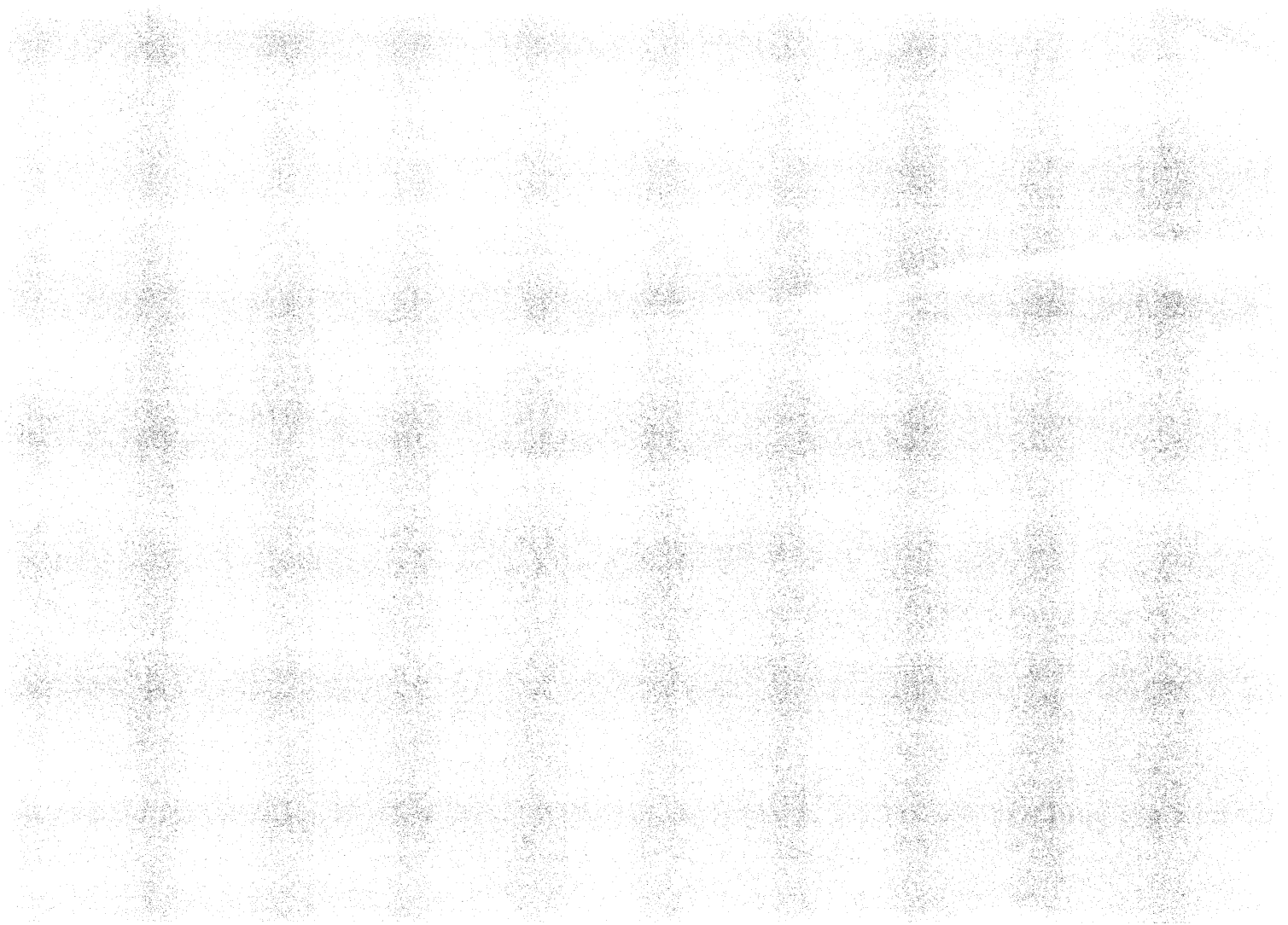


# FOX MARBLE

## FOX MARBLE HOLDINGS PLC ANNUAL REPORT & FINANCIAL STATEMENTS

2018



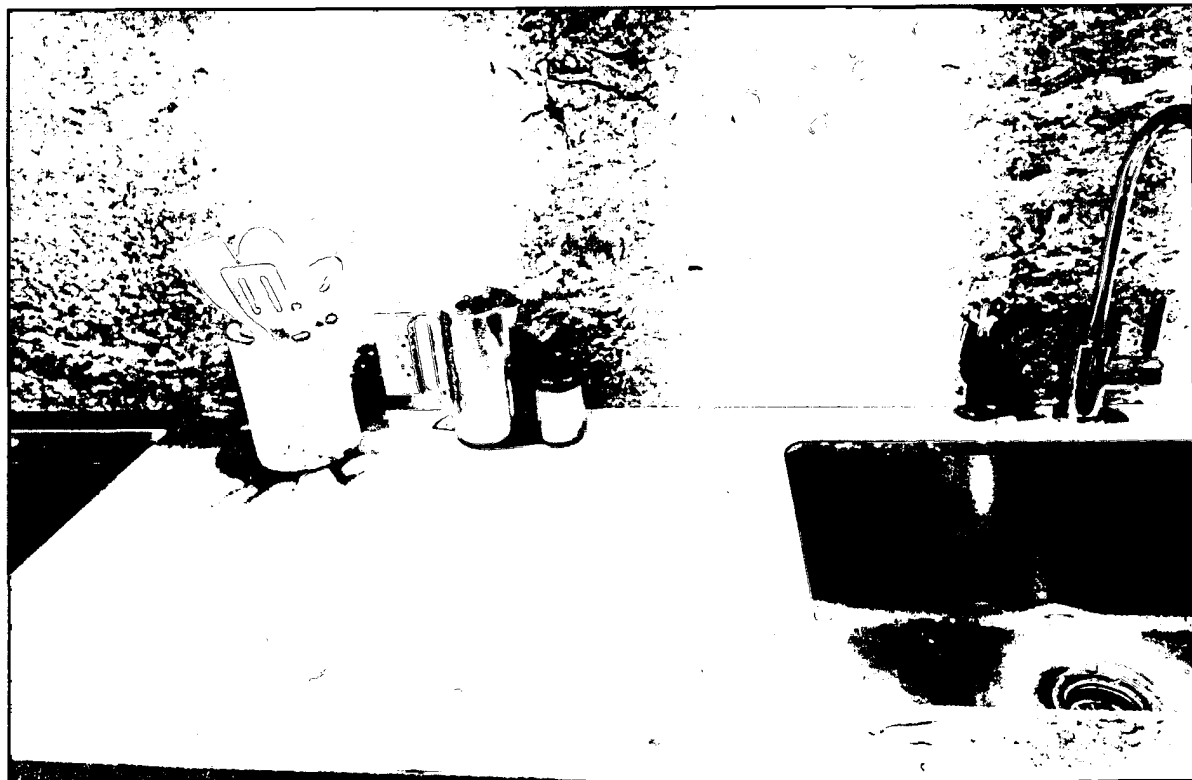


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*Figure 1 – Maleshevë quarry in Kosovo*



*Figure 2 – Illirico Selene, countertop and splash*

## 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 North Macedonia. Established in 2011, Fox Marble 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 Balkan region is established as a major centre of marble production.

## Highlights for the year ended 2018

- Total production of 13,094 tonnes of marble at the Prilep Alpha and Maleshevë quarries (2017 – 8,811 tonnes).
- Revenue for the year of €1.4 million (2017 – €1.2 million) with further advances of €0.3 million for future sales. 5,059 tonnes of block material sold in 2018 (2017 – 4,641 tonnes), and over 7,000 sqm of processed material sold (2017 – 5,000 sqm).
- Operating loss for the year of €2.5 million (2017 – €2.9 million). Loss for the year of €2.3 million (2017 €3.4 million).
- Acquisition of Gulf Marble Investments Limited for €1.8 million funded by the issuance of a convertible loan note. Through the acquisition Fox Marble has effectively obtained direct control over the quarry licence, acquired previously leased quarry equipment, and eliminated the royalty of 40% of gross revenue over the Prilep Alpha quarry payable to Gulf Marble Investment Limited under the original operating agreement.

## Highlights year to date 2019

- Sales to 30 April 2019 of €515k (30 April 2018 – €76k) reflect a strong start to the year, given the winter shutdown of the quarries which generally results in very slow sales in the first few months of the year.
- Production in the four months to 30 April 2019 of 5,940 tonnes (2018 2,147 tonnes). This significant increase in production over this period is a reflection of capital investment made in the quarries to date.
- The Company has entered into an important new contract to provide the stone to construct a temple in the United Arab Emirates. Fox Marble will provide most of the stone for the interior of the building. An initial deposit of \$100k has been paid, and the total value of the contract over the next two years is expected to be in the region of \$2.4 million.
- Capital investment of €550k has been made in the Prilep Alpha quarry, to drive increased levels of production and to support the delivery of material under the new temple contract.
- On 4 April 2019, the Company announced the conditional acquisition of Green Power Sh.p.k and Scope Sh.p.k for consideration of 16,000,000 shares in the Company. These acquisitions will give Fox Marble the direct rights to the Maleshevë quarry in their entirety, eliminate the annual royalty which would have been due under the operating agreement, and reduce monthly outgoings for equipment and maintenance at the factory.

## Chairman's statement

In my report last year I said that our objectives for 2018 were to achieve notably higher sales and to significantly reduce operating losses. We have increased sales and reduced operating losses but not to the extent we had planned, which is disappointing. Notwithstanding this we have made progress with further investment in the development of our quarries, sales momentum continuing to build, further investment in our marble processing factory, and by strengthening our financial position and organisation.

Our long term goal is to expand our 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 focus during 2019 will be to continue to develop our quarries and expand yields, to increase the output of processed material from our factory, to supply quality stone on time to our existing customers, to widen our customer base and identify new markets. We will continue to invest in systems and processes as our business grows and to ensure we maintain high standards of corporate governance and look after our workforce through effective training and disciplined health and safety practices.

Our sales in 2018 were lower than planned largely as a result of the slower than required growth in production. Accordingly, since the Company's financial year end, we have invested a further €550,000 in equipment for our Prilep Alpha quarry and have introduced a new quarry team and practices to substantially increase production levels. At Maleshevë we have continued to invest significant resources and effort to accelerate the development of this quarry to produce multiple open high volume benches capable of producing blocks in the quantities required to meet demand. We are beginning to see the benefits of this investment with a step up in production in the first four months of 2019.

We are encouraged by the signs of momentum building in the development of our customer base. We have a core of recurring block sale customers with orders from a number of countries including India, China, Turkey and the United Arab Emirates; the latter including an important contract to provide marble for a new temple.

The demand for our Illirico Selene marble from Maleshevë is currently outpacing production and Alexandrian White, and more recently Alexandrian Blue, from our Prilep Alpha quarry are in strong demand.

2018 was a significant year for our marble processing factory at Lipjan, Kosovo. The factory is now fully operational, has a very wide range of processing capability and has been well received locally with visits by the Prime Minister of Kosovo and other important dignitaries. A key objective during 2019 is to drive a material increase in the sale of processed marble from our factory to the local Kosovan and Balkan markets and overseas.

We have also made a number of important moves to strengthen the Group's organisation and financial position. We acquired Gulf Marble Investments Limited for €1.8 million in October 2018, thus effectively eliminating the royalty payable to Gulf Marble Investments Limited of 40% of gross revenue from the Prilep Alpha quarry. In April 2019 we announced the acquisition of Green Power Sh.p.k and Scope Sh.p.k for consideration of £1 million and £300k respectively to be satisfied by the issue of 16 million shares in Fox Marble. These acquisitions give Fox Marble direct rights to the Maleshevë quarry, eliminate the annual royalty payable under the operating agreement and acquire outright assets previously operated under a hire purchase arrangement.

During the year we have continued to develop our planning on Stone Alliance and have commenced fund raising to get this project moving forward to the next stage. Stone Alliance has licences over 40 quarries so the opportunity is significant.

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 €2.3 million is less than in 2017 (€3.4 million). Net cash at 31 December 2018 was €0.4 million and at 30 April 2019 was €0.96 million. Costs and cash remain under very tight control.

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

We have made an encouraging start to 2019. Production for the period to 30 April 2019 was 5,940 tonnes compared to 2,147 tonnes last year and sales were €515k compared to €76k. As last year, our objectives for the year are to achieve a material increase in production and sales, to significantly reduce operating losses. Our target for the year is to achieve a close to cash break-even position for the year as a whole. This will be critically dependent on our ability to produce marble to the required quality and on time to meet orders and to significantly grow sales of processed marble.

**Andrew Allner**

Non-Executive Chairman

**Reports**

Pages 6-16 comprise the Strategic report, pages 19-23 the Report of the Directors and pages 24-26 the Directors' Remuneration Report, all of which are presented in accordance with the UK Companies Act. 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 for any other purpose.

**Disclaimer**

This Annual Report and Financial Statements 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 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

Sales for the year ended 2018 were €1.4 million, with a further €0.3 million in advances received from customers. Whilst sales growth has not been as strong as expected, this has been driven by lower than expected quarry production volumes in Maleshevë. The demand for our Illirico Selene marble is currently outpacing production. We have seen encouraging signs in the development of our customer base, with a core of recurring block sale customers, with steady and regular demand for our material. We expect these customers to form the backbone of expected revenues in 2019.

- In 2018, the Company has seen its first significant orders from China. A Chinese customer has purchased and paid for 894 tonnes of Illirico Selene in three separate shipments. This customer has confirmed it wishes to purchase 300 tonnes of this material each month during 2019. We have completed shipment of over 300 tonnes of material to the customer since the M3 quarry reopened in late March 2019 and expect further orders over the remainder of the year.
- Turkey continues to be a consistent market for the Company, with over 1,200 tonnes of material sold in 2018. The customer has confirmed it expects its demand for the material to continue in 2019.
- In January 2018, the Company started production of a new material at the Prilep Alpha quarry called Alexandrian Blue. The new material has dense blue grey banding with smaller bands of white which produce a marked blue tone and is akin to the highly desirable Zebrino marble from Northern Italy. This new material will be quarried alongside Alexandrian White which is already in commercial production at the quarry. Fox Marble sold, and received payment for, 441 tonnes of Alexandrian Blue extracted in December 2018 to a single customer. Following this order, the Company entered into a sales agreement with this customer to purchase Alexandrian Blue with an expected value in excess of €1 million. The same customer has confirmed their intention to also purchase 3,500 tonnes of Illirico Selene. Since the start of 2019 the client has purchased a further 475 tonnes of material.
- In 2018, the Company established an office in Dubai to service the Gulf Cooperation Council region and entered into a forward purchase agreement for processed marble. The Company completed two large cut-to-size orders to a client in the UAE at the end of 2018, including the production of 50,000 10 cm x 10 cm tiles, which were secured via our new Dubai office.
- In 2019, the Company has entered into a significant new contract to provide the stone to construct a stone temple in the United Arab Emirates. Fox Marble will provide the majority of the stone for the interior of the building. An initial deposit of \$100k has been paid, and the total value of the contract over the next two years is expected to be in the region of \$2.4 million. Capital investment in quarry equipment of €550k has been made in the Prilep Alpha quarry, to drive the increased levels of production and to support the delivery of material, under this contract.

Sales to 30 April 2019 of €515k (30 April 2018 - €74k) reflect a strong start to the year, given the winter shutdown of the quarries which generally results in very slow sales in the first quarter of the year.

### Factory

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 in 2013, close to Pristina airport in Kosovo.

2018 was a transformative year for our factory. With full slab production operational from the last quarter of 2017, 2018 was focused on meeting growing demand for cut to size stone in addition to finished slabs. The Italian

Gravellona Machine Marmo Computer Numerical Control ("CNC") machine was installed in March 2018 and was very quickly producing its first tiles for export. Since then, cut to size capacity has been increased with the purchase of four bridge saws, two edge polishers, a cylinder (column) milling machine and a dedicated tile polishing line which became operational in the first quarter of 2019. Operating processes have been consistently refined and the factory is now operating two full shifts per day all year round.

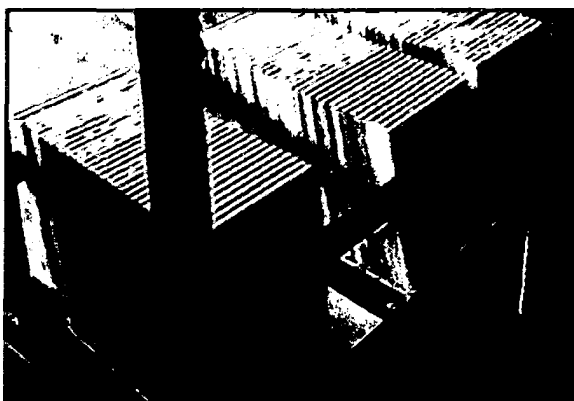
The factory has been showcased as a key example of the benefits of investment in Kosovo and visited by various dignitaries including the Prime Minister of Kosovo, the British Ambassador, and the Chairman of the Kosovo All Parties Parliamentary Group from Westminster.

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.

In 2018 and 2019 Fox Marble entered into certain hire purchase arrangements with Scope Sh.p.k ("Scope"), a company incorporated in Kosovo, to acquire and install in the factory plant and machinery including the new CNC machine which was announced on 16 April 2018.

On 4 April 2019 the Company announced it had conditionally agreed to acquire the entire issued share capital of Scope for a consideration of £300,000 to be satisfied by the issue of 3,000,000 new ordinary shares in the Company at a price that equates to 10 pence per share. The consideration paid for Scope is less than the value of the future payments due under the hire purchase agreements being acquired as part of its acquisition and will reduce future cash outflows at the factory.



**Figure 3 – Tiles stacked for packing**



**Figure 4 – CNC machine in operation**

### **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. The quarry was operated subject to an agreement with the licence holder,

Green Power Sh.p.k (“Green Power”), a company incorporated in Kosovo, which granted Fox Marble’s Kosovan subsidiary the rights to develop and operate the quarry, in return for a royalty arrangement.

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 7,278 tonnes during 2018 (2016 – 6,526 tonnes).

On 4 April 2019, Fox Marble announced it had conditionally acquired the entire share capital of Green Power, for a consideration of £1,000,000 to be satisfied by the issue of 13,000,000 new ordinary shares in the Company at a price that equates to 7.69 pence per share.

Since entering into the initial agreement with Green Power no royalty had been paid, due to the costs associated with development of the quarry. With increasing production and expected sales of the materials the Board determined that it was in the best interest of the Company to control the asset, given the anticipated royalties that were due to be paid, and approved the acquisition.



*Figure 5 – Maleshevë Quarry*

### **Prilep**

The Company entered into an agreement to operate a quarry in Prilep, North Macedonia in 2013. The agreement was 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.

The introduction of a new quarry team at the site in November 2018 increased the total production for the quarry to 5,816 tonnes (2017 – 2,285 tonnes). This 130% increase in production was achieved primarily in the last six weeks of the year and provides an encouraging outlook for 2019 production at this quarry. The Company has invested in further capital equipment in this quarry in early 2019. Since the start of the year 4,407 tonnes has been quarried from the site.

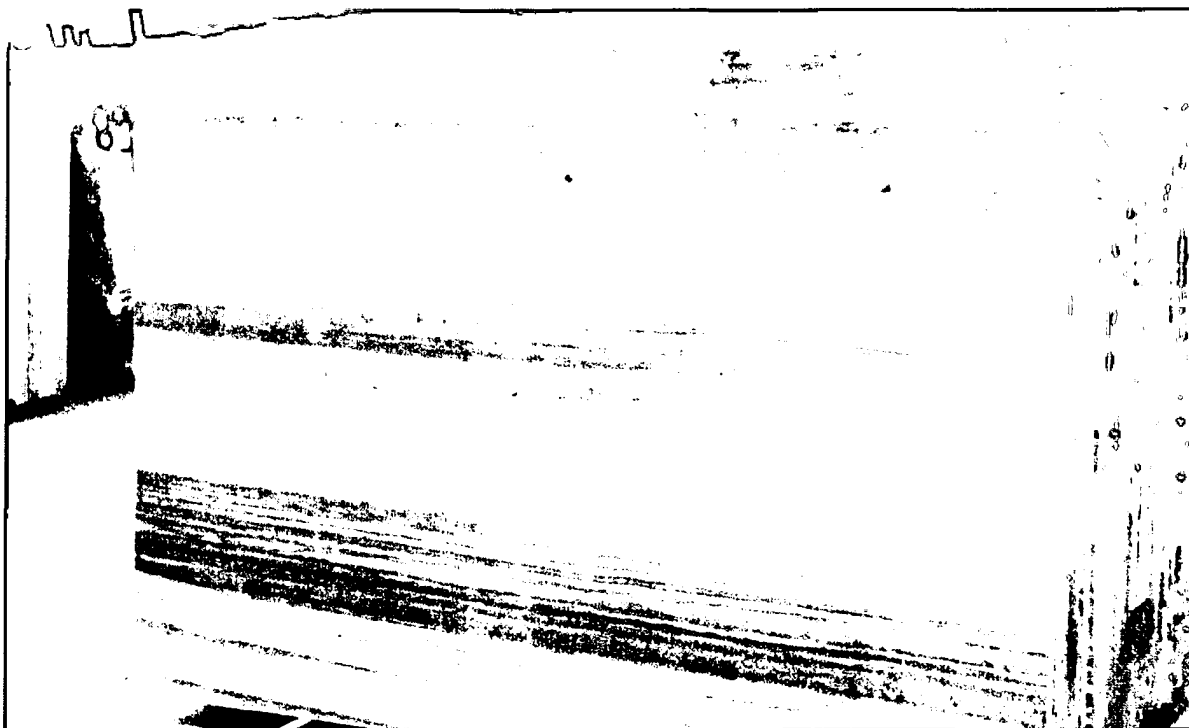
### **Acquisition of Gulf Marble**

On 8 October 2018, Fox Marble acquired Gulf Marble Investments Limited (Dubai) its investment partner in the Prilep Alpha quarry in North Macedonia, including all the rights attached to that Company. Under the terms of the original agreement to acquire the Prilep Alpha quarry in North Macedonia in 2013, Gulf Marble Investments Limited provided the funds to acquire the licence to the site and capital investment amounting to €1.7 million, and then entered into an operating agreement with Fox Marble to operate the quarry. In compensation Gulf Marble Investments Limited was provided with a royalty amounting to 40% of the gross revenues received from the sale of its block marble from the quarry.

Through the acquisition of 100% of the share capital of Gulf Marble Investments Limited, Fox Marble has effectively acquired the licence to the site eliminating the royalty of 40% of gross revenue that was payable to Gulf Marble Investments Limited under the original agreement, as well as acquiring the capital equipment held by Gulf Marble. Consideration for the acquisition was the issue of a convertible loan note with a carrying value of €1.785 million. Following the completion of this transaction Fox Marble will be eligible to retain 65% of the gross revenue from the sale of block marble from the quarry. A Royalty of 35 % of gross revenue will remain payable to the original licence holder of the quarry.

The Company also 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 North Macedonia, Fox Marble has relaunched its white marble under the trade name Alexandrian White.



**Figure 6 – Alexandrian Blue from the Prilep Alpha quarry**

### **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 on a maintenance basis 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).

| <b>Active Licence areas</b> | <b>Country</b>  | <b>Status</b>                                       | <b>Marble Type</b>                 | <b>Reserve Volume (million m<sup>3</sup>)</b> | <b>Production Volume<sup>(4)</sup> (tonnes)</b> |
|-----------------------------|-----------------|---|------------------------------------|---|---|
| <b>Maleshevë</b>            | Kosovo          | Operational   | Illirico Bianco, Illirico Selene   | 4.75 <sup>(3)</sup>                           | 15,557  |
| <b>Prilep Alpha</b>         | North Macedonia | Operational – commercial levels of blocks extracted | Alexandrian White                  | Not measured <sup>(5)</sup>                   | 11,423  |
| <b>Cervenillë</b>           | Kosovo          | Operational – commercial levels of blocks extracted | Rosso Cait, Grigio Argento, Flora  | 32.51 <sup>(1)</sup>                          | 14,513  |
| <b>Syriganë</b>             | Kosovo          | Operational – commercial levels of blocks extracted | Breccia Paradisea, Etruscan Dorato | 36.62 <sup>(2)</sup>                          | 12,230  |
| <b>Prilep Omega</b>         | North 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 USAID report.
- (4) Total production volume to 31 December 2018. One cubic metre of marble weighs approximately 2.7 tonnes.
- (5) Internal surveys performed by the Company on these quarries indicate an initial volume of 0.2 million cubic metres 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.

On 30 July 2018 the holders of the series 3 and 5 Loan notes have subscribed for an additional £300,000 of Loan notes on the same terms as the existing loan notes. On the 30 September 2018 the Company issued a convertible loan note with a value of £300,000 on the same term as existing loan notes.

As consideration for the acquisition of Gulf Marble Investments Limited, Fox Marble has issued an Unsecured Convertible Loan Note ("Loan Note") in the amount of €1,785 million. Under the terms of the Loan Note, the holder may elect to convert at a conversion price of 130% of the 3 month volume weighted average share price. The Loan Note is repayable from the 1 October 2020. The Loan Note carries an interest rate of Libor plus 1.5% payable annually in arrears.

Fox Marble issued 13,263,161 new ordinary shares in the Company at 9.5p per share on 4 February 2019. Gross proceeds of this issue of equity amounted to £1,260,000. The New Ordinary Shares rank *pari passu* with the existing ordinary shares.

Fox Marble issued a further £700,000 in Convertible Loan Notes under the same terms as existing Loan Notes issued by the Company. The Convertible Loan Notes will carry an interest rate of 8%, per annum. The Convertible Loan Notes are due for conversion or repayment on 18 February 2022 with a conversion price set at 10.5p.

Proceeds from the issue of shares have been used to fund capital equipment at Fox Marble's quarry sites, to expand production capabilities and to supply increased demand for material in 2019.

Please refer to the Report of the Directors for the going concern assessment by the Directors.

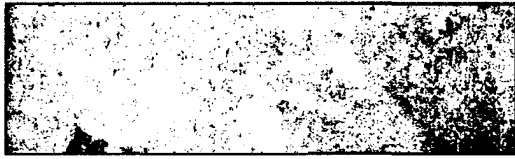
## Stone Alliance Project

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 both sit on the board of Stone Alliance.

## Materials



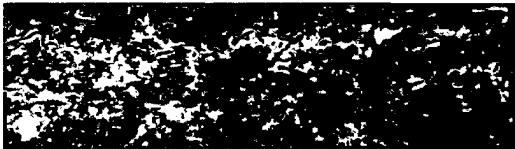
**Illirico Bianco** is our benchmark Kosovo white stone. Colour ranges from warm cream to white. It has an attractive fossil pattern which directly complements its twin, the grey Illirico Selene, with which it occurs in alternating layers in our Maleshevë quarry.



**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.



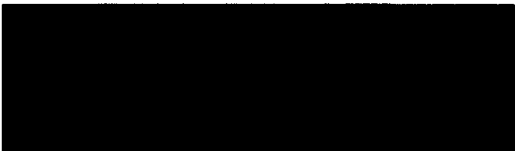
**Grigio Argento** ranges in colour from almost blue grey to a warmer tone. It has an impressive dense quality and attractive white to gold veining. It can be quarried and processed to maximise or minimise the presence and effect of fossils. This versatile stone comes from our Cervenillë quarry in Kosovo.



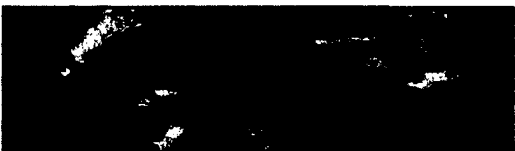
**Illirico Selene** is one of our most sought after stones. A unique silver grey in colour, it occurs in alternate bands many metres thick with its twin, Illirico Bianco. Similar in composition and patterning to the Bianco, this stone works equally well on its own or paired with its twin.



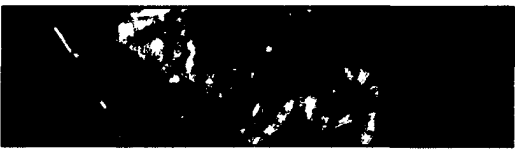
**Alexandrian Blue** New for 2019 this comes from the same Prilep quarry as the Alexandrian White in North Macedonia. The unusual and attractive blue grey banding is far denser than in any of the Alexandrian White but the white remains to establish the full tonal range on larger pieces.



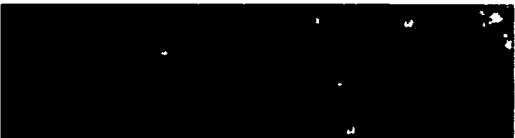
**Flora** comes from the same quarry as the Grigio Argento and Rosso Cait, this is both technically similar to them and transitional between them in colour. The transitional character of the stone yields a broad colour and pattern range.



**Breccia Paradisea** is one of two fine and crystalline breccias from Syriganë 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.



**Rosso Cait** is the red complement 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>2018</b>  | <b>2017</b>  |
|--|--------------|--------------|
| <b>Number of operational quarries</b>                    | 4            | 4            |
| <b>Quarry production (tonnes)</b>                        | 13,094       | 8,811        |
| <b>Revenue</b>   | €1,409,730   | €1,203,270   |
| <b>Average recorded selling price (blocks per tonne)</b> | €210         | €170         |
| <b>Average recorded selling processed (per sqm)</b>      | €56          | €72          |
| <b>EBITDA</b>  | (€2,324,762) | (€2,802,437) |
| <b>Operating loss for the year</b>                       | (€2,458,426) | (€2,933,443) |
| <b>Loss for the year</b>                                 | (€2,296,379) | (€3,437,389) |
| <b>Expenditure on property, plant and equipment</b>      | €713,315     | €496,366     |

The Group recorded revenues of €1,409,730 in the year ended 31 December 2018 (2017 – €1,203,270). The Group incurred an operating loss of €2,458,426 for the year ended 31 December 2018 (2017 – €2,933,443). 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 2018 of €2,296,379 (2017 – €3,437,389).

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

|                            | <b>Year to<br/>31 December<br/>2018<br/>€</b> | <b>Year to<br/>31 December<br/>2017<br/>€</b> |
|----------------------------|---|---|
| Loss for the year          | (2,296,379)                                   | (3,437,389)                                   |
| Plus/(less):               |   |   |
| Net finance costs/(income) | (162,047)                                     | 503,946                                       |
| Depreciation               | 90,365  | 99,194  |
| Amortisation               | 43,299  | 31,812  |
| EBITDA                     | (2,324,762)                                   | (2,802,437)                                   |

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 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 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 considered 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 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 quarries, 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. Other operational risks are mitigated using trained personnel, detailed monitoring of operations on a technical and geological basis to ensure that issues are identified and addressed promptly. No significant incidents were reported in the year.

#### **Quarry development risk**

Several 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. If 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 enough 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 generation of 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 North 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 Group'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 based on 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 several 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.

Fox Marble does not expect to be significantly impacted by the expected departure of the United Kingdom from the European Union, due to the location of its operations and most of its customer base being located outside the EC. The Board will continue to monitor the situation in order to address and mitigate associated risks as they arise.

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

4 June 2019

## Directors



**Andrew Allner, Non-Executive Chairman**

Andrew is currently Non-Executive Chairman of The Go-Ahead Group plc and SIG plc. He was Non-Executive Chairman of Marshalls and Non-Executive Director of CSR plc and Northgate 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 LLP and is a graduate of Oxford University. Andrew has been Non-Executive Chairman since 2012 and also chairs the nomination committee and sits on the remuneration committee.



**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. Chris has been CEO since the formation of the Company in 2011.



**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. Fiona joined Fox Marble as Finance Director in 2011.



**Sir Colin Terry KBE CB DL FEng, 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. He is the former Executive Chairman of Centronic Group Ltd and former 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. Sir Colin has been a Non-Executive Director of Fox Marble since 2012 and also chairs the audit committee and sits on the remuneration and nomination committees.



**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.

Roy has been a Non-Executive Director of Fox Marble since 2012 and also chairs the remuneration committee and sits on the audit and nomination committees.

## Advisers

**Company Secretary**

**Ben Harber**  
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 2018.

### Principal Activities

The principal activity of Fox Marble Holdings plc ("Fox Marble" or "Company") and its subsidiary and associate companies Fox Marble Limited, H&P Sh.P.K, Granit Shala Sh.P.K, Rex Marble Sh.P.K, Fox Marble Asia Limited, Fox Marble FZC, Fox Marble India Private Limited, Gulf Marble Investments Limited (UAE), Gulf Marble Investments UK Limited, 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 the Republic of North Macedonia.

The group has a branch operation based in Carrara, Italy.

A detailed business review of the year and future developments is included in the Chairman's statement and Strategic Report on pages 6-16.

### Results and Dividends

The Group's results are set out in the consolidated statement of comprehensive income on page 38. The audited financial statements for the year ended 31 December 2018 are set out on pages 38-73.

The Group incurred an operating loss €2,458,426 for the year ended 31 December 2018 (2017 – €2,933,443). The Group incurred a loss after tax for the year ended 31 December 2018 of €2,296,379 (2017 – €3,437,389).

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 6-16.

### Fundraising and capital

Refer to the Strategic Report on pages 6-16.

### Future development

Refer to the Strategic Report on pages 6-16.

### 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

## Substantial Shareholders

Fox Marble Holdings plc has been notified as of 28 May 2019 of the following interests in excess of 3% of its issued share capital:

|                                   | Number of ordinary shares | % of issued share capital |
|-----------------------------------|---------------------------|---------------------------|
| Dr Etrur Albani                   | 22,472,254                | 9.72%                     |
| Mr Andy Muir                      | 20,974,264                | 9.07%                     |
| Mr Chris Gilbert                  | 19,497,663                | 8.44%                     |
| Mr Shailesh Patil                 | 19,047,619                | 8.24%                     |
| Miton Group Plc                   | 13,960,316                | 6.04%                     |
| Mr Dominic Redfern                | 12,038,888                | 5.21%                     |
| Artemis Investment Management LLP | 9,722,222                 | 4.21%                     |
| Amati Global Investors Limited    | 8,846,734                 | 3.83%                     |
| Mr Nigel Lockett                  | 7,000,000                 | 3.03%                     |

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

## Corporate Governance

The Board of Directors is committed, to developing and applying high standards of corporate governance appropriate to the Company's size and stage of development. The Board of Directors seeks to apply the QCA Code, revised in April 2018 as devised by the Quoted Companies Alliance.

The QCA Code is constructed around ten broad principles and a set of disclosures. The Code states what is considered to be appropriate arrangements for growing companies, and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. These disclosures can be found on the Corporate Governance page of the company's website [www.foxmarble.net](http://www.foxmarble.net).

### 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 and stakeholders 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.

It is the Group's policy that the roles of the Chairman and CEO are separate, with their roles and responsibilities clearly divided and recorded. A summary of their roles is as follows:

- The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board. He also ensures that there is enough and effective communication with shareholders to understand their issues and concerns.
- The CEO is responsible for executing the strategy agreed by the Board and developing the Group objectives through leadership of the senior executive team. He will recommend to the Board any investment or new business opportunities which meet this strategy. He also ensures that the Group's risks are adequately addressed and appropriate internal controls are in place. The CEO is responsible for meeting with shareholders and ensuring effective communication.
- The CEO is responsible for the day to day management of the Company, and for maintaining the highest ethical standards and integrity in the interest of the shareholders, employees, customers and the wider community.

The following table shows the directors' attendance at scheduled Board meetings, which they were eligible to attend during the 2018 financial year:

| <b>Director</b>           | <b>Attendance at Board Meetings</b> |
|---------------------------|-------------------------------------|
| Andrew Allner             | 8/8                                 |
| Chris Gilbert             | 8/8                                 |
| Fiona Hadfield            | 8/8                                 |
| Roy Harrison OBE          | 8/8                                 |
| Sir Colin Terry KBE CB DL | 8/8                                 |

#### **Board Committees**

The terms of reference of the board committees 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. The report of the Audit Committee can be found on page 27.

#### **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.

## 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. There were no significant incidents or significant near misses in 2018. Throughout 2018, 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 2019, 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 in production compared to 2018 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.

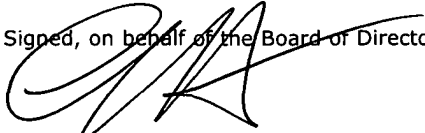
There are several key risks and uncertainties that could impact the financial performance of the Company. These include the fact that levels of production at Maleshevë and Prilep can be impacted by unforeseen delays due to inclement weather or equipment failure; lower than expected quality of material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

As at 30 April 2019 the Company has €0.96 million in cash and €4 million in convertible loan notes falling due between December 2019 and October 2021. 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 2020, and is undrawn at 4 June 2019.

If 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.

Signed, on behalf of the Board of Directors

A handwritten signature in black ink, appearing to be 'CG', written over a horizontal line.

**Chris Gilbert,**

Director

4 June 2019

## 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 20. 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 of between six and twelve months. 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 2018    | Salary<br>€    | Consultancy<br>Fees<br>€ | Benefits<br>in kind<br>€ | Total<br>€     |
|--------------------------------|----------------|--------------------------|--------------------------|----------------|
| <b>Executive directors</b>     |                |                          |                          |                |
| Chris Gilbert <sup>(1)</sup>   | 70,630         | 76,393                   | -                        | 147,023        |
| Fiona Hadfield                 | 90,406         | -                        | -                        | 90,406         |
|                                | <b>161,036</b> | <b>76,393</b>            |                          | <b>237,429</b> |
| <b>Non-Executive directors</b> |                |                          |                          |                |
| Andrew Allner <sup>(2)</sup>   | 67,805         | -                        | -                        | 67,805         |
| Sir Colin Terry <sup>(2)</sup> | 33,902         | -                        | -                        | 33,902         |
| Roy Harrison <sup>(2)</sup>    | 33,902         | -                        | -                        | 33,902         |
|                                | <b>135,609</b> |                          |                          | <b>135,609</b> |
|                                | <b>296,645</b> | <b>76,393</b>            |                          | <b>373,038</b> |
| <br>                           |                |                          |                          |                |
| Year ended 31 December 2017    | Salary<br>€    | Consultancy<br>Fees<br>€ | Benefits<br>in kind<br>€ | Total<br>€     |
| <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>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)</sup>   | -              | 21,205                   | -                        | 21,205         |
|                                | <b>136,956</b> | <b>21,205</b>            |                          | <b>158,161</b> |
|                                | <b>311,231</b> | <b>91,924</b>            |                          | <b>403,155</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 €80,780 due from the 1 January 2017 to 28 February 2018 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 1 October 2016 to 31 December 2017. Remuneration for the period from 1 January 2018 to 31 December 2018 is accrued in the accounts and will be used to subscribe for shares in 2019. The Board of Directors' remuneration is settled in GBP and is therefore subject to foreign exchange movements upon translation to EUR.
- (3) Resigned 4 May 2017

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

The interests of the directors who held office during the year ended 31 December 2018 in the shares of the Company are given below.

| <i>Director</i> | <i>As at 31 December<br/>2018</i> | <i>As at the date of<br/>this report</i> |
|-----------------|-----------------------------------|--|
| Andrew Allner   | 1,386,921                         | 1,386,921                                |
| Chris Gilbert   | 19,497,663                        | 19,497,663                               |
| Fiona Hadfield  | –                                 | –  |
| Roy Harrison    | 5,748,931                         | 5,748,931                                |
| Sir Colin Terry | 393,549                           | 393,549                                  |

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

**Roy Harrison OBE**

Chairman of the Remuneration Committee

4 June 2019

## Report of the Audit Committee

This report details how the Audit Committee has met its responsibilities under its Terms of Reference in the last twelve months. The Audit Committee focused particularly on the appropriateness of the Group's financial statements. The Committee has satisfied itself, and has advised the Board accordingly, that the 2018 Annual Report and Financial Statements are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's performance, business model and strategy. The significant issues that the Committee considered in relation to the financial statements and how these issues were addressed are set out in this Report.

One of the Audit Committee's key responsibilities is to review the Group's risk management and internal controls systems, including in particular internal financial controls. During the year, the Committee carried out a robust assessment of the principal risks facing the company and monitored the risk management and internal control system on an on-going basis. The Committee also reviewed the effectiveness of both the external audit process as part of the continuous improvement of financial reporting and risk management across the Group.

The Board has established an Audit Committee to monitor the integrity of the Company's financial statements and the effectiveness of the Group's internal financial controls. The Committee's role and responsibilities are set out in the Committee's terms of reference which are available from the Company and are displayed on the Group's website. The Terms of Reference are reviewed annually and amended where appropriate. During the year the Committee worked with management, the external auditors, and other members of the Board in fulfilling these responsibilities.

### Committee membership and meetings

The Audit Committee consists of two independent non-executive Directors: Roy Harrison and Sir Colin Terry (Committee Chairman). Andrew Allner attends the committee meetings by invitation. The biographies of each can be found on pages 16-17. The Board considers that the Committee as a whole has an appropriate and experienced blend of commercial, financial and industry expertise to enable it to fulfil its duties. The Committee met three times during the year ended 31 December 2018 and all members of the Committee attended each meeting.

Each committee meeting was attended by the Group CEO and the Group Financial Director. The external auditors may also attend these meetings as required. The Company Secretary is the secretary of the Audit Committee.

The chairman of the Audit Committee also met with the external audit lead partner outside of committee meetings as required throughout the year.

The Audit Committee report deals with the key areas in which the Audit Committee plays an active role and has responsibility. These areas are as follows:

- 1) Financial Reporting and related primary areas of judgement;
- 2) The External Audit process; and
- 3) Risk Management and Internal controls.

### Financial Reporting and related primary areas of judgement

The Committee is responsible for monitoring the integrity of the Group's financial statements and reviewing the financial reporting judgements contained therein. The financial statements are prepared by a finance team with the appropriate qualifications and expertise.

The Committee confirmed to the Board that the Annual Report and Financial Statements, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In respect of the year to 31 December 2018, the Committee reviewed:

- the Group's Interim Report for the six months to 30 June 2018; and
- the Preliminary Announcement and Annual Report and Financial Statements to 31 December 2018.

In carrying out these reviews, the Committee:

- reviewed the appropriateness of Group accounting policies and monitored changes to and compliance with accounting standards on an on-going basis;
- discussed with management and the external auditors the critical accounting policies and judgements that had been applied;
- discussed a report from the external auditors at that meeting identifying the significant accounting and judgemental issues that arose in the course of the audit;
- considered the management representation letter requested by the auditors for any non-standard issues;
- discussed with management future accounting developments which are likely to affect the financial statements; and
- considered key areas in which estimates and judgement had been applied in preparation of the financial statements.

The primary areas of judgement considered by the committee in relation to the Group's 2018 financial statements, and how they were addressed by the committee are set out below.

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

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

Impairment Assessment

The Committee reviewed the key judgements, operating and economic assumptions which underlie the assessment of whether there are indications that assets may be impaired. The external auditor reviewed management's assessment and discussed this review with the Committee.

Group's ability to continue as a going concern

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

Quarry reserves

The Committee reviewed the external assessment of Quarry reserve volumes. Each period the Committee considers whether there are indications that such valuations need to be revised.

Treatment of convertible loan notes

The Committee reviewed the calculations and assumptions of the valuation of convertible loan notes, including consideration of the fair value of derivatives. The Committee considers any judgments in the accounting treatment of the convertible loan notes and their underlying derivatives.

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.

Acquisition of Gulf Marble Investments Limited

The Committee reviewed and considered the assumptions provided by management which support the provisional fair value of the assets acquired. The Committee considered the judgments in the accounting treatment of the loan note issued as part of the acquisition.

## External Audit Process

The Audit Committee has responsibility for overseeing the Group's relationship with the external auditor including reviewing the quality and effectiveness of their performance, their external audit plan and process, their independence from the Group, their appointment and their audit fee proposals. Prior to commencement of the 2018 year-end audit, the Committee approved the external auditor's work plan and resources and agreed with the auditor's various key areas of focus, including impairment, inventory and going concern. During the year the Committee met with the external auditor without management being present. This meeting provided the opportunity for direct dialogue and feedback between the Committee and the auditor.

The Committee is responsible for ensuring that the external auditor is objective and independent. PricewaterhouseCoopers LLP has been the Group's auditor since 2013, following a formal tender process in which several leading global firms submitted tenders and presentations. This was the last formal tender process carried out by the Group. The Committee received confirmation from the auditor that they are independent of the Group under the requirements of the Financial Reporting Council's Ethical Standards for Auditors. The auditors also confirmed that they were not aware of any relationships between the Group and the firm or between the firm and any persons in financial reporting oversight roles in the Group that may affect their independence.

In order to further ensure independence, the Committee has a policy on the provision of non-audit services by the external auditor that seeks to ensure that the services provided by the external auditor are not, or are not perceived to be, in conflict with auditor independence. By obtaining an account of all relationships between the external auditor and the Group, and by reviewing the economic importance of the Group to the external auditor, the committee ensured that the independence of the external audit was not compromised. During the year the committee reviewed and updated its policy on the engagement of external auditors and the provision of non-audit services in order to bring it into full compliance with the EU audit reform legislation. An analysis of fees paid to the external auditor, including non-audit fees, is set out in Note 6 to the 2018 Annual Report.

## Risk Management and Internal controls

The Audit Committee has been delegated the responsibility for monitoring the effectiveness of the Group's system of risk management and internal control by the Board.

The Audit Committee monitors the Group's risk management and internal control processes through detailed discussions with management and executive Directors, and the external audit reports, as part of both the year-end audit, all of which highlight the key areas of control weakness in the Group. All weaknesses identified by the external audit are discussed by the Committee with Group management and an implementation plan for the targeted improvements to these systems is put in place.

As part of its standing schedule of business, the Committee carries out an annual risk assessment of the business to formally identify the key risks facing the Group

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



**Sir Colin Terry**

Chairman of the Audit Committee

4 June 2019

## 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 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 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.

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.



Chris Gilbert,

Director

4 June 2019

## 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 2018 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 International Financial Reporting Standards (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 2018 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and Statement of Financial Position of the parent company as at 31 December 2018; 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

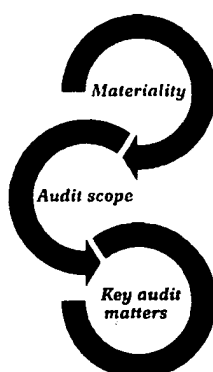
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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: €127,000 (2017: €112,000), based on 1% of total assets.
- Overall parent company materiality: €120,650 (2017: €112,000), based on 1% of total assets, capped to a level below Group materiality.
- We conducted full scope audits at three significant components based on their size and risk characteristics: the operating entity in Kosovo, the parent company and the intermediary holding company in the United Kingdom. Our work enabled us to obtain coverage of 95% of consolidated revenue and 97% of the total assets of the Group.
- Specified procedures were performed on certain balances and transactions of one entity relating to fixed assets.
- 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.
- Going concern
- Valuation of inventory
- Accounting for the acquisition of Gulf Marble Investments Limited

### *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.

| <b>Key audit matter</b>  | <b>How our audit addressed the key audit matter</b>  |
|--|--|
| <p><b>Going concern</b></p> <p>Management performed an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of the 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 2018 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 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. In making their assessment, management also considered the Group's current and future debt position and timing of repayment of the existing debt commitments.</p> <p>Having regard to the existing and future working capital position and projected sales of the Group, the directors of the Group reviewed the cash flow forecasts prepared by management, evaluated the impact on the Group and concluded that the going concern basis of accounting in the preparation of the financial statements is appropriate.</p> <p>Refer to Going Concern (Note 4 of the financial statements) and Significant accounting policies (Note 3 of the financial statements).</p> | <p>We obtained management's evaluation of the cash flow forecasts for the Group for 2019 and 2020, 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 these key assumptions, such as forecast sales revenue, production volumes, operating costs and financing related cash outflows:</p> <ul style="list-style-type: none"> <li>• <b>Forecast sales revenue:</b> Management's forecast of sales consists of sales expected to be realised from existing sales contracts and identified leads. Management has sensitised the forecast revenue, based on past sales performance and expectation of future conversion of sales leads. For contracted sales, we examined the sales contracts supporting the revenue forecasts. For the non contracted sales and identified leads, we examined draft contracts and correspondence with the customers supporting future sales projections as well as assessing the history of actual realised sales. We found management's sensitivity in respect of contracted sales and sales leads to be reasonable.</li> <li>• <b>Production assumptions:</b> 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. We found the production assumptions to be in line with the forecast demand.</li> <li>• <b>Operating costs assumptions:</b> We examined management's forecast of the quarry and factory operating costs which reflect the increased forecast production and performed reasonableness checks against the current year operating expenses and levels of production.</li> </ul> |

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

- Financing assumptions: We considered the timing of future repayments of debt and availability of 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.

We examined the disclosure provided in Note 4 of the financial statements and found that it is sufficient to inform members about the directors' going concern assessment.

Our conclusions relating to going concern are included later in this.

**Valuation of inventory**

At the year end, the value of inventory net of a provision for impairment of €0.77m (2017: €0.42m) was €3.81m (2017: €4.04m).

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 15 of the financial statements), Significant accounting policies and Critical accounting estimates and areas of judgement (Note 3 of the financial statements) and Report of the Audit Committee on page 27.

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. We undertook the following procedures:

- Tested the weighted average cost of inventory: We examined management's basis for the allocation of expenses on a per unit basis. 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. 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.

**Key audit matter****How our audit addressed the key audit matter****Accounting for the acquisition of Gulf Marble Investments Limited**

In October 2018, the parent company acquired 100% of the issued share capital of Gulf Marble Investments Limited (Gulf), a Dubai company, effectively acquiring its property, plant and equipment and the mining licence for a quarry in Macedonia, for which Gulf had previously held the sub-licence and for which the Group was the operator.

The transaction was considered to be a business combination under IFRS 3.

Accounting for business combinations is complex and involves judgement around identifying the date of acquisition, determination of the fair value of consideration paid and payable, and assessment of the fair value of the assets acquired and liabilities assumed.

The parent company has convertible loan notes. These have been fair valued by management as a part of the acquisition accounting. The difference between the consideration paid and the provisional fair value of equipment acquired has been allocated entirely to the mining licence as it is considered to represent the increased economic return from the finite resources acquired.

Assets acquired consist of the equipment and the licence to the quarry. The equipment has been recognised at written down value. Management have prepared a discounted cash flow model based on the expected incremental future cash flows of the quarry, being Gulf's share of the forecast revenue that would have been payable under the original agreements, for the remaining life of the licence. The net present value of cash flows obtained through this model is reflective of the provisional fair value allocated.

The goodwill arising on the completion of the transaction is equal to the deferred tax liability which arises on the difference between the assigned fair value of the acquired assets and liabilities and their tax base, in accordance with IFRS 3.

- **Tested forecast 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 NRV assumed by management. We agreed contracted sales to signed contracts, past invoices and purchase orders or correspondence supporting actualisation of future demand. For certain marble types, where the forecast contracted and committed sales were low relative to the carrying value of stock, the appropriateness of the level of contingency applied to the NRV for such stock was assessed and found to be sufficient.

Based on our analysis we did not identify any material issues with the carrying value of inventory.

We obtained management's fair value calculations and evaluated the key judgements and estimates made by management in determining the fair value of net assets acquired. We focussed on this area due to the significance of this transaction and the complexity around judgements and estimates made in accounting for the acquisition.

- We obtained and reviewed the sale and purchase agreement and associated agreements such as the original quarry lease agreements, revenue sharing agreements and other leasing arrangements.
- We examined the agreement for the convertible loan note issued as consideration for the acquisition. We obtained management's fair value calculations for each component of the consideration and assessed the appropriateness of these calculations.
- For the property, plant and equipment acquired we tested a selection of these to invoices and recalculated the depreciation charge to gain comfort over the provisional fair value on acquisition. There were no material differences.
- In respect of the provisional fair value of the intangibles, we obtained management's discounted cash flow calculations. Key assumptions made by management included discount rate, forecast sales, Gulf's original revenue share and period for discounting. We have assessed the reasonableness of these assumptions.

Based on the results of our work, we consider that the provisional fair values recognised and the associated disclosures are appropriate.

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

Refer to Business Combinations (Note 27 of the financial statements), Significant accounting policies and Critical accounting estimates and areas of judgement (Note 3 of the financial statements) and Report of the Audit Committee on page 27.

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

**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 three entities which, in our view, required an audit of their complete financial information, the main operating subsidiary in Kosovo, the parent company and the intermediary holding company in the United Kingdom. Specific audit procedures on certain balances and transactions were also performed on a further Dubai entity that was acquired during the year. The above gave us coverage of 95% over consolidated revenue and 97% 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>             | €127,000 (2017: €112,000).   | €120,650 (2017: €112,000).  |
| <b>How we determined it</b>            | 1% of total assets.  | 1% of total assets, capped to a level below 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 a level below 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 €73,000 and €120,650.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €12,700 (Group audit) (2017: €11,200) and €12,700 (Parent company audit) (2017: €11,200) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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### Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

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### 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 2018 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.

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### 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, set out on page 30, 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.

  
**Timothy McAllister (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

4 June 2019

## Consolidated Statement of Comprehensive Income

### For the year ended 31 December

|   | Note | 2018<br>€          | 2017<br>€          |
|---|------|--------------------|--------------------|
| <b>Revenue</b>  | 5    | 1,409,730          | 1,203,270          |
| Cost of sales   | 6    | (887,356)          | (795,895)          |
| <b>Gross profit</b>   |      | <u>522,374</u>     | <u>407,375</u>     |
| Administrative and other operating expenses   | 6    | (2,980,800)        | (3,340,818)        |
| <b>Operating loss</b>   | 6    | <u>(2,458,426)</u> | <u>(2,933,443)</u> |
| Finance costs   | 8    | (119,507)          | (604,253)          |
| Finance income  | 9    | 281,554            | 100,307            |
| <b>Loss before taxation</b>   |      | <u>(2,296,379)</u> | <u>(3,437,389)</u> |
| Taxation  | 10   | -                  | -                  |
| <b>Loss for the year</b>  |      | <u>(2,296,379)</u> | <u>(3,437,389)</u> |
| Other comprehensive income  |      | -                  | -                  |
| <b>Total comprehensive loss for the year attributable to owners of the parent company</b> |      | <u>(2,296,379)</u> | <u>(3,437,389)</u> |
| <b>Loss per share</b>   |      |                    |                    |
| Basic loss per share  | 11   | (0.01)             | (0.02)             |
| Diluted loss per share  | 11   | (0.01)             | (0.02)             |

The notes on pages 44 to 73 are an integral part of these financial statements.

## Consolidated Statement of Financial Position

As at 31 December

|                                      | Note | 2018<br>€         | 2017<br>€         |
|--------------------------------------|------|-------------------|-------------------|
| <b>Assets</b>                        |      |                   |                   |
| <b>Non-current assets</b>            |      |                   |                   |
| Intangible assets                    | 12   | 2,672,658         | 1,161,989         |
| Property, plant and equipment        | 13   | 4,844,752         | 4,754,087         |
| Trade and other receivables          | 14   | -                 | 56,307            |
| <b>Total non-current assets</b>      |      | <b>7,517,410</b>  | <b>5,972,383</b>  |
| <b>Current assets</b>                |      |                   |                   |
| Trade and other receivables          | 14   | 889,299           | 985,647           |
| Inventories                          | 15   | 3,807,140         | 3,319,467         |
| Cash and cash equivalents            | 22   | 438,270           | 542,287           |
| <b>Total current assets</b>          |      | <b>5,134,709</b>  | <b>4,847,401</b>  |
| <b>Total assets</b>                  |      | <b>12,652,119</b> | <b>10,819,784</b> |
| <b>Current liabilities</b>           |      |                   |                   |
| Trade and other payables             | 16   | 1,184,855         | 1,373,096         |
| Borrowings                           | 17   | 88,970            | 1,739,025         |
| <b>Total current liabilities</b>     |      | <b>1,273,825</b>  | <b>3,112,121</b>  |
| <b>Non-current liabilities</b>       |      |                   |                   |
| Deferred tax liability               | 10   | 84,504            | -                 |
| Borrowings                           | 17   | 3,683,990         | 1,702,453         |
| <b>Total non-current liabilities</b> |      | <b>3,768,494</b>  | <b>1,702,453</b>  |
| <b>Total liabilities</b>             |      | <b>5,042,319</b>  | <b>4,814,574</b>  |
| <b>Net assets</b>                    |      | <b>7,609,800</b>  | <b>6,005,210</b>  |
| <b>Equity</b>                        |      |                   |                   |
| Called up share capital              | 18   | 2,700,688         | 2,284,476         |
| Share premium                        | 18   | 29,941,977        | 26,424,202        |
| Accumulated losses                   | 19   | (25,153,655)      | (22,823,182)      |
| Share based payment reserve          | 20   | 85,247            | 84,171            |
| Other reserve                        |      | 35,543            | 35,543            |
| <b>Total equity</b>                  |      | <b>7,609,800</b>  | <b>6,005,210</b>  |

The notes on pages 44 to 73 are an integral part of these financial statements.

The financial statements on pages 38 to 73 were approved and authorised for issue by the Board on 4 June 2019 and are signed on its behalf.

  
Chris Gilbert,

Director

4 June 2019

## Consolidated Statement of Cash Flows

### For the year ended 31 December

|  | Note | 2018<br>€          | 2017<br>€          |
|--|------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                    |      |                    |                    |
| <b>Loss before taxation</b>                                    |      | (2,296,379)        | (3,437,389)        |
| Adjustment for:  |      |                    |                    |
| Finance costs  | 8    | 119,507            | 604,253            |
| Finance income   | 9    | (281,554)          | (100,307)          |
| <b>Operating loss for the year</b>                             |      | <u>(2,458,426)</u> | <u>(2,933,443)</u> |
| Adjustment for:  |      |                    |                    |
| Amortisation   | 12   | 43,299             | 31,812             |
| Depreciation   | 13   | 90,365             | 404,848            |
| Foreign exchange losses on operating activities                |      | 6,522              | 30,921             |
| Equity settled transactions                                    | 20   | 1,076              | 960                |
| Provision for impairment of receivables                        | 14   | 124,643            | 92,368             |
| Provision for inventory  | 15   | 251,552            | 492,723            |
| Changes in working capital:                                    |      |                    |                    |
| (Increase)/Decrease in trade and other receivables             | 14   | (6,081)            | 503,685            |
| Increase in inventories  | 15   | (206,942)          | (580,274)          |
| (Decrease)/Increase in accruals                                | 16   | (31,266)           | 120,919            |
| (Decrease)/Increase in trade and other payables                | 16   | (156,975)          | 361,834            |
| <b>Net cash used in operating activities</b>                   |      | <u>(2,342,233)</u> | <u>(1,473,647)</u> |
| <b>Cash flow from investing activities<sup>(1)</sup></b>       |      |                    |                    |
| Expenditure on property, plant & equipment                     | 13   | (499,847)          | (496,366)          |
| Deposits paid on property, plant & equipment                   | 13   | -                  | (70,000)           |
| Interest on bank deposits                                      | 9    | 838                | 461                |
| <b>Net cash used in investing activities</b>                   |      | <u>(499,009)</u>   | <u>(565,905)</u>   |
| <b>Cash flows from financing activities</b>                    |      |                    |                    |
| Proceeds from issue of shares (net of issue costs)             | 18   | 3,137,538          | 28,177             |
| Proceeds from the issue of long-term debt (net of issue costs) | 17   | 1,314,030          | 2,061,548          |
| Repayment of debt <sup>(2)</sup>                               | 17   | (1,604,278)        | (171,194)          |
| Interest paid on loan note instrument                          | 17   | (102,705)          | (243,283)          |
| <b>Net cash inflow from financing activities</b>               |      | <u>2,744,585</u>   | <u>1,675,248</u>   |
| <b>Net decrease in cash and cash equivalents</b>               |      | <b>(96,657)</b>    | <b>(364,304)</b>   |
| Cash and cash equivalents at beginning of year                 |      | 542,287            | 937,512            |
| Exchange losses on cash and cash equivalents                   |      | (7,360)            | (30,921)           |
| <b>Cash and cash equivalents at end of year</b>                | 22   | <b>438,270</b>     | <b>542,287</b>     |

(1) In the year ended 31 December 2018 the Group acquired Gulf Marble Limited Investments for non-cash consideration consisting of the issue of a loan note with a nominal value of €1,785,000. Further details can be found in note 27.

(2) In the year ended 31 December 2018 €796,450 of debt was settled through the issue of equity. Further details can be found in note 17.

The notes on pages 44 to 73 are an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

### As at 31 December

| Note   | Share Capital | Share Premium | Share based payment reserve | Other Reserve | Accumulated losses | Total equity |
|--|---------------|---------------|-----------------------------|---------------|--------------------|--------------|
|  | €             | €             | €                           | €             | €                  | €            |
|  | 18            |               | 20                          |               | 19                 |              |
| <b>Balance 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 and at 1 January 2018</b> | 2,284,476     | 26,424,202    | 84,171                      | 35,543        | (22,823,182)       | 6,005,210    |
| Adjustment on adoption of IFRS 9                         | -             | -             | -                           | -             | (34,094)           | (34,094)     |
| <b>Adjusted at 1 January 2018</b>                        | 2,284,476     | 26,424,202    | 84,171                      | 35,543        | (22,857,276)       | 5,971,116    |
| Loss and total comprehensive loss for the year           | -             | -             | -                           | -             | (2,296,379)        | (2,296,379)  |
| <b>Transactions with owners</b>                          |               |               |                             |               |                    |              |
| Share options charge                                     | -             | -             | 1,076                       | -             | -                  | 1,076        |
| Share capital issued                                     | 416,212       | 3,517,775     | -                           | -             | -                  | 3,933,987    |
| <b>Balance at 31 December 2018</b>                       | 2,700,688     | 29,941,977    | 85,247                      | 35,543        | (25,153,655)       | 7,609,800    |

The notes on pages 44 to 73 are an integral part of these financial statements.

## Statement of Financial Position of the parent company

### As at 31 December

|                                      | Note | 2018<br>€         | 2017<br>€         |
|--------------------------------------|------|-------------------|-------------------|
| <b>Assets</b>                        |      |                   |                   |
| <b>Non-current assets</b>            |      |                   |                   |
| Investments                          | 27   | 3,711,127         | 2,028,195         |
| <b>Total non-current assets</b>      |      | <b>3,711,127</b>  | <b>2,028,195</b>  |
| <b>Current assets</b>                |      |                   |                   |
| Trade and other receivables          | 14   | 22,134,483        | 19,864,131        |
| Cash and cash equivalents            | 22   | 256,344           | 441,663           |
| <b>Total current assets</b>          |      | <b>22,390,827</b> | <b>20,305,794</b> |
| <b>Total assets</b>                  |      | <b>26,101,954</b> | <b>22,333,989</b> |
| <b>Current liabilities</b>           |      |                   |                   |
| Trade and other payables             | 16   | 325,440           | 578,022           |
| Borrowings                           | 17   | 88,970            | 1,739,025         |
| <b>Total current liabilities</b>     |      | <b>414,410</b>    | <b>2,317,047</b>  |
| <b>Non-current liabilities</b>       |      |                   |                   |
| Borrowings                           | 17   | 3,683,990         | 1,702,453         |
| <b>Total non-current liabilities</b> |      | <b>3,683,990</b>  | <b>1,702,453</b>  |
| <b>Total liabilities</b>             |      | <b>4,098,400</b>  | <b>4,019,500</b>  |
| <b>Net assets</b>                    |      | <b>22,003,554</b> | <b>18,314,489</b> |
| <b>Equity</b>                        |      |                   |                   |
| Share capital                        | 18   | 2,700,688         | 2,284,476         |
| Share premium                        | 18   | 29,941,977        | 26,424,202        |
| Accumulated losses                   | 19   | (10,724,358)      | (10,478,360)      |
| Share based payment reserve          | 20   | 85,247            | 84,171            |
| <b>Total equity</b>                  |      | <b>22,003,554</b> | <b>18,314,489</b> |

The notes on pages 44 to 73 are an integral part of these financial statements.

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 €245,998 (2017 - €1,185,665).

The financial statements on pages 38 to 73 were approved and authorised for issue by the Board on 4 June 2019, and signed on its behalf.

  
Chris Gilbert,

Director

4 June 2019

Company number: 07811256

## Statement of Changes in Equity of the parent company

### As at 31 December

| Note   | Share Capital | Share Premium | Share based payment reserve | Accumulated losses | Total equity |
|--|---------------|---------------|-----------------------------|--------------------|--------------|
|  | 18            |               | 20                          | 19                 |              |
|  | €             | €             | €                           | €                  | €            |
| <b>Balance 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 and at 1 January 2018</b> | 2,284,476     | 26,424,202    | 84,171                      | (10,478,360)       | 18,314,489   |
| Loss and total comprehensive loss for the year           | -             | -             | -                           | (245,998)          | (245,998)    |
| <b>Transactions with owners</b>                          |               |               |                             |                    |              |
| Share capital issued                                     | 416,212       | 3,517,775     | -                           | -                  | 3,933,987    |
| Share options charge                                     | -             | -             | 1,076                       | -                  | 1,076        |
| <b>Balance at 31 December 2018</b>                       | 2,700,688     | 29,941,977    | 85,247                      | (10,724,358)       | 22,003,554   |

The notes on pages 44 to 73 are an integral part of these financial statements.

## Notes to the consolidated and parent company financial statements

### 1. General information

The principal activity of Fox Marble Holdings plc and its subsidiary and associate companies Fox Marble Limited, H&P Sh.P.K, Granit Shala Sh.P.K, Rex Marble Sh.P.K, Fox Marble Asia Limited, Fox Marble FZC, Gulf Marble Investments 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 North 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, as applicable to Companies using FRS 101.

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. 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 Kosova Sh.P.K., H&P Sh.P.K., Granit Shala Sh.P.K., Rex Marble Sh.P.K., Fox Marble Asia Limited, Gulf Marble Investments Limited, Fox Marble FZC 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 can affect those returns through its power over the entity. Further to this subsidiaries are entities for which the Group has the power to govern the financial and operating policies 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. The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively. Associates and joint ventures are all entities over which the group has significant influence but not control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

#### Revenue Recognition

Revenue is recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised reflects the amount to which the Group expects to be entitled in exchange for those goods and services. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. The transactional price is the amount of consideration due in exchange for transferring the promised goods or services to the customer, and is allocated against the performance obligations and recognised in accordance with whether control is recognised over a defined period or at a specific point in time. Revenue is derived principally from the sale of block and processed marble, and is measured at the fair value of consideration received or receivable, after deducting discounts, value added tax and other sales taxes. A sale is recognised when control has been transferred. This is usually when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

The identification of performance obligations includes a determination of whether the goods and services provided are distinct. Where the contract involves the provision of multiple elements, such as the provision of marble and processing services management applies a judgement in determining whether services are distinct. Where the provision of goods/services is distinct revenue is recognised separately for each element.

An assessment of the timing of revenue recognition is made for each performance obligation. Revenue is recognised at a point in time for all revenue transactions where control of goods provided is transferred to the customer. Revenue is also recognised at a point in time for all contracts that involve multiple elements when the agreed output is produced. The Group does not normally enter into contracts which involve the recognition of revenue over time.

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.

### ***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 direct materials, direct labour and 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
- Factory Plant 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 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 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 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 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.

Intangible assets not related to exploration and evaluation are measured initially at fair value and amortised over their estimated useful lives. Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Intangible assets relating to quarries in operation are assessed annually for indicators of impairment in accordance with IAS 36.

#### **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 based on 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 in which 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.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

**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 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 2018 was 1.1079 (31 December 2017 - 1.1261). The average Euro/Sterling exchange rate for the year ended 31 December 2018 was 1.1301 (31 December 2017 - 1.1413).

Transactions in currencies other than the functional currency are initially recorded at the exchange rate prevailing on the date 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.

### ***Business Combinations***

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity; and The acquisition date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Acquisitions costs are included in the profit and loss unless they specifically relate to the issue of shares in connection with a business combination.

### ***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 must be met before estimated quarry reserves can be designated as "proved" and "probable". Proved and probable quarry reserve estimates are updated at regular intervals considering 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 considered in impairment assessments of non-current assets.

#### **Treatment of convertible loan notes**

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 €262,459 at 31 December 2018 (2017 – €303,368). The main assumptions used in the valuation of the derivative conversion option as at 31 December 2018 were: underlying share price of £0.0738 (31 December 2017: £0.1175), EUR/GBP spot rate of 1.10 (31 December 2017: 1.13), historic volatility of 44% (31 December 2017: 51%) and risk free rate of 0.68% (31 December 2017: 0.5%).

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined based on weighted average costs and comprises direct materials and direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

In calculating the net realisable value of the inventory management has to make a judgment about the expected sales price of the material. Management makes this judgment based on its historical experience of the sale of similar material and taking into account the quality or age of the inventory concerned.

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

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers';
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
- Annual Improvements 2014–2016 cycle;
- Transfers to Investment Property – Amendments to IAS 40; and
- Interpretation 22, 'Foreign Currency Transactions and Advance Consideration'.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9. The Group took a modified retrospective approach to adjustments, and no practical expedients were taken. This is disclosed in note 28. None of the other amendments listed above had any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

No other new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2018 have had a material impact on the group or parent company. At the date of authorisation of these financial statements, the following key standards and amendments were in issue but not yet effective. The Group has not applied these standards in the preparation of these financial statements.

- IFRS 2 (amendments) 'Share Based Payments'
- IFRIC 23 'Uncertainty over Income Tax Treatments'

(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 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 properties, and which are not expected to be material to the Group.

A number of other new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2019 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.

If 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 the operations of Fox Marble Holdings plc are in the Republic of Kosovo and the Republic of North 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 North Macedonia of €2,508,224 (2017 - €1,079,699) and exploration and evaluation expenditure incurred in Kosovo of €79,930 (2017 - €82,290). Of the non-current assets held by the Group of €7,517,410 (2017 - €5,972,383), €4,481,511 (2017 - €4,481,909) relates to Property, Plant and Machinery acquired for the

exploitation of assets in Kosovo and €362,612 (2017 – €268,848) relates to Property, Plant and Machinery acquired for the exploitation of assets in North Macedonia.

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 €2,980,800 (2017 – €3,340,818) were costs incurred in the United Kingdom of €1,314,226 (2017 – €1,411,130). Net interest income of the Group of €162,047 (2017 – expense of €503,946) 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 North Macedonia and relates to external parties.

| Group                       | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|-----------------------------|--|--|
| <b>Revenue by territory</b> |  |  |
| Europe                      | 845,877                                | 653,937                                |
| Middle East                 | 260,783                                | –                                      |
| China                       | 209,616                                | 22,430                                 |
| India                       | 93,454                                 | 495,282                                |
| United States of America    | –                                      | 31,621                                 |
| <b>Total revenue</b>        | <b>1,409,730</b>                       | <b>1,203,270</b>                       |

#### ***Revenues from contracts with customers***

The Group generates revenue through the sale of quarried marble as well as the processing of marble into slabs, tiles and bespoke cut to size items.

| Group                            | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|----------------------------------|--|--|
| <b>Revenue by product</b>        |  |  |
| Sale of block marble             | 1,043,313                              | 793,357                                |
| Sale of processed marble         | 353,265                                | 408,693                                |
| Provision of processing services | 13,152                                 | 1,220                                  |
| <b>Total revenue</b>             | <b>1,409,730</b>                       | <b>1,203,270</b>                       |

Revenue is recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised reflects the amount to which the Group expects to be entitled in exchange for those goods and services. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. The transactional price is the amount of consideration due in exchange for transferring the promised goods or services to the customer, and is allocated against the performance obligations and recognised in accordance with whether control is recognised over a defined period or at a specific point in time.

Block marble may be sold under a sales agreement with a customer or on a non contractual basis. Sales agreements for block marble generally contain agreed pricing and minimum volume, through which customers can gain exclusivity within a given region. Block marble may be sold on an ex-quarry basis or free on board (FOB) basis. Revenue is recognised on the sale of block marble when control of the block marble is transferred to the buyer as the transfer of legal title, customer acceptance and an unconditional requirement to pay. The group derives revenue from the sale of blocks at a point in time.

Processed marble may be sold on an as seen basis or may be cut to order. The Company may enter into contracts to supply a given volume of processed marble as specified by the client. Processed marble may be sold on ex-factory basis or may include transport to customers. Revenue in relation to larger projects may involve separately identifiable performance obligations. Such performance obligations may include the separate delivery of instalments of product in accordance with the contractual schedule. Where marble is cut to order the Group does not consider

the provision of marble and the processing of marble as separate obligations, unless the client selects and takes title to specific block marble.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

| Group                 | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|-----------------------|--|--|
| Contractual basis     | 941,349                                | 663,627                                |
| Non-contractual basis | 468,381                                | 539,643                                |
| <b>Total revenue</b>  | <b>1,409,730</b>                       | <b>1,203,270</b>                       |

The following table sets out financial assets and liabilities that relate to sales contracts the Group has entered into

| Group   | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|---|--|--|
| Trade receivables                                       | 276,073                                | 191,282                                |
| Contract Liabilities (Advances received from customers) | 307,743                                | 380,843                                |

#### 6. Expenses by nature

| Group   | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|---|--|--|
| Operating loss is stated after charging/(crediting):                |  |  |
| Cost of materials sold  | 887,356                                | 795,895                                |
| Inventory provision   | 251,552                                | 492,723                                |
| Fees payable to the Company's auditors                              | 104,860                                | 108,110                                |
| Legal & professional fees   | 191,796                                | 348,754                                |
| Consultancy fees and commissions                                    | 470,998                                | 401,939                                |
| Staff costs   | 803,340                                | 748,034                                |
| Operating lease rental  | 47,679                                 | 67,158                                 |
| Other head office costs   | 166,031                                | 195,648                                |
| Travelling, entertainment & subsistence costs                       | 136,292                                | 102,486                                |
| Depreciation  | 90,365                                 | 99,194                                 |
| Amortisation  | 43,299                                 | 31,812                                 |
| Quarry operating costs  | 170,285                                | 247,751                                |
| Foreign exchange gain   | 25,492                                 | 2,277                                  |
| Share based payment charge  | 1,076                                  | 960                                    |
| Marketing & PR  | 48,614                                 | 92,348                                 |
| Testing, storage, sampling and transportation of materials          | 265,805                                | 255,922                                |
| Provision for bad debts   | 124,643                                | 92,368                                 |
| Sundry expenses   | 38,673                                 | 53,334                                 |
| <b>Cost of sales, administrative and other operational expenses</b> | <b>3,868,156</b>                       | <b>4,136,713</b>                       |

The analysis of auditors' remunerations is as follows:

| Group  | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|--|--|--|
| <b>Fees payable to the Company's auditors and its associates for services to the group</b> |  |  |
| Audit of UK parent company   | 23,041                                 | 30,510                                 |
| Audit of consolidated financial statements   | 61,819                                 | 56,500                                 |
| Audit of overseas subsidiaries   | 20,000                                 | 15,450                                 |
| Audit of UK subsidiaries   | -                                      | 5,650                                  |
| <b>Total audit services</b>  | <b>104,860</b>                         | <b>108,110</b>                         |

## 7. Directors and Employees

The employee benefit expenses during the year were as follows:

| Group                 | 2018<br>€        | 2017<br>€        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 702,894          | 668,037          |
| Social security costs | 100,446          | 79,997           |
|                       | <b>803,340</b>   | <b>748,034</b>   |
| <b>Company</b>        | <b>2018</b><br>€ | <b>2017</b><br>€ |
| Wages and salaries    | 135,609          | 136,956          |
| Social security costs | 8,968            | 17,271           |
|                       | <b>144,577</b>   | <b>154,227</b>   |

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

| Group                         | 2018        | 2017        |
|-------------------------------|-------------|-------------|
| Directors                     | 5           | 5           |
| Administration                | 9           | 10          |
| Quarry and factory operations | 69          | 53          |
|                               | <b>83</b>   | <b>68</b>   |
| <b>Company</b>                | <b>2018</b> | <b>2017</b> |
| Directors                     | 3           | 3           |
|                               | <b>3</b>    | <b>3</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 24. The aggregate amount of Directors remuneration for the year was as follows:

| Group  | 2018<br>€      | 2017<br>€      |
|--|----------------|----------------|
| Salary   | 296,645        | 311,231        |
| Consultancy fees                                 | 76,393         | 91,924         |
| <b>Aggregate emoluments payable to directors</b> | <b>373,038</b> | <b>403,155</b> |

| Company  | 2018<br>€      | 2017<br>€      |
|--|----------------|----------------|
| Salary   | 135,609        | 136,956        |
| Consultancy fees                                 | -              | 21,205         |
| <b>Aggregate emoluments payable to directors</b> | <b>135,609</b> | <b>158,161</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 2018 and 2017.

The highest paid director's emoluments were as follows

| Group                              | 2018<br>€ | 2017<br>€ |
|------------------------------------|-----------|-----------|
| Total amount of emoluments payable | 147,023   | 153,691   |

#### 8. Net finance costs

|  | 2018<br>€      | 2017<br>€      |
|--|----------------|----------------|
| <b>Finance costs</b>                               |                |                |
| Interest expense on borrowings                     | 119,507        | 300,884        |
| Movement in the fair value of derivative (note 17) | -              | 303,369        |
|  | <b>119,507</b> | <b>604,253</b> |

#### 9. Net finance income

|  | 2018<br>€      | 2017<br>€      |
|--|----------------|----------------|
| <b>Finance income</b>                              |                |                |
| Movement in the fair value of derivative (note 17) | 277,962        | 99,846         |
| Net foreign exchange gain on loan note instrument  | 2,754          | -              |
| Interest income on bank deposits                   | 838            | 461            |
|  | <b>281,554</b> | <b>100,307</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:

|  | 2018<br>€   | 2017<br>€   |
|--|-------------|-------------|
| <b>Reconciliation of effective tax rate</b>  |             |             |
| Loss before income tax   | (2,296,379) | (3,437,388) |
| Tax calculated at domestic tax rates applicable to profits in the respective countries at a weighted average rate of 15.48 % (2017 - 17.06%) | 355,553     | 586,572     |
| Tax effect of expenses that are not deductible in determining taxable profit   | (5,128)     | (61,464)    |
| Capital allowances in excess of depreciation and amortisation  | (130)       | (132)       |
| Tax effect of income not included in determining taxable profit  | 52,813      |             |
| Deferred tax asset not recognised in respect of losses   | (403,108)   | (524,976)   |
| <b>Total tax expense for the year</b>  | <b>-</b>    | <b>-</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% (2017 - 19%). The standard rate of corporation tax in the UK will change from 19% to 18% with effect from 1 April 2020.

The tax computations of Fox Marble Holdings plc Group show it has tax losses carried forward of €18,520,836 (2017 - €15,813,583). 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 €2,784,059 (2017 – €2,487,899).

| Group  | 2018<br>€     | 2017<br>€ |
|--|---------------|-----------|
| The balance comprises temporary differences attributable to: |               |           |
| Intangible assets recognised on acquisition                  | 84,504        | -         |
|  | <b>84,504</b> | <b>-</b>  |

A deferred tax liability arose on the acquisition of Gulf Marble Limited (UAE) as a result of the fair valuation of the intangible asset acquired as part of the business combination. See note 27 for further detail on the acquisition.

#### 11. Loss per share

|   | 2018<br>€   | 2017<br>€   |
|---|-------------|-------------|
| Loss for the year used for the calculation of basic LPS | (2,296,379) | (3,437,388) |

#### Number of shares

|   |             |             |
|---|-------------|-------------|
| Weighted average number of ordinary shares for the purpose of basic LPS   | 214,022,550 | 181,198,281 |
| Effect of potentially dilutive ordinary shares                            | -           | -           |
| Weighted average number of ordinary shares for the purpose of diluted LPS | 214,022,550 | 181,198,281 |

#### Loss per share:

|         |        |        |
|---------|--------|--------|
| Basic   | (0.01) | (0.02) |
| Diluted | (0.01) | (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 2018 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:   | Goodwill      | Mining rights<br>and licences | Capitalised<br>exploration and<br>evaluation<br>expenditure | Total            |
|--|---------------|-------------------------------|---|------------------|
|  | €             | €                             | €   | €                |
| <b>Cost</b>  |               |                               |   |                  |
| As at 1 January 2017                                   | -             | 1,256,376                     | 92,866  | 1,349,242        |
| <b>As at 31 December 2017 and 1 January 2018</b>       | <b>-</b>      | <b>1,256,376</b>              | <b>92,866</b>   | <b>1,349,242</b> |
| Additions  | 84,504        | 1,469,464                     | -   | 1,553,968        |
| <b>As at 31 December 2018</b>                          | <b>84,504</b> | <b>2,725,840</b>              | <b>92,866</b>   | <b>2,903,210</b> |
| <b>Accumulated amortisation</b>                        |               |                               |   |                  |
| As at 1 January 2017                                   | -             | 147,222                       | 8,219   | 155,441          |
| Amortisation charge                                    | -             | 29,455                        | 2,357   | 31,812           |
| <b>As at 31 December 2017 and as at 1 January 2018</b> | <b>-</b>      | <b>176,677</b>                | <b>10,576</b>   | <b>187,253</b>   |
| Charge for the year                                    | -             | 40,939                        | 2,360   | 43,299           |
| <b>As at 31 December 2018</b>                          | <b>-</b>      | <b>217,616</b>                | <b>12,936</b>   | <b>230,552</b>   |
| <b>Net Book Value</b>                                  |               |                               |   |                  |
| As at 1 January 2017                                   | -             | 1,109,154                     | 84,647  | 1,193,801        |
| As at 31 December 2017                                 | -             | 1,079,699                     | 82,290  | 1,161,989        |
| <b>As at 31 December 2018</b>                          | <b>84,504</b> | <b>2,508,224</b>              | <b>79,930</b>   | <b>2,672,658</b> |

Capitalised exploration and evaluation expenditure represent 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 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 North 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.

On 8 October 2018 the Company acquired Gulf Marble Investments Limited (UAE). As part of this acquisition the Group acquired the direct sub licence to the Prilep Alpha quarry and eliminated the 40% gross revenue royalty payable under the original agreements. The Group has recognised an intangible asset with a provisional fair value of €1,469,464 which will be amortised over the remaining period of the licence. Further detail on this acquisition can be found in note 27. The acquisition gave rise to a technical deferred tax liability and a corresponding entry to goodwill of €84,504 in accordance with IFRS 3.

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.

Other intangible assets relating to quarries in operation include amounts spent by the Group acquiring licences. Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Intangible assets relating to quarries in operation are assessed annually for indicators of impairment in accordance with IAS 36.

**13. Property, plant and equipment**

Group:

|  | Construction<br>in Progress | Quarry<br>Plant &<br>Machinery | Factory<br>Plant &<br>Machinery | Land           | Office<br>Equipment<br>and<br>Leasehold<br>improvements | Total            |
|--|-----------------------------|--------------------------------|---------------------------------|----------------|---|------------------|
|  | €                           | €                              | €                               | €              | €   | €                |
| <b>Cost</b>  |                             |                                |                                 |                |   |                  |
| As at 1 January 2017                                       | 2,786,775                   | 2,746,736                      | -                               | 160,000        | 30,101  | 5,723,612        |
| Additions  | 253,815                     | 242,164                        | -                               | -              | 387   | 496,366          |
| Transfers  | (3,040,590)                 | -                              | 3,040,590                       | -              | -   | -                |
| <b>As at 31 December 2017<br/>and as at 1 January 2018</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> |
| Additions <sup>(1)</sup>                                   | -                           | 322,593                        | 390,722                         | -              | -   | 713,315          |
| <b>As at 31 December 2018</b>                              | <b>-</b>                    | <b>3,311,493</b>               | <b>3,431,312</b>                | <b>160,000</b> | <b>30,488</b>   | <b>6,933,293</b> |
| <b>Accumulated depreciation</b>                            |                             |                                |                                 |                |   |                  |
| As at 1 January 2017                                       | -                           | 1,038,199                      | -                               | -              | 22,843  | 1,061,042        |
| Depreciation charge <sup>(2)</sup>                         | -                           | 355,585                        | 44,949                          | -              | 4,315   | 404,848          |
| <b>As at 31 December 2017<br/>and as at 1 January 2018</b> | <b>-</b>                    | <b>1,393,784</b>               | <b>44,949</b>                   | <b>-</b>       | <b>27,158</b>   | <b>1,465,891</b> |
| Depreciation charge <sup>(2)</sup>                         | -                           | 526,490                        | 93,459                          | -              | 2,701   | 622,650          |
| <b>As at 31 December 2018</b>                              | <b>-</b>                    | <b>1,920,274</b>               | <b>138,408</b>                  | <b>-</b>       | <b>29,859</b>   | <b>2,088,541</b> |
| <b>Net Book Value</b>                                      |                             |                                |                                 |                |   |                  |
| As at 1 January 2017                                       | 2,786,775                   | 1,708,537                      | -                               | 160,000        | 7,258   | 4,662,570        |
| As at 31 December 2017                                     | -                           | 1,595,116                      | 2,995,641                       | 160,000        | 3,330   | 4,754,087        |
| <b>As at 31 December 2018</b>                              | <b>-</b>                    | <b>1,391,219</b>               | <b>3,292,904</b>                | <b>160,000</b> | <b>629</b>  | <b>4,844,752</b> |

(1) Included in additions of €713,315 in the year ended 31 December 2018 are €213,469 of assets acquired as result of the acquisition of Gulf Marble Investments Limited. See note 27 for further details.

(2) Depreciation on plant and machinery is included in the cost of inventory to the extent it is directly related to production of that inventory. In the year ended 31 December 2018 €532,284 of depreciation was included in the cost of inventory produced (2017 - €305,654).

The Group 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 year ended 31 December 2017 the Group completed work on its marble processing factory and therefore transferred €3,040,590 of assets from construction in progress to Factory Plant & Machinery.

**14. Trade and other receivables**

| Group:  | 2018           | 2017           |
|---|----------------|----------------|
|   | €              | €              |
| <b>Non-current assets</b>                     |                |                |
| Other receivables                             | -              | 56,307         |
|   | -              | <b>56,307</b>  |
| <b>Current assets</b>                         |                |                |
| Trade receivables                             | 449,249        | 501,586        |
| Less: provision for impairment in receivables | (84,871)       | (199,751)      |
| Trade receivables (net)                       | <b>364,378</b> | <b>301,835</b> |
| Deposits on capital equipment                 | 148,750        | 338,751        |
| Deposits                                      | 55,000         | 55,000         |
| Other receivables                             | 166,549        | 82,170         |
| Prepayments                                   | 89,008         | 95,259         |
| VAT recoverable                               | 65,614         | 112,632        |
|   | <b>889,299</b> | <b>985,647</b> |

| Company:                                | 2018              | 2017              |
|---|-------------------|-------------------|
|   | €                 | €                 |
| <b>Current assets</b>                   |                   |                   |
| Prepayments                             | 43,046            | 38,963            |
| Amounts due from subsidiary undertaking | 22,019,753        | 19,733,360        |
| Other receivables                       | 57,611            | 56,307            |
| VAT recoverable                         | 14,073            | 35,501            |
|   | <b>22,134,483</b> | <b>19,864,131</b> |

Included in other receivables at 31 December 2018 are other receivables of €55,300 (2017 – €56,307) relating to the issue of share capital made by the Company on 31 August 2011. Included in this balance are amounts due from directors of €48,106 (2017 – €48,889).

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 22.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 22.

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. Further details are included in note 22.

Included in receivables for the Group are receivables denominated in GBP of €147,065 (2017 – €145,035). There are nil receivables denominated in USD (2017 – nil). Included in receivables for the Company are receivables denominated in GBP of €100,656 (2017 – €130,770). All GBP denominated receivables have been translated to Euro at the exchange rate prevailing at 31 December 2018. 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 €148,750 (2017 – €338,751). These relate to additional equipment for the factory site 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.

## 15. Inventories

| Group:                | 2018             | 2017             |
|-----------------------|------------------|------------------|
|                       | €                | €                |
| Block Marble          | 3,302,805        | 2,960,347        |
| Slab Marble           | 443,532          | 359,120          |
| Tiles and cut to size | 60,813           | -                |
|                       | <b>3,807,140</b> | <b>3,319,467</b> |

The cost of inventories recognised as an expense and included in cost of sales amounted to €799,591 (2017 – €752,568). In the current year the Group has recognised a provision of €251,552 (2017 – €492,723) in relation to inventory. The cumulative provision against inventory held in stock at 31 December 2018 is €762,747 (2017 – €717,711).

**16. Trade and other payables**

| Group:  | 2018             | 2017             |
|---|------------------|------------------|
|   | €                | €                |
| Trade payables  | 447,690          | 435,342          |
| Contract Liabilities – Advances received from customers | 307,743          | 380,843          |
| Amounts due to related parties                          | 230,211          | 251,204          |
| Other payables  | 11,201           | 94,855           |
| Accruals  | 151,873          | 183,139          |
| Other tax and social security payable                   | 36,137           | 27,713           |
|   | <b>1,184,855</b> | <b>1,373,096</b> |
| Company:  | 2018             | 2017             |
|   | €                | €                |
| Trade payables  | 132,687          | 247,497          |
| Amounts due to related parties                          | 132,948          | 168,923          |
| Accruals  | 59,805           | 77,124           |
| Other liabilities                                       | -                | 84,478           |
|   | <b>325,440</b>   | <b>578,022</b>   |

Amounts due to related parties are considered further in note 23.

Included in trade and other payables of the Group are GBP denominated payables of €571,172 (2017 – €905,775) and USD denominated payables of €307,743 (2017 – €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 2018.

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 2018. All trade and other payables at 31 December 2018 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:                            | 2018             | 2017             |
|---|------------------|------------------|
|   | €                | €                |
| Current borrowings                            |                  |                  |
| Convertible loan notes held at amortised cost | 85,259           | 1,026,120        |
| Other borrowings held at amortised cost       | -                | 572,794          |
| Derivative over own equity at fair value      | 3,711            | 140,111          |
|   | <b>88,970</b>    | <b>1,739,025</b> |
| Non-current borrowings                        |                  |                  |
| Convertible loan notes held at amortised cost | 2,871,292        | 670,294          |
| Other borrowings held at amortised cost       | 553,950          | 798,370          |
| Derivative over own equity at fair value      | 258,748          | 233,788          |
|   | <b>3,683,990</b> | <b>1,702,453</b> |

**a. 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").

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. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

On 30 January 2018, the facility and any outstanding accrued interest of the Series 1 Loan Note was repaid in full. The derivative had a carrying value of €140,111 at redemption.

**b. 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 2020 with a conversion price set at 10p.

As at 31 December 2018, the Series 3 Loan Note held at amortised cost had a balance of €489,235 (31 December 2017 – €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 2018 the derivative had a value of €16,818 (31 December 2017 – €171,891). The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

**c. 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 2020 with a conversion price set at 10.5p.

As at 31 December 2018, the Series 4 Loan Note held at amortised cost had a balance of €174,202 (31 December 2017 – €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 2018 the derivative had a value of €7,918 (31 December 2017 – €61,897). The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

**d. Series 5 Loan Note**

On 3 January 2018, the Company issued a convertible loan note with a value of £75,000 ("Series 5 Loan Note") to a non related party. This new Series 5 Loan Note has an interest rate of 8% per annum. The Loan Note is due for conversion or repayment on 31 December 2019 with a conversion price set at 10.5p.

As at 31 December 2018, the Series 5 Loan Note held at amortised cost had a balance of €85,259. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018, the derivative had a value of €3,711. The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

**e. Series 6 Loan Note**

On 30 July 2018, the Company issued a convertible loan note with a value of £300,000 ("Series 6 Loan Note") to a non related party. This new Series 6 Loan Note has an interest rate of 8% per annum. The Loan Note is due for conversion or repayment on 30 July 2020 with a conversion price set at 10.5p.

As at 31 December 2018, the Series 6 Loan Note held at amortised cost had a balance of €331,310. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018, the derivative had a value of €24,121. The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

**f. Series 7 Loan Note**

On 30 September 2018, the Company issued a convertible loan note with a value of £300,000 ("Series 7 Loan Note") to a non related party. This new Series 6 Loan Note has an interest rate of 8% per annum. The Loan Note is due for conversion or repayment on 30 September 2020 with a conversion price set at 10.5p.

As at 31 December 2018, the Series 7 Loan Note held at amortised cost had a balance of €335,043. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018, the derivative had a value of €27,222. The fair value has been assessed using a Black Scholes methodology.

**g. Convertible Loan Notes 2020**

As consideration for the acquisition of Gulf Marble Investments Limited Fox Marble has issued an Unsecured Convertible Loan Note ("Gulf Loan Note") in the amount of €1,785,000. Under the terms of the Loan Note, the holder may elect to convert at a conversion price of 130% of the 3 month volume weighted average share price. The Loan Note is repayable from 1 October 2020. The Loan Note carries an interest rate of Libor plus 1.5% payable annually in arrears.

As at 31 December 2018, the Gulf Loan Note held at amortised cost had a balance of €1,541,502. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018, the derivative had a value of €182,669. The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

**h. 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 10 August 2017 at an interest rate of 15%. The term of the facility was 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 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 2018 1,904,761 Ordinary Shares were issued in full settlement of the outstanding liability. As at 31 December 2018 the facility of £1,000,000 remains in place till 30 June 2020 and is not drawn down at 31 December 2018.

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 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.

At 31 December 2018 the Company held £500,000 of other borrowings. These were funds received in advance of a loan note issued in 2019, further details of which can be found in note 31.

The directors consider that the carrying amount of borrowings approximates their fair value at 31 December 2018.

**18. Share capital**

| Group and Company:               | 2018<br>Number     | 2017<br>Number | Share<br>capital<br>2018<br>€ | Share<br>capital<br>2017<br>€ | Share<br>premium<br>2018<br>€ | Share<br>premium<br>2017<br>€ |
|----------------------------------|--------------------|----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Issued, called up and fully paid |                    |                |                               |                               |                               |                               |
| Ordinary shares of £0.01 each    |                    |                |                               |                               |                               |                               |
| At 1 January                     | <b>181,344,851</b> | 181,067,074    | <b>2,284,476</b>              | 2,281,345                     | <b>26,424,202</b>             | 26,399,156                    |
| Issued in the year               | <b>36,540,471</b>  | 277,777        | <b>416,212</b>                | 3,131                         | <b>3,517,775</b>              | 25,046                        |
| At 31 December                   | <b>217,885,322</b> | 181,344,851    | <b>2,700,688</b>              | 2,284,476                     | <b>29,941,977</b>             | 26,424,202                    |

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 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.

On 14 August 2018, the Company issued 2,800,000 ordinary shares to consultants and employees in reflection of the work performed at the Company.

The Company recognised £139,864 in transaction costs in relation to the issue of share capital within share premium in the year to 31 December 2018 (2017 - nil).

On 12 February 2019, the Company issued 13,263,161 ordinary shares at 9.5p per share. Further details are included in note 31.

## 19. Accumulated losses

| Group:                                     | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|--|--|--|
| At 1 January                               | (22,823,182)                           | (19,385,793)                           |
| Adjustment on adoption of IFRS 9 (Note 28) | (34,094)                               | -                                      |
| Restated opening balance                   | (22,857,276)                           | (19,385,793)                           |
| Loss for the year                          | (2,296,379)                            | (3,437,389)                            |
| <b>At 31 December</b>                      | <b>(25,153,655)</b>                    | <b>(22,823,182)</b>                    |
| Company:                                   | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
| At 1 January                               | (10,478,360)                           | (9,292,695)                            |
| Loss for the year                          | (245,998)                              | (1,185,665)                            |
| <b>At 31 December</b>                      | <b>(10,724,358)</b>                    | <b>(10,478,360)</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<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|---|--|--|
| At 1 January                              | 84,171                                 | 83,211                                 |
| Equity settled share based payment charge | 1,076                                  | 960                                    |
| <b>At 31 December</b>                     | <b>85,247</b>                          | <b>84,171</b>                          |

On 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 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<br>m <sup>2</sup> '000 | Lease<br>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 based on 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 company has several loan notes in place which contain an option for the holder to convert the value of the loan note to shares in the Company at a price of between 10p and 10.5p. If the convertible loan notes are converted the share capital of the Company would be increased by 28,240,129 shares, representing 13% of the issued share capital.

The gearing ratios at 31 December 2018 and 31 December 2017 are as follows:

| Group                          | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|--------------------------------|--|--|
| Total borrowings (note 17)     | (3,772,960)                            | (3,441,478)                            |
| Less cash and cash equivalents | 438,270                                | 542,287                                |
| <b>Net debt</b>                | <b>(3,334,690)</b>                     | <b>(2,899,191)</b>                     |
| Total equity                   | 7,609,800                              | 6,005,210                              |
| Total capital                  | 11,382,761                             | 9,623,365                              |
| <b>Gearing ratio</b>           | <b>33.15%</b>                          | <b>35.76%</b>                          |

| Company                        | Year ended<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|--------------------------------|--|--|
| Total borrowings (note 17)     | (3,772,960)                            | (3,441,478)                            |
| Less cash and cash equivalents | 256,344                                | 441,663                                |
| <b>Net debt</b>                | <b>(3,516,616)</b>                     | <b>(2,999,815)</b>                     |
| Total equity                   | 22,003,554                             | 18,314,489                             |
| Total capital                  | 25,776,514                             | 21,755,967                             |
| <b>Gearing ratio</b>           | <b>14.64%</b>                          | <b>15.82%</b>                          |

#### Reconciliation of movement in Net Debt

| Group                     | Balance at<br>1 January 2018<br>€ | Foreign<br>Exchange<br>Difference<br>€ | Non cash<br>movements<br>€ | Cash Flow<br>€ | Balance at<br>31 December<br>2018<br>€ |
|---------------------------|-----------------------------------|--|----------------------------|----------------|--|
| Cash and cash equivalents | 542,287                           | (880)                                  | -                          | (103,137)      | 438,270                                |
| Borrowings                | (3,441,478)                       | 2,754                                  | (738,795)                  | 404,559        | (3,772,960)                            |
| <b>Net debt</b>           | <b>(2,899,191)</b>                | <b>1,874</b>                           | <b>(738,795)</b>           | <b>301,422</b> | <b>(3,334,690)</b>                     |
| Company                   | Balance at<br>1 January 2018<br>€ | Foreign<br>Exchange<br>Difference<br>€ | Non cash<br>movements<br>€ | Cash Flow<br>€ | Balance at<br>31 December<br>2018<br>€ |
| Cash and cash equivalents | 441,663                           | (880)                                  | -                          | (184,439)      | 256,344                                |
| Borrowings                | (3,441,478)                       | 2,754                                  | (738,795)                  | 404,559        | (3,772,960)                            |
| <b>Net debt</b>           | <b>(2,999,815)</b>                | <b>1,874</b>                           | <b>(738,795)</b>           | <b>220,120</b> | <b>(3,516,616)</b>                     |

#### Financial risk management

The Group is exposed to several 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, considering 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 €1,238,561 (2017 - €1,491,982). Financial assets are assessed for impairment annually and a provision for bad debt of €84,871 has been recognised in 2018 (2017 - €92,368).

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory
- cash and cash equivalents

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables:

| <b>31 December 2018</b> | Current  | More than<br>30 days<br>past due | More than<br>60 days<br>past due | More than<br>90 days<br>past due | Total    |
|-------------------------|----------|----------------------------------|----------------------------------|----------------------------------|----------|
| Expected loss rate      | 11%      | 16%                              | 21%                              | 23%                              | 19%      |
| Gross Carrying Amount   | €72,128  | €148,323                         | €2,972                           | €225,826                         | €449,249 |
| Loss allowance          | €7,872   | €24,223                          | €638                             | €52,138                          | €84,871  |
| <b>1 January 2018</b>   | Current  | More than<br>30 days<br>past due | More than<br>60 days<br>past due | More than<br>90 days<br>past due | Total    |
| Expected loss rate      | 11%      | 16%                              | 21%                              | 23%                              | 19%      |
| Gross Carrying Amount   | €269,384 | -                                | €31,124                          | €201,378                         | €501,886 |
| Specific provision      |          |                                  |                                  | €196,605                         | €196,605 |
| Loss allowance          | €29,452  | -                                | €6,686                           | €1,102                           | €37,240  |

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2018 the Group holds €438,270 in cash and cash equivalents (2017 – €542,287). The Group mitigates banking sector credit risk through the use of banks with no lower than a single A rating.

As at 31 December 2018 the Company holds €256,344 in cash and cash equivalents (2017 – €441,663). 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<br>2018<br>€ | 31 December<br>2017<br>€ |
|-------------------------|--------------------------|--------------------------|
| Cash denominated in EUR | 52,298                   | 229,187                  |
| Cash denominated in GBP | 262,785                  | 278,034                  |
| Cash denominated in USD | 9,082                    | 35,066                   |
| Cash denominated in AED | 114,105                  | -                        |
|                         | <b>438,270</b>           | <b>542,287</b>           |

| Company                 | 31 December<br>2018<br>€ | 31 December<br>2017<br>€ |
|-------------------------|--------------------------|--------------------------|
| Cash denominated in EUR | 97                       | 186,899                  |
| Cash denominated in GBP | 256,247                  | 254,764                  |
|                         | <b>256,344</b>           | <b>441,663</b>           |

As at 31 December 2018 if the currency has weakened/strengthened by 10% against the GBP with all other variables constant, post-tax profit would have been €249,188 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 (2017 – €204,369). Similarly, the Company has calculated the impact of a 10% increase or decrease in the GBP/EUR exchange rate would have a €178,231 (2017 – €294,001) 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 2018 if the currency has weakened/strengthened by 10% against the GBP with all other variables constant, post-tax profit would have been €71,783 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 (2017 – €240,369). Similarly, the Company has calculated the impact of a 10% increase or decrease in the GBP/EUR exchange rate would have a €167,301 (2017 – €261,757) 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 is 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 2018 based upon contractual cash flows:

| <b>31 December 2018</b>  | Carrying<br>Amount<br>€ | Contractual<br>cash flows<br>€ | 6 months<br>or less<br>€ | 6-12<br>months<br>€ | 1-2 years<br>€   | 2-5 years<br>€ |
|--------------------------|-------------------------|--------------------------------|--------------------------|---------------------|------------------|----------------|
| Borrowings               | 3,772,960               | 4,068,574                      | 92,048                   | 175,141             | 3,243,742        | 557,643        |
| Trade and other payables | 1,148,718               | 1,148,718                      | 1,148,718                | -                   | -                | -              |
|                          | <b>4,921,678</b>        | <b>5,217,292</b>               | <b>1,240,766</b>         | <b>175,141</b>      | <b>3,243,742</b> | <b>557,643</b> |
| <b>31 December 2017</b>  | Carrying<br>Amount<br>€ | Contractual<br>cash flows<br>€ | 6 months<br>or less<br>€ | 6-12<br>months<br>€ | 1-2 years<br>€   | 2-5 years<br>€ |
| Borrowings               | 3,441,478               | 3,225,294                      | -                        | 1,756,794           | 720,736          | 747,764        |
| Trade and other payables | 1,345,383               | 1,345,383                      | 1,345,383                | -                   | -                | -              |
|                          | <b>4,786,861</b>        | <b>4,570,677</b>               | <b>1,345,383</b>         | <b>1,756,794</b>    | <b>720,736</b>   | <b>747,764</b> |

For the Company as at 31 December 2018 and 2017, 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 2018 are €325,440 (2017 – €578,022).

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.

#### **Interest rate risk**

As at 31 December 2018, the Company holds borrowings of €1,785,000 with variable interest rate (2017 – nil). The 2020 Convertible Loan Note carry an interest rate of Libor plus 1.5% payable annually in arrears. All other borrowings are under fixed interest rates. For each one hundred basis point rise in market interest rates at 31 December 2018 there would be an increase in loss before tax by approximately €17,850 (2017: nil).

#### **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 2018 and 2017.

### **23. Interests in other undertakings**

|  | %<br>Ownership | Date acquired/<br>Incorporated | Registered Office   | Place of<br>incorporation | Principal<br>activity           |
|--|----------------|--------------------------------|---|---------------------------|---------------------------------|
| <b>Interest in subsidiary undertakings</b>       |                |                                |   |                           |                                 |
| Fox Marble Limited                               | 100%           | 3 August 2012                  | 15 Kings Terrace,<br>London, NW1 0JP  | England & Wales           | Operating Company               |
| Fox Marble Kosova Sh.P.K                         | 100%           | 11 December 2012               | Garibaldi 1/2,<br>Pristina;   | Kosovo                    | Operating Company               |
| Rex Marble Sh.P.K                                | 100%           | 3 August 2012                  | Bulevardi Ddshmoret<br>e Kombit, Nr.72IA-7,<br>Pristina                       | Kosovo                    | Holding of licences<br>& rights |
| H&P Sh.P.K                                       | 100%           | 3 August 2012                  | Bill Klinton n36,<br>Pristina   | Kosovo                    | Holding of licences<br>& rights |
| Granit Shala Sh.P.K                              | 100%           | 3 August 2012                  | Banje, Istog  | Kosovo                    | Holding of licences<br>& rights |
| Fox Marble Asia Limited                          | 51%            | 7 November 2016                | 15 Kings Terrace,<br>London, NW1 0JP  | England & Wales           | Dormant                         |
| Stone Alliance LLC                               | 59%            | 13 April 2015                  | 1209 Orange street,<br>Wilmington,<br>Delaware 19801                          | United States             | Dormant                         |
| Gulf Marble Investments<br>Limited               | 100%           | 8 October 2018                 | PO Box 37172,<br>Dubai, UAE   | United Arab Emirates      | Holding of licences<br>& rights |
| Gulf Marble Investments<br>Limited               | 100%           | 8 October 2018                 | 15 Kings Terrace,<br>London, NW1 0JP  | England & Wales           | Dormant                         |
| <b>Interest in Associates and Joint Ventures</b> |                |                                |   |                           |                                 |
| Fox Marble FZC                                   | 34%            | 2 September 2018               | PO Box 932, Emirate<br>of Ajman   | United Arab Emirates      | Sales activity                  |
| Fox Marble India Private<br>Limited              | 49%            | 18 October 2018                | 2A Floor, Grd Plot-<br>759 A Jyoti Sadan,<br>Sitaladevi Temple<br>Road, Mahim | India                     | Sales activity                  |

All the shareholdings in subsidiary and associate 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. Interest in Gulf Marble Investments Limited (UK) is held via the Company's shareholding in Gulf Marble Investments Limited (UAE). All subsidiary undertakings are included in the consolidation.

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 2018.

**Non-controlling interests**

There are no non-controlling interests in subsidiary undertakings that are considered material to the group in the year ended 31 December 2018 (2017 – nil), as the entities remain dormant. There were no transactions with non-controlling interests in the year ended 31 December 2018 (2017 – nil).

**Interests in Associates in Joint Ventures**

Interest in associates in joint ventures are immaterial to the Group for the year ended 31 December 2018 both individually and in combination.

**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 6.

As at 31 December 2018 the Group has accrued €213,727 due to directors of the Company in respect of fees due to them (2017 – €239,302). As at 31 December 2018 the Company has accrued €132,948 due to directors of the Company in respect of fees due to them (2017 – €168,923). As at 31 December 2018 there is €16,843 payable (2017 – nil) 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 €22,019,753 (2017 – €19,733,360). 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 €48,106 (2017 – €48,889) relating to the issue of share capital on the 31 August 2011.

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.

On the 4 April 2019 the Company announced that it had conditionally acquired Green Power Sh.p.k and Scope Sh.p.k. More details on these transactions can be found in note 28. Florije Rrustemi has a beneficial interest in Green Power and Scope. Florije Rrustemi is the wife of Naim Rrustemi – a director of Fox Marble Kosovo Sh.p.k ("FMK"). FMK is a wholly owned subsidiary of Fox Marble Limited ("FML") and FML is a wholly owned subsidiary of the Company. The Transactions are therefore related party transactions pursuant to the AIM Rules. The Directors of the Company, none of whom have an interest in the Transactions believe that the terms of the Transactions, having consulted with the Company's nominated adviser, are fair and reasonable insofar as shareholders are concerned.

**25. Commitments****(a) Capital commitments**

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

| Group:                       | 2018   | 2017    |
|------------------------------|--------|---------|
|                              | €      | €       |
| Property plant and equipment | 72,000 | 124,250 |

As at 31 December 2018 the Group had capital equipment deposits of €148,750 (2017 – €380,843) which are expected to be capitalised into property plant and equipment in 2019.

**(b) 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<br>31 December<br>2018<br>€ | Year ended<br>31 December<br>2017<br>€ |
|-----------------------------------|--|--|
| Expiring within one year          | 26,609                                 | 20,525                                 |
| Expiring within one to five years | -                                      | 49,099                                 |
|                                   | <b>26,609</b>                          | <b>69,624</b>                          |

**26. Investments**

| Company:                            | 2018<br>€        | 2017<br>€        |
|-------------------------------------|------------------|------------------|
| Investments in Subsidiary Companies | 3,711,127        | 2,028,195        |
|                                     | <b>3,711,127</b> | <b>2,028,195</b> |

**27. Business Combinations**

On 8 October 2018 the Company acquired 100% of the share capital of Gulf Marble Investments Limited (Dubai) its joint venture partner based in the Prilep Alpha Quarry in North Macedonia, including all the rights attached to that Company.

On 4 July 2013 Fox Marble announced the acquisition of quarry rights in Prilep Alpha in North Macedonia. Under the terms of the original agreement, Gulf Marble Investments Limited provided the funds to acquire the licence to the site and capital investment amounting to €1.8 million, and then entered into an operating agreement with Fox Marble to operate the quarry. In compensation Gulf Marble Investments Limited was provided with a royalty amounting to 40% of the gross revenues received from the sale of its block marble from the quarry.

Through the acquisition of 100% of the share capital of Gulf Marble Investments Limited, Fox Marble has acquired the direct sub-licence to the Prilep alpha quarry eliminating the 40% gross revenue royalty that was payable under the original agreement, as well as all the assets and capital equipment held by Gulf Marble investments Limited.

As consideration for the acquisition Fox Marble has issued an Unsecured Convertible Loan Note ("Loan Note") in the amount of €1.785 million. Under the terms of the Loan Note, the holder may elect to convert at a conversion price of 130% of the 3 month volume weighted average share price. The Loan Note is repayable from the 1 October 2020. The Loan Note carries an interest rate of Libor plus 1.5% payable annually in arrears. Further details are included in note 17. At inception the fair value of this loan was €1,682,933, and €1,724,121 at 31 December 2018.

The acquisition has been accounted for under IFRS 3 'Business Combinations' using the acquisition method.

|  | Provisional fair<br>value<br>€ |
|--|--------------------------------|
| Fair value of consideration issued (note 17) |                                |
| Loan note issued                             | 1,516,410                      |
| Embedded derivative                          | 166,523                        |
|  | <b>1,682,933</b>               |

The assets and liabilities recognised as a result of the acquisition are as follows:

|   | Provisional fair<br>value<br>€ |
|---|--------------------------------|
| Plant and equipment                         | 213,469                        |
| Goodwill                                    | 84,504                         |
| Intangible asset - mining licence (note 12) | 1,469,464                      |
| Deferred tax liability                      | (84,504)                       |
| Net assets acquired                         | <b>1,682,933</b>               |

As permitted by IFRS 3 Business Combinations, the business combination is accounted for using provisional amounts. Any adjustments to the provisional amounts will be made within the measurement period to reflect new information obtained about fact and circumstances that were in existence at the acquisition date. The measurement period cannot exceed one year from the acquisition date.

The intangible asset relates to the mining licence owned by Gulf Marble Investments Limited (Dubai). To determine the fair value of the mining licence management used a discounted cash flow model to estimate the expected future cash flows of the quarry, based on the estimates of future production and sales prices, operating costs and forecast capital expenditures over the remaining period of the licence. A post tax discount rate of 10% has been applied to discount future cash flows.

The goodwill arising on the completion of the transaction, amounting to €84,504 is equal to the technical deferred tax liability which arises on the difference between the assigned fair value of the acquired assets and liabilities on consolidation and their fair value tax base in accordance with IFRS 3.

Acquisition-related costs of €13,489 are included in administrative expenses in the income statement and in operating cash flows in the statement of cash flows.

The acquired business contributed a net loss of €9,327 to the group for the period from 8 October 2018 to 31 December 2018. If the business had been acquired at 1 January 2018 the impact on revenue would be nil and the net loss would have been €37,308.

## 28. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 on the group's financial statements. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3 above. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated and a simplified modified retrospective has been adopted which means that the impact of adoption has been reflected in opening retained earnings at 1 January 2018.

|   | 2018<br>€    | 2017<br>€    |
|---|--------------|--------------|
| Closing retained earnings at 31 December    | (22,823,182) | (19,385,793) |
| Increase in provision for trade receivables | (34,094)     | -            |
| Opening retained 1 January                  | (22,857,276) | (19,385,793) |

Further details on the provision for trade receivables is found in note 22.

IFRS 15 was adopted in full from 1 January 2018 but did not result in any adjustments to the financial statements.

## 29. Controlling Parties

There is 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 28 May 2019 control 18.16 % of the share capital of the Company.

## 30. Contingent Liabilities

Mermeren Kombinat AD launched proceedings against the Company claiming that the Company's use of the name of Sivec for the marble produced at its quarries in Prilep, North 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.

## 31. Events after the reporting period

Fox Marble issued 13,263,161 new ordinary shares in the Company at 9.5p per share on the 7 February 2019. Gross proceeds of this issue of equity amounts to £1,260,000. The New Ordinary Shares rank *pari passu* with the existing ordinary shares.

Fox Marble issued a further £700,000 in Convertible Loan Notes under the same terms as existing Loan Notes issued by the Company. The Convertible Loan Notes will carry an interest rate of 8%, per annum. The Convertible Loan Notes are due for conversion or repayment on 4 February 2021 with a conversion price set at 10.5p.

Proceeds from the issue of shares have been used to fund capital equipment at Fox Marble's quarry sites to expand production capabilities to supply increased demand for material in 2019.

On 4 April 2019 Fox Marble, announced that it had conditionally agreed to acquire Green Power Sh.p.k ("Green Power") the licence holder of the Maleshevë quarry and Scope Sh.p.k. ("Scope"), a company through which Fox Marble has entered into two hire purchase agreements (the "Acquisitions" or "Transactions").

The acquisitions give Fox Marble the direct rights to the Maleshevë quarry in their entirety, eliminate the annual royalty which would have been due under the operating agreement, and reduce monthly outgoings for equipment and maintenance at the factory.

Fox Marble has conditionally acquired the entire share capital of Green Power, for a consideration of £1,000,000 to be satisfied by the issue of 13,000,000 new ordinary shares in the Company at a price that equates to 7.69 pence per share.

In the period since entering into the initial agreement with Green Power for nil consideration no royalty payment has been paid, due to the costs associated with development of the quarry. However with increasing production and expected sales of the materials it is anticipated that royalty payments over the remaining period of the agreement are expected to be paid and as such the Board believes that it is in the best interest of the Company to control the asset.

In 2018 and 2019, Fox Marble entered into certain hire purchase arrangements with Scope, a company incorporated in Kosovo, to acquire and install in its factory certain equipment including a new CNC machine which was announced on 16 April 2018. The consideration paid for Scope is less than the value of the future payments due under the hire purchase agreements being acquired as part of its acquisition.

The Company has conditionally agreed to acquire the entire issued share capital of Scope for a consideration of £300,000 to be satisfied by the issue of 3,000,000 new ordinary shares in the Company at a price that equates to 10 pence per share.

The acquisitions are conditional, *inter alia*, on shareholders approving certain resolutions at the forthcoming Annual General Meeting of the Company relating to authorities to issue new ordinary shares in the Company.

All of the new ordinary shares being issued as part of the acquisitions will be subject to lock-in provisions of 2 years with a further twelve month period being subject to orderly market agreement.

The operating results and assets and liabilities of the acquired companies will be consolidated upon approval of the acquisition. At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Scope Sh.p.k and Green Power Sh.p.k. It is not yet possible to provide detailed information about the fair values of assets and liabilities being acquired and any contingent liabilities of the acquired entity.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fox Marble Holdings plc ("the Company") will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF at 11.00am on Wednesday 26 June 2019 to consider, and if thought fit, to pass the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolution 11 as a special resolution.

1. To receive the annual report and financial statements for the year ended 31 December 2018.
2. To re-elect Andrew Allner as a Director of the Company.
3. To re-elect Christopher Gilbert as a Director of the Company.
4. To re-elect Fiona Hadfield as a Director of the Company.
5. To re-elect Roy Harrison as a Director of the Company.
6. To re-elect Colin Terry as a Director of the Company.
7. To reappoint PricewaterhouseCoopers LLP as the Company's auditors until the conclusion of the next Annual General Meeting.
8. To authorise the Directors to determine the remuneration of the auditors.
9. THAT the Directors of the Company be generally and unconditionally authorised to in accordance with section 551 of the Companies Act 2006 ("the Act") to allot Ordinary Shares up to an aggregate Nominal value of £160,000 as consideration for the acquisition of Green Power Sh.p.k and Scope Sh.p.k, as announced on the 4 April 2019.
10. 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 £770,495 and such authority shall, unless previously revoked or varied by Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company to be held in 2020, save that the Company may, at any time before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to be granted under such offer or agreement as if the authority conferred had not expired.

## Special Resolution

11. THAT, subject to and conditional upon the passing of resolution 5 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 by resolution 5 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 practicable) to the respective number of shares held by them in the capital of the Company, 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 pursuant to sub-paragraph (a) above) of further 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 £231,148.

and this authority shall expire at the conclusion of the Company's Annual General Meeting to be held in 2020, save that the Company may, at any time before such expiry, make an offer or agreement 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

**Ben Harber**

Company Secretary

4 June 2019

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

## Notes

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

If you would like to attend, speak and vote at the AGM you must be on the Company's register of members at 10.00 am on 24 June 2019. 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, in the event of any adjournment, close of business on the date which is 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 on your behalf. 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 need not 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 for 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, Ben Harber, 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) as 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 Ben Harber at 60 Gracechurch Street, London EC3V 0HR
- Scanning it and sending it by email to [ben.harber@shma.co.uk](mailto:ben.harber@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 4366. 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 Ben Harber 60 Gracechurch Street, London EC3V 0HR. Alternatively you may send the notice by email to [ben.harber@shma.co.uk](mailto:ben.harber@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 4366 (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 231,148,483 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 231,148,483.

## Explanation of Resolutions

The Company's Annual General Meeting will be held at 11.00 am on 6 June 2019 at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street London EC4N 6AF. The Notice of Meeting is set out on page 74 of this document. Details of resolutions to be considered at the meeting are given below.

Resolutions 1 to 10 inclusive are proposed as ordinary resolutions, which means that for each of these resolutions to be passed, more than half (50%) of the votes cast must be in favour of the resolution.

Resolution 11 is proposed as a special resolution, which means that for each this resolution to be passed, at least three-quarters (75%) of the votes cast must be in favour of the resolution.

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

Shareholders will be asked to receive and adopt the audited financial statements of the Company for year ended 31 December 2018 and the Directors' Report and Auditors' Report on those accounts, which have been posted to shareholders with this Notice.

#### ***Director's re-election (resolution 2-6)***

The Directors in accordance with article 80 of the Articles of Association of the Company and, being eligible, offer themselves for re-election as a Directors of the Company. The biographical details of all of the Directors can be found on pages 17 and 18 of the annual report.

#### ***Auditors appointment (resolution 7)***

The Company is required at each general meeting at which accounts are presented to appoint auditors to hold office until the next such meeting. The Board, on the recommendation of the Audit Committee recommends the re-appointment of PricewaterhouseCoopers LLP who have expressed their willingness to continue in office as auditor and a resolution to re-appoint them has been proposed at the Annual General Meeting.

#### ***Auditor fees (resolution 8)***

Resolution 8 authorises the Directors to determine the remuneration of the auditors.

#### ***Authority to allot shares for the purchase of Green Power Sh.p.k and Scope Sh.p.k (resolutions 9)***

The purpose of this resolution is to give the Directors the authority of the allot shares as consideration for the acquisition of Green Power Sh.p.k and Scope Sh.p.k as announced by the Company on the 4 April 2019. Further detail on the acquisitions can be found on page 71 to the Annual Report.

***Authority to allot shares and Disapplication of Pre-emption Rights (resolutions 10 and 11)***

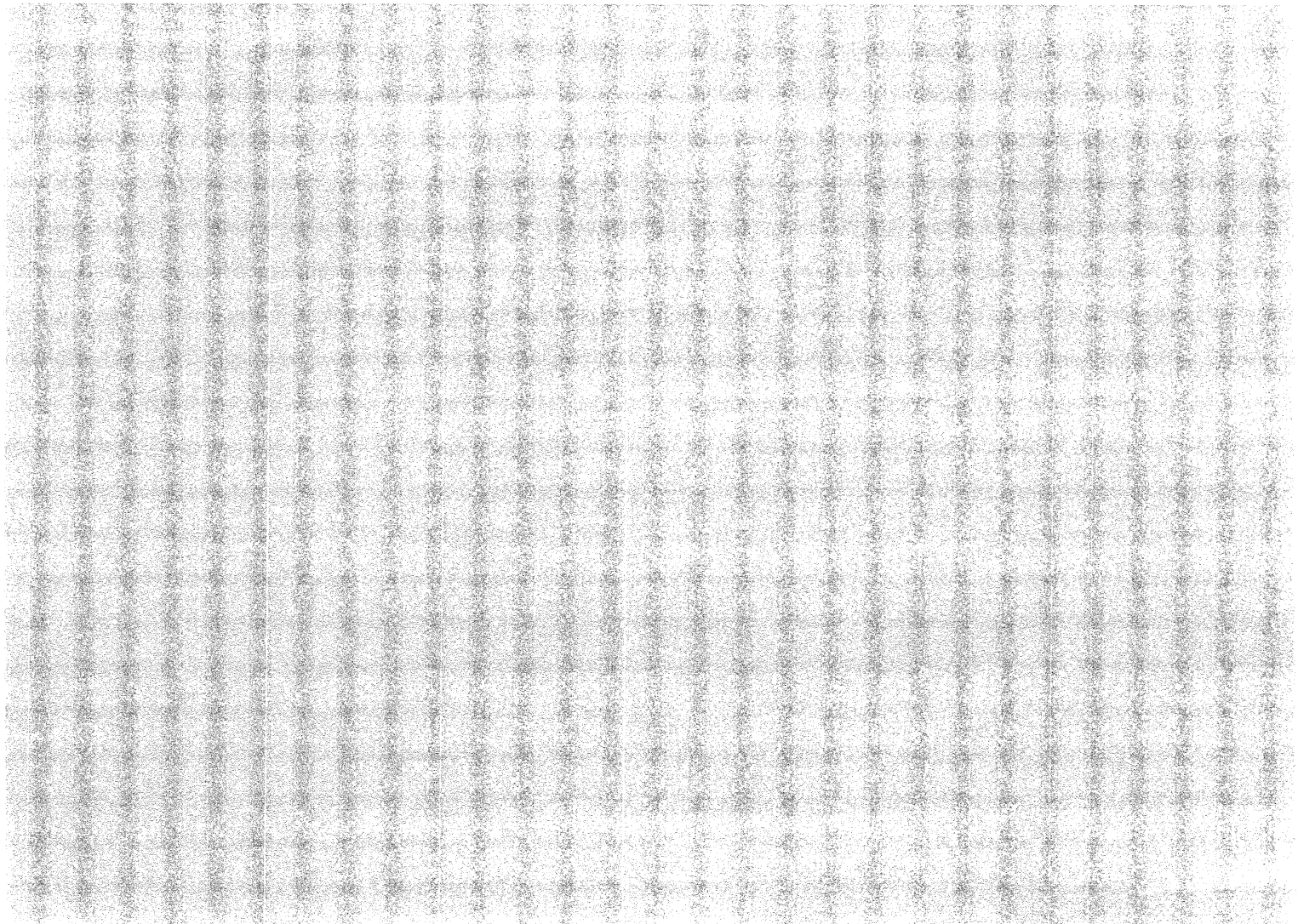
The purpose of these resolutions is to give the Directors authority to allot shares in place of the existing authority approved at the Annual General Meeting of the Company held on 5 June 2018, which expires at the end of the 2019 Annual General Meeting.

In accordance with best practice and institutional investor guidelines, the Directors are seeking authority under resolution 6 to allot up to a maximum of 77,049,485 ordinary shares. This represents approximately 33% of the issued ordinary share capital as at 10 May 2019. Further, in order to retain some flexibility, the Directors are seeking power under resolution 7 to allot 23,114,848 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 2019. Unless previously revoked, these authorities will be valid until the conclusion of the next Annual General Meeting of the company to be held in 2020 or 30 June 2020, 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  
2018



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