Mincon Group plc
(“Mincon” or the “Group”)

2018 Full Year Financial Results

Mincon Group plc (ESM:MIO AIM:MCON), the Irish engineering group specialising in the design, manufacture, sale and servicing of rock drilling tools and associated products, announces its results for the year ended 31 December 2018.

Pre-Exceptional Items	**2018**	**2017**	**Percentage change in period**
Product revenue:	**€'000**	**€'000**	
Sale of Mincon product	100,319	74,965	+34%
Sale of third party product	17,369	22,393	(22%)
Total revenue	117,688	97,358	+21%
Gross profit	44,626	37,838	+18%
Operating profit	16,352	14,040	+16%
Profit for the period	13,266	10,445	+27%
Basic earnings per share, €	6.45c	4.79c	+35%

Joe Purcell, Chief Executive Officer, commenting on the results, said:

Summary

It was another good year for the Group, with revenue growth of 21%. This consisted of 34% growth in Mincon products of which c.10% was organic and the balance arose from acquisitions. The reduction in third party sales was mainly due to drill pipe supplies now coming from inside the Group as a result of the acquisition of Driconeq which was completed in March 2018. In Q4, the rig inventory that we have held for some years began to sell, and I will comment further on these sales below.

We achieved record profitability for the Group at €16.4 million of operating profit, a 16% increase, and this translated into profit after tax of €13.3 million before an exceptional gain, or €13.85 million after the exceptional items. The earnings per share increased by 35% to 6.45 cent.

I am also pleased to note that sales of our own manufactured products exceeded €100 million for the first time.

The Driconeq acquisition

The significant acquisition during the year was the Driconeq Group, which is a large lower margin business, but is a great fit for our business, as a drill pipe manufacturer, and consequently a key element in building out our drill string offering. This business had four trading businesses, two in Sweden, one in Australia and one in South Africa, and we incurred acquisition costs, consolidation costs and the cost of investment in expenditure to reduce costs to improve performance. With a gross margin of c. 23% in the period since acquisition, this addition had a dilutionary effect on our gross margin overall.

We do not expect acquisitions to add much to profitability in their first year due to acquisition and transition costs, but we expect to improve the gross and net margins in the full year coming. During the year we also consolidated the two factories in Sunne, Sweden, and the management teams, and the two drill pipe businesses in Australia and took the Australian business of Driconeq out of Administration. Driconeq represents good value for the Group, but it has taken some work, which will continue into 2019. Overall, we are happy with the businesses, their teams, the trading and the additions to the product line-up.

Margins

Our gross profit margin, excluding the drill pipe sales and rigs, improved to 40%, from 38.9% in 2017. The drill pipe sales had a gross margin of 23%, and the rigs, selling at book value, had no gross margin. Even with the rig sales included at nil gross margin, the operating profit margin improved to 15.2% without Driconeq. This compared to 14.4% in the prior year. After the dilutionary impact of Driconeq the operating profit margin was 13.9%.

Rigs
We have carried rigs in inventory for a number of years and in 2017 we wrote them down to their expected market value. In recent months we have seen interest in them, and before and after the year end, we sold six of the eleven that we held. The early ones went out at their written down value, but the later ones, post the year end, sold out at about their original cost. This has given rise to an exceptional gain of €747,000, on the written down carrying value, inclusive of costs of refurbishment and sales. We will receive the cash due over the coming months in accordance with the sales contracts. Rig sales were part of the normal business in previous years, but we are unlikely to carry these capital goods in future. We intend to sell the rest of the rigs in the coming year.

Inventory
There are three elements in the increase in inventory during the year.

Firstly, there is the approximately €5 million of inventory that came with the Driconeq acquisition and the subsequent placing of Driconeq products throughout our distribution network.

The second element is the build-up in raw materials inventory by €5 million to ensure we did not run out of our key inputs, as flagged by our plans over the last year in the "Sentinel" programme. As delivery and pricing from suppliers has now become more stable, we plan to exit this programme in the coming year. We will use stocks of raw materials in our factories, and since we make 85% of what we sell, the work in progress and finished goods in our inventories are mainly of our own products and they will sell through in the coming year.

The third element is the increase in work in progress and finished goods to satisfy customer requirements. For the last two years, the sales orders have exceeded the capacity of the factories, and as we have previously commented, delivery schedules moved out past what was the normal expectation of our end-customers. In order to catch up with the demand, we have rapidly increased the throughput of the factories and shipped product both by expedited delivery, and more recently, by normal freight. This has caused some doubling up of inventory in the delivery pipeline, but as it unwinds, it should result in lower freight costs and enable the factories to reduce shifts and normalise production levels.

By the year end we had brought the order books into line with production. We have now started building out the large hammer programme that has been in abeyance for the last eighteen months and we are increasing our sales into construction drilling and piling, as outlined in our strategy over the last few years.

In the coming year we intend to realise all of the €2.3 million tied up in rigs, to reduce raw material inventory by approximately €4 million, and depending on the sales level, reduce the work in progress and finished goods inventory by, perhaps €4 million. We will review this plan through the year as we unwind the working capital.

Capital expenditure
We substantially completed the build out of the factories during the year, and capital equipment has been installed and commissioned in our factories through the period. The heat treatment plants, exceeding some €5 million in total investment were commissioned over the year end period and they should facilitate the delivery of consistent quality in our products across our key factories in Shannon, Ireland; Benton, Illinois; and Perth, Australia. We are planning that our capital expenditure in the coming years will be in the region of our depreciation charge for the maintenance of our current production and product ranges.

Mincon is developing into a challenger brand
Mincon has concentrated on the design, manufacture, delivery and servicing of surface drilling consumables for the first forty years of its corporate existence. In recent years we have set out to assemble the full range of the drill string for different types of mining and construction piling. This provides us with the opportunity to deliver a full service offering to end customers, as we now design and manufacture the key elements in the drill string. We are differentiating ourselves from the less developed businesses in low margin activities in the sector, and we are positioning ourselves to deal directly with end customers and to win large contracts.

Much done, much to do
We have developed profitability at a slower rate than the revenue growth as a result of a number of factors:

- we have added lower margin products as we filled out the drill string
- we have spent considerable time building out the distribution footprint into markets where we have yet to earn an adequate return and
- we have added overheads to improve products, operations, sales and margins.

We have yet to see the expected returns on some of these investments. We understand that we have to increase revenue and improve the returns on these investments. We have made the investments, and, in the coming year, we expect to build out the income streams.

This coming year we are on the verge of;

- the launch of large hammer and bit range
- the breakthrough into the construction sector for these products
- the move to the commercial stage of the Greenhammer hydraulic systems and
- the development of Mincon Group as a challenger brand supplying directly to customers at the mines.

After some years of very fast growth we will spend the early part of 2019 consolidating the businesses that we have bought, considering the deployment of our balance sheet, and reviewing the value add of products and activities. This is a normal part of Mincon growth and investment, and we build it into our ongoing management review.

The hydraulic systems

We believe we are moving towards the commercialisation phase of the hydraulic hammer systems (or "Greenhammer" systems) in 2019. We will continue to capitalise the development costs during the year until we reach the commercialisation stage. The system being tested is due back on site and on the primary rig in the first quarter. The system on the rig, prior to the drill string being added, weighs about eight tonnes, and eleven tonnes when the full drill string is added. This is not a small system or easily replicable, and we have placed patents around the system to protect it. The system is more than just the hydraulic hammer; it includes all the drill string and the supporting on-rig infrastructure and handling.

Our investment over seven years has been significant, of which we have capitalised €3.4 million, and we will continue to invest and develop the systems in the coming years. The development and release of the system is not an event, but a journey, and has taken a substantial investment of time, belief, and resources. It is a disruptive technology, offering tremendous savings in fuel, with an ambitious planned partnership programme in our customer base, and there is growing interest from other potential customers with the problems that this technology can address, such as hard rock, and high altitude drilling. It is the current embodiment of our challenger brand strategy.

Automation in our factories and investment in IT are a key part of this strategy and so we have been investing in these areas.

Acquisitions

Acquisitions are part of our business model, as they help us to gain access to new markets and new customers, fill out our product ranges, and acquire new leaders for our teams. The direction of our acquisitions will develop in the coming years, for example, into construction drilling and piling, in keeping with the development of our product range and strategy. Our environmental product emphasis is on creating minimum ground disturbance in our products for construction piling in sensitive and high density population areas.

Going forward we plan to embrace more environmentally conscious products and systems, to adopt more energy efficient delivery of production, and to seek long term partnerships and multi-year contracts with end customers incorporating direct delivery to their sites.

Concluding comments

We had another year of excellent growth across most of the metrics for the Group.

Trading in the new year to date has been fitful and flat. However we have significant opportunities to realise over the coming months, including the roll out in construction piling and large hammers and the commercialisation of the Greenhammer systems.

We plan to review the overheads that we have built up with a view to improving efficiency across the Group, and we will be investing in Group information technology to give easy worldwide access to and transparency of our inventory for our own team, and for our customers. The three main factories will go live on a common system in the coming months, and this should be substantially established throughout the entire Group by the year end. This is expected to deliver vastly improved group transparency in our inventory position and to accommodate cross-delivery among the customer centres and factories. This will be a huge step forward in our service delivery.

We have ramped up overheads over the last two years, much of it necessary as part of the Group build-out and through our acquisitions, and we will spend much of 2019 consolidating our operations, reducing our overheads and moving strongly back into cash generation. This is something that we do every couple of years between strong growth periods, and with the roll-out of the large hammers, the construction sales build-out, and the upcoming launch of the Greenhammer systems we have another busy year ahead of us and redeploying our cash shall be central to that.

Joseph Purcell
Chief Executive Officer

For further information, please contact:

Mincon Group plc

Joe Purcell - Chief Executive Officer	Tel: +353 (61) 361 099
Peter E. Lynch - Chief Operating Officer	

Davy Corporate Finance (Nominated Adviser and ESM Adviser)

Anthony Farrell	Tel: +353 (1) 679 6363
Daragh O'Reilly	

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	Notes	2018 Pre-exceptional items €'000	2018 Exceptional items (Note 8) €'000	2018 Total €'000	2017 Pre-exceptional items €'000	2017 Exceptional items (Note 8) €'000	2017 Total €'000
Continuing operations							
Revenue	4	117,688	-	117,688	97,358	-	97,358
Cost of sales	6	(73,062)	747	(72,315)	(59,520)	(2,271)	(61,791)
Gross profit		**44,626**	**747**	**45,373**	**37,838**	**(2,271)**	**35,567**
Operating costs	6	(28,274)	(166)	(28,440)	(23,798)	(903)	(24,701)
Operating profit	10	**16,352**	**581**	**16,933**	**14,040**	**(3,174)**	**10,866**
Finance cost		(122)	-	(122)	(126)	-	(126)
Finance income		91	-	91	47	-	47
Foreign exchange loss		(634)	-	(634)	(1,309)	-	(1,309)
Movement on contingent consideration...	24	16	-	16	36	-	36
Settlement gain	24	-	-	-	-	3,124	3,124
Profit before tax		**15,703**	**581**	**16,284**	**12,688**	**(50)**	**12,638**
Income tax expense	11	(2,437)	-	(2,437)	(2,243)	-	(2,243)
Profit for the year		**13,266**	**581**	**13,847**	**10,445**	**(50)**	**10,395**
Profit attributable to:							
- owners of the Parent				13,573			10,092
- non-controlling interests	20			274			303
Earnings per Ordinary Share							
Basic earnings per share, €	22			6.45c			4.79c
Diluted earnings per share, €	22			6.37c			4.76c

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 €'000	2017 €'000
Profit for the year	**13,847**	**10,395**
Other comprehensive loss:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	(3,081)	(3,975)
Other comprehensive loss for the year	(3,081)	(3,975)
Total comprehensive income for the year	**10,766**	**6,420**
Total comprehensive income attributable to:		
- owners of the Parent	**10,488**	**6,117**
- non-controlling interests	**278**	**303**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 €'000	2017 €'000
Non-Current Assets			
Intangible assets and goodwill	12	30,753	25,094
Property, plant and equipment	14	34,930	22,576
Deferred tax asset	11	278	150
Other non-current assets	13	-	100
Total Non-Current Assets		**65,961**	**47,920**
Current Assets			
Inventory and capital equipment	15	49,357	31,851
Trade and other receivables	16a	20,711	17,560
Prepayments and other current assets	16b	6,578	4,709
Current tax asset		252	842
Cash and cash equivalents	24	8,042	28,215
Total Current Assets		**84,940**	**83,177**
Total Assets		**150,901**	**131,097**
Equity			
Ordinary share capital	21	2,105	2,105
Share premium	21	67,647	67,647
Undenominated capital		39	39
Merger reserve	21	(17,393)	(17,393)
Restricted equity reserve	21	1,511	-
Share based payment reserve	23	1,274	512
Foreign currency translation reserve		(6,021)	(2,940)
Retained earnings		66,543	57,391
Equity attributable to owners of Mincon Group plc		**115,705**	**107,361**
Non-controlling interests		1,061	787
Total Equity		**116,766**	**108,148**
Non-Current Liabilities			
Loans and borrowings	19	4,461	1,405
Deferred tax liability	11	1,222	318
Deferred contingent consideration	24	5,470	6,931
Other liabilities		151	368
Total Non-Current Liabilities		**11,304**	**9,022**
Current Liabilities			
Loans and borrowings	19	2,735	668
Trade and other payables	17	12,027	7,721
Accrued and other liabilities	17	6,996	4,403
Current tax liability		1,073	1,135
Total Current Liabilities		**22,831**	**13,927**
Total Liabilities		**34,135**	**22,949**
Total Equity and Liabilities		**150,901**	**131,097**

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Patrick Purcell
Chairman

Joseph Purcell
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Operating activities:			
Profit for the period		**13,847**	**10,395**
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation	14	3,896	3,014
Fair value movement on deferred contingent consideration		(16)	(3,160)
Finance cost		122	126
Finance income		(91)	(47)
Income tax expense		2,437	2,243
Other non-cash movements		(849)	3,711
		19,346	16,282
Changes in trade and other receivables		(292)	(3,488)
Changes in prepayments and other assets		(1,456)	(3,776)
Changes in inventory		(14,551)	1,339
Changes in trade and other payables		1,429	1,517
Cash provided by operations		4,476	11,874
Interest received		91	47
Interest paid		(122)	(126)
Income taxes paid		(1,296)	(1,723)
Net cash provided by operating activities		**3,149**	**10,072**
Investing activities			
Purchase of property, plant and equipment		(12,552)	(5,639)
Investment in intangible assets		(1,715)	(1,163)
Acquisitions of subsidiary, net of cash acquired		(7,923)	(5,200)
Payment of deferred contingent consideration		(1,445)	(2,024)
Short term deposit		-	-
Proceeds from former joint venture investments		104	109
Net cash used in by investing activities		**(23,531)**	**(13,917)**
Financing activities			
Dividends paid		(4,421)	(4,210)
Repayment of loans and finance leases	19	(1,141)	(253)
Drawdown of loans	19	6,264	-
Net cash provided by/(used in) financing activities		**702**	**(4,463)**
Effect of foreign exchange rate changes on cash		(493)	(313)
Net decrease in cash and cash equivalents		**(20,173)**	**(8,621)**
Cash and cash equivalents at the beginning of the year		28,215	36,836
Cash and cash equivalents at the end of the year		**8,042**	**28,215**

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital €'000	Share premium €'000	Merger reserve €'000	Restricted equity reserve €'000	Un-denominated capital €'000	Share based payment reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balances at 1 January 2017	**2,105**	**67,647**	**(17,393)**	**-**	**39**	**89**	**1,035**	**51,509**	**105,031**	**484**	**105,515**
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	10,092	**10,092**	303	**10,395**
Other comprehensive income/(loss):											
Foreign currency translation	-	-	-	-	-	-	(3,975)	-	**(3,975)**	-	**(3,975)**
Total comprehensive income							**(3,975)**	**10,092**	**6,117**	**303**	**6,420**
Transactions with Shareholders:											
Share based payments	-	-	-	-	-	423	-	-	**423**	-	**423**
Dividends	-	-	-	-	-	-	-	(4,210)	**(4,210)**	-	**(4,210)**
Balances at 31 December 2017	**2,105**	**67,647**	**(17,393)**	**-**	**39**	**512**	**(2,940)**	**57,391**	**107,361**	**787**	**108,148**
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	13,573	**13,573**	274	**13,847**
Other comprehensive income/(loss):											
Foreign currency translation	-	-	-	-	-	-	(3,081)	-	**(3,081)**	-	**(3,081)**
Total comprehensive income							**(3,081)**	**13,573**	**10,492**	**274**	**10,766**
Non-taxable income				1,511					1,511		1,511
Transactions with Shareholders:											
Share-based payments	-	-	-	-	-	762	-	-	**762**	-	**762**
Dividends	-	-	-	-	-	-	-	(4,421)	**(4,421)**	-	**(4,421)**
Balances at 31 December 2018	**2,105**	**67,647**	**(17,393)**	**1,511**	**39**	**1,274**	**(6,021)**	**66,543**	**115,705**	**1,061**	**116,766**

The accompanying notes are an integral part of these financial statements. See note 21 for explanation of movements in reserve balances.

Notes to the Consolidated Financial Statements

1. Description of business

The consolidated financial statements of Mincon Group Plc (also referred to as "Mincon" or "the Group") comprises the Company and its subsidiaries (together referred to as "the Group"). The companies registered address is Smithstown Industrial Estate, Smithstown, Shannon, Co. Clare, Ireland.

The Group is an Irish engineering group, specialising in the design, manufacturing, sale and servicing of rock drilling tools and associated products. Mincon Group Plc is domiciled in Shannon, Ireland.

On 26 November 2013, Mincon Group plc was admitted to trading on the Enterprise Securities Market (ESM) of the Euronext Dublin and the Alternative Investment Market (AIM) of the London Stock Exchange.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and endorsed by the EU.

The individual financial statements of the Company have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Act 2014 which permit a company that publishes its Group and Company financial statements together to take advantage of the exemption in Section 304 of the Companies Act 2014 from presenting to its members its Company income statement, statement of comprehensive income and related notes that form part of the approved Company financial statements.

The accounting policies set out in note 3 have been applied consistently in preparing the Group and Company financial statements for the years ended 31 December 2018 and 31 December 2017.

The Group and Company financial statements are presented in euro, which is the functional currency of the Company and also the presentation currency for the Group's financial reporting. Unless otherwise indicated, the amounts are presented in thousands of euro. These financial statements are prepared on the historical cost basis.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates. The areas involving a high degree of judgement and the areas where estimates and assumptions are critical to the consolidated financial statements are discussed in note 3.

The directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to continue to prepare our consolidated financial statements on a going concern basis.

3. Significant accounting principles, accounting estimates and judgements

The accounting principles as set out in the following paragraphs have, unless otherwise stated, been consistently applied to all periods presented in the consolidated financial statements and for all entities included in the consolidated financial statements.

Impact of the adoption of IFRS 9 and IFRS 15

The following new and amended standards and interpretations are effective for the Group for the first time for the financial year beginning 1 January 2018:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- Amendments to IFRS 2 Share-based Payments

While the new standards, interpretations and standard amendments did not result in a material impact on the Group's results, the nature and effect of changes required by IFRS 9 and IFRS 15 are described below.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Impact of the adoption of IFRS 9 and IFRS 15 *(continued)*

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

Transition methodology
Mincon has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. IFRS 15 excludes revenue from lease contracts which follows IAS 17. The new standard provides a single, comprehensive revenue recognition model. Mincon has adopted the new standard on modified retrospective basis without restatement of prior period comparatives.

Revenue recognition – IFRS 15 Revenue policy applicable after 1 January 2018

Transition impact
Mincon has assessed the impact of IFRS 15 which included a review of relevant contracts which Mincon believes are in the scope of IFRS 15. Mincon has concluded that the pattern of revenue recognition for those contracts falling within this standard will remain unchanged upon adoption.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. See Note 4 for disclosures.

IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes.

The Group is involved in the sale and servicing of rock drilling tools and associated products. Revenue from the sale of these goods and services to customers is measured at the fair value of the consideration received or receivable (excluding sales taxes). The Group recognises revenue when it transfers control of goods to a customer.

IFRS 9, Financial Instruments ("IFRS 9")

Transitional methodology
The revised IFRS 9 incorporates requirements for the classification and measurement of financial liabilities over the existing derecognition requirements of IAS 39, Financial Instruments: Recognition and Measurement. The final amendment of IFRS 9 included: (i) a third measurement category for financial assets- fair value through other comprehensive income; (ii) a single, forward-looking "expected loss" impairment model; and (iii) a mandatory effective date for IFRS 9 for annual periods beginning on or after 1 January 2018. During 2017, Mincon performed an assessment of key areas within the scope of IFRS 9 which includes, but not limited to, additional disclosures required by IFRS 7, "Financial Instruments- Disclosure" upon initial adoption of IFRS 9. Mincon has adopted the new standards on the required effective date of January 1, 2018 and has not restated comparative information.

Financial instruments – Policy applicable after 1 January 2018

Financial assets and financial liabilities
Under IFRS 9, Financial assets and financial liabilities are initially recognised at fair value and are subsequently accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Mincon's designation of such instruments. The standards require that all financial assets and financial liabilities be classified as fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Impact of the adoption of IFRS 9 and IFRS 15 *(continued)*

Transition impact
Impairment of Financial Assets

Under IFRS 9, there is a new expected credit loss ("ECL") model resulting in the requirement to revise impairment methodology for account receivables for Mincon. Upon assessment, Mincon has determined that the ECL model did not have a material impact on Mincon account receivables.

Financial instruments – Policy applicable before 1 January 2018

Financial assets and financial liabilities
Financial assets and financial liabilities are initially recognised at fair value and are subsequently accounted for based on their classification, as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Group's designation of such instruments.

Cash and cash equivalents
Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less, and are accounted for at amortised cost. Interest earned or accrued on these financial assets is included in investment income in the profit or loss in the consolidated statement of profit or loss and other comprehensive income.

Trade and other receivables
Trade and other receivables are included in current assets. They are initially recognised when they are originated. Trade receivables do not have any significant financing composites and are initially recognised at the transaction price. Other receivables are included in other assets in the consolidated statement of financial position and are accounted for at amortised cost.

Accrued and other liabilities
Such financial liabilities are recorded at amortised cost and include all liabilities other than derivative financial instruments which are accounted for at fair value through profit and loss.

Standards, interpretations and amendments to published standards that are not yet effective

A number of new Standards, Amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these consolidated financial statements. These are set out as follows:

- IFRS 16: Leases*
- IFRIC 23: Uncertainty over Income Tax Treatments*
- IFRS 17: Insurance Contracts**

Other than IFRS 16 the aforementioned are not expected to have a material impact.

** Amendments are effective for annual period commencing after 1 January 2019.*
*** Amendments are effective for annual period commencing after 1 January 2021.*

Estimated impact of the adoption of IFRS 16
The impact of this new standard and interpretation has been considered as follows:

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Standards, interpretations and amendments to published standards that are not yet effective *(continued)*

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of Land & Buildings, Plant & Machinery and Motor Vehicles .The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous, Instead the Group will include the payments due under the lease in its lease liability. No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of €2.6m-€2.7m and a corresponding right of use asset of €2.6m-€2.7m as at 1 January 2019.

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Earnings per share

Basic earnings per share is calculated based on the profit for the year attributable to owners of the Company and the basic weighted average number of shares outstanding. Diluted earnings per share is calculated based on the profit for the year attributable to owners of the Company and the diluted weighted average number of shares outstanding.

Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Inventories and capital equipment

Inventories and capital equipment are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in, first-out principle and includes the costs of acquiring inventories and bringing them to their existing location and condition. Inventories manufactured by the Group and work in progress include an appropriate share of production overheads based on normal operating capacity. Inventories are reported net of deductions for obsolescence.

Intangible Assets and Goodwill

Goodwill

The Group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 Business Combinations. Group management has determined that the Group has one operating segment and therefore all goodwill is tested for impairment at Group level and this is tested for impairment annually.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Intangible assets
Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Foreign Currency

Foreign currency transactions
Transactions in foreign currencies (those which are denominated in a currency other than the functional currency) are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the foreign exchange rate at the statement of financial position date. Exchange gains and losses related to trade receivables and payables, other financial assets and payables, and other operating receivables and payables are separately presented on the face of the income statement.

Exchange rate differences on translation to functional currency are reported in profit or loss, except when reported in other comprehensive income for the translation of intra-group receivables from, or liabilities to, a foreign operation that in substance is part of the net investment in the foreign operation.

Exchange rates for major currencies used in the various reporting periods are shown in Note 24.

Translation of accounts of foreign entities
The assets and liabilities of foreign entities, including goodwill and fair value adjustments arising on consolidation, are translated to Euro at the exchange rates ruling at the reporting date. Revenues, expenses, gains, and losses are translated at average exchange rates, when these approximate the exchange rate for the respective transaction. Foreign exchange differences arising on translation of foreign entities are recognised in other comprehensive income and are accumulated in a separate component of equity as a translation reserve. On divestment of foreign entities, the accumulated exchange differences, are recycled through profit or loss, increasing or decreasing the profit or loss on divestments.

Business combinations and consolidation
The consolidated financial statements include the financial statements of the Group and all companies in which Mincon Group plc, directly or indirectly, has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements have been prepared in accordance with the acquisition method. According to this method, business combinations are seen as if the Group directly acquires the assets and assumes the liabilities of the entity acquired. At the acquisition date, i.e. the date on which control is obtained, each identifiable asset acquired and liability assumed is recognised at its acquisition-date fair value.

Consideration transferred is measured at its fair value. It includes the sum of the acquisition date fair values of the assets transferred, liabilities incurred to the previous owners of the acquiree, and equity interests issued by the Group. Deferred contingent consideration is initially measured at its acquisition-date fair value. Any subsequent change in such fair value is recognised in profit or loss, unless the deferred contingent consideration is classified as equity. In that case, there is no remeasurement and the subsequent settlement is accounted for within equity. Deferred contingent consideration arises in the current year where part payment for an acquisition is deferred to the following year or years.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Business combinations and consolidation *(continued)*

Goodwill is measured as the excess of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Goodwill is not amortised but tested for impairment at least annually.

Non-controlling interest is initially measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. This means that goodwill is either recorded in "full" (on the total acquired net assets) or in "part" (only on the Group's share of net assets). The choice of measurement basis is made on an acquisition-by-acquisition basis.

Earnings from the acquirees are reported in the consolidated income statement from the date of control.

Intra-group balances and transactions such as income, expenses and dividends are eliminated in preparing the consolidated financial statements. Profits and losses resulting from intra-group transactions that are recognised in assets, such as inventory, are eliminated in full, but losses are only eliminated to the extent that there is no evidence of impairment.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost of an item of property, plant and equipment comprises the purchase price, import duties, and any cost directly attributable to bringing the asset to its location and condition for use. The Group capitalises costs on initial recognition and on replacement of significant parts of property, plant and equipment, if it is probable that the future economic benefits embodied will flow to the Group and the cost can be measured reliably. All other costs are recognised as an expense in profit or loss when incurred.

Depreciation

Depreciation is calculated based on cost using the straight-line method over the estimated useful life of the asset.

The following useful lives are used for depreciation:

	Years
Buildings	20–30
Plant and equipment	3–10

The depreciation methods, useful lives and residual values are reassessed annually. Land is not depreciated.

Leased assets

In the consolidated financial statements, leases are classified as either finance leases or operating leases. A finance lease entails the transfer to the lessee of substantially all of the economic risks and benefits associated with ownership. If this is not the case, the lease is accounted for as an operating lease. For the lessee, a finance lease requires that the asset leased is recognised as an asset in the statement of financial position. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the future minimum lease payments. Initially, a corresponding liability is recorded. Assets under finance leases are depreciated over their estimated useful lives, while the lease payments are reported as interest and amortisation of the lease liability. For operating leases, the lessee does not account for the leased asset in its statement of financial position. In profit or loss, the costs of operating leases are recorded on a straight-line basis over the term of the lease.

Financial Assets and Liabilities

Recognition and derecognition
Financial assets and liabilities are recognised at fair value when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are accounted for at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognised on delivery of product. Liabilities are recognised when the other party has performed and there is a contractual obligation to pay. Derecognition (fully or partially) of a financial asset occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been removed from the Group. The Group derecognises (fully or partially) a financial liability when the obligation specified in the contract is discharged or otherwise expires. A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Borrowing costs
All borrowing costs are expensed in accordance with the effective interest rate method.

Investments in subsidiaries - Company
Investments in subsidiary undertakings are stated at cost less provision for impairment in the Company's statement of financial position. Loans to subsidiary undertakings are initially recorded at fair value in the Company statement of financial position and subsequently at amortised cost using an effective interest rate methodology.

Impairment of financial assets
Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Equity
Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

Contingent liabilities
A contingent liability is a possible obligation or a present obligation that arises from past events that is not reported as a liability or provision, as it is not probable that an outflow of resources will be required to settle the obligation or that a sufficiently reliable calculation of the amount cannot be made.

Financial instruments carried at fair value: Non-derivative financial liabilities
Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Finance income and expenses
Finance income and expense are included in profit or loss using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the outflow can be estimated reliably. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or been announced publicly. Future operating losses are not provided for.

Exceptional Items

The Group has adopted an Income Statement format which seeks to highlight significant items within the Group results for the year. Exceptional items may include restructuring, profit or loss on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investments, profit or loss on disposal of property, plant and equipment, acquisition costs, adjustment to contingent consideration (arising on business combinations from 1 April 2010) and impairment of assets relating to significant transactions. Judgement is used by the Group in assessing particular items, which by virtue of their scale and nature, should be presented in the Income Statements and disclosed in the related notes as exceptional items.

Defined contribution plans

A defined contribution pension plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when employees provide services entitling them to the contributions.

Share-based payment transactions

The Group operates a long term incentive plan which allows the Company to grant Restricted Share Awards (“RSAs”) to executive directors and senior management. All schemes are equity settled arrangements under IFRS 2 Share-based Payment.

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Critical accounting estimates and judgements

The preparation of financial statements requires management’s judgement and the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances. Actual results may differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which they are revised and in any future periods affected.

Following are the estimates and judgements which, in the opinion of management, are significant to the underlying amounts included in the financial reports and for which there is a significant risk that future events or new information could entail a change in those estimates or judgements.

Deferred contingent consideration

The deferred contingent consideration payable represents management’s best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management’s current expectations, to the potential pay-out scenarios. The fair value of deferred contingent consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management’s current expectations thereof.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Trade and other receivables

Trade and other receivables are included in current assets, except for those with maturities more than 12 months after the reporting date, which are classified as non-current assets. The Group estimates the risk that receivables will not be paid and provides for doubtful debts in line with IFRS 9.

4. Revenue

In the following table, revenue is disaggregated between Mincon manufactured product and product that is purchased outside the Group and resold through Mincon distribution channels.

	2018 €'000	2017 €'000
Product revenue:		
Sale of Mincon product	100,319	74,965
Sale of third party product	17,369	22,393
Total revenue	**117,688**	**97,358**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of goods to a customer.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Customers obtain control of products when one of the following conditions are satisfied:

1. The goods have been picked up by the customer from Mincon's premises.
2. When goods have been shipped by Mincon, the goods are delivered to the customer and have been accepted at their premises.

Invoices are generated at that point in time. Invoices are payable within the timeframe as set in agreement with the customer at the point of placing the order of the product. Discounts are provided from time-to-time to customers.

Customers may be permitted to return goods where issues are identified with regard to quality of the product. Returned goods are exchanged only for new goods or credit note. No cash refunds are offered.

Revenue recognition under IFRS 15 (applicable from 1 January 2018)

Where the customer is permitted to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of product. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

Revenue recognition under IAS 18 (applicable before 1 January 2018)

Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred, provided that a reasonable estimate of the returns could be made. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.

No adjustment was required on transition in the Group.

5. Operating Segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. The operating results of all operating segments are reviewed regularly by the Board of Directors, the chief operating decision maker, to make decisions about allocation of resources to the segments and also to assess their performance.

Results are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). Our CODM has been identified as the Board of Directors.

The Group has determined that it has one reportable segment. The Group is managed as a single business unit that sells drilling equipment, primarily manufactured by Mincon manufacturing sites.

The CODM assesses operating segment performance based on a measure of operating profit. Segment revenue for the year ended 31 December 2018 of €117.7 million (2017: €97.4 million) is wholly derived from sales to external customers.

Entity-wide disclosures

The business is managed on a worldwide basis but operates manufacturing facilities and sales offices in Ireland, Sweden, South Africa, UK, Western Australia, the United States and Canada and sales offices in eleven other locations including Eastern & Western Australia, South Africa, UK, Finland, Spain, Namibia, Tanzania, Sweden, Chile and Peru. In presenting information on geography, revenue is based on the geographical location of customers and non-current assets based on the location of these assets.

Revenue by region (by location of customers):

	2018 €'000	2017 €'000
Region:		
Ireland	915	661
Americas	24,732	25,407
Australasia	28,256	22,206
Europe, Middle East, Africa	63,785	49,084
Total revenue from continuing operations	**117,688**	**97,358**

During 2018 Mincon had sales in Sweden of €14.5 million and Australia of €20.8 million, these separately contributed to more than 10% of the entire Group's sales for 2018.

Non-current assets by region (location of assets):

	2018 €'000	2017 €'000
Region:		
Ireland	15,255	10,381
Americas	17,271	14,796
Australasia	8,795	5,241
Europe, Middle East, Africa	24,362	17,352
Total non-current assets(1)	**65,683**	**47,770**

(1) Non-current assets exclude deferred tax assets.

During 2018 Mincon held non-current assets (excluding deferred tax assets) in USA of €7.2 million and Australia of €8.3 million, these separately contributed to more than 10% of the entire Group's non-current assets (excluding deferred tax assets) for 2018.

6. Cost of Sales and operating expenses

Included within cost of sales and operating costs were the following major components:

Cost of sales

	2018 €'000	2017 €'000
Raw materials	33,221	24,517
Third party product purchases	13,625	17,580
Employee costs	14,728	9,588
Depreciation	3,213	2,404
Distribution costs	2,988	1,896
Energy costs	1,648	1,097
Maintenance of machinery	1,302	932
Impairment of capital inventory (note 8)	(747)	1,741
Impairment of finished goods inventory (note 8)	-	530
Other	2,337	1,506
Total cost of sales	**72,315**	**61,791**

Operating costs

	2018 €'000	2017 €'000
Employee costs (including director emoluments)	18,373	13,845
Depreciation	683	610
Rent	1,287	741
Travel	2,309	1,848
Professional costs	2,138	1,228
Administration	1,978	1,919
Marketing	698	586
Acquisition and related costs (note 8)	166	303
Impairment of trade receivable (note 8)	-	600
Other	808	3,021
Total other operating costs	**28,440**	**24,701**

The Group invested approximately €2.7 million on research and development projects in 2018 (2017: €1.7 million). €1.0 of this million has been expensed in the period (2017: €0.6 million), with the balance of €1.7 million capitalised (2017: €1.1 million) (note 12).

7. Employee information

	2018 €'000	2017 €'000
Wages and salaries – excluding directors	26,997	19,448
Wages, salaries, fees and pensions – directors	765	658
Termination payments	17	380
Social security costs	3,070	1,591
Retirement benefit costs of defined contribution plans	1,551	1,045
Share based payment expense (note 23)	701	411
Total employee costs	**33,101**	**23,533**

The Group capitalised payroll costs of €0.1million in 2018 (2017: €0.1 million) in relation to research and development.

The average number of employees was as follows:

	2018 Number	2017 Number
Sales and distribution	126	86
General and administration	56	49
Manufacturing, service and development	332	189
Average number of persons employed	**514**	**324**

Retirement benefit and Other Employee Benefit Plans

The Group operates various defined contribution pension plans. During the year ended 31 December 2018, the Group recorded €1.6 million (2017: €1.1 million) of expense in connection with these plans.

8. Exceptional Items

	2018 €'000	2017 €'000
Cost of sales		
Impairment of capital equipment inventory	747	(1,741)
Impairment of finished goods inventory	-	(530)
Total cost of sales	**747**	**(2,271)**
Operating costs		
Impairment of trade receivables	-	(600)
Acquisition and related costs	(166)	(303)
Total operating costs	**(166)**	**(903)**
Settlement gain	**-**	**3,124**
Total exceptional items	**581**	**(50)**

At the 31 December 2018 the Group wrote back €0.7 million of previously recognised impairment due to information obtained during the year on the valuation of capital equipment inventory. The write down in the year ended 31 December 2017 on the Group's capital equipment inventory was €1.7 million.

The Group considers acquisition and related costs as exceptional items. During the course of acquiring Driconeq, the Group incurred costs of €0.2 million, during 2017 acquisition and related costs were €0.3 million.

9. Acquisitions

In March, 2018 Mincon acquired 100% shareholding in Driconeq AB and its subsidiaries (see note 25), a group that specialises in the design, manufacture, sale and support of drill rods to mining, waterwell and construction industries for a consideration of €7.8 million. The Driconeq Group has manufacturing plants and sales offices in Sweden, South Africa and Australia, and a sales office in Brazil, it also owns a heattreatment plant in Sweden. This acquisition will further increase Mincon's market share on the sale and service of drill pipe in the markets they are present in.

The Driconeq Group has contributed €396,000 of profit after tax to the Mincon Group since acquisition, it is estimated that this would have been €475,000 if the acquisition had occurred at the 1st of January 2018. The costs incurred in relation to acquisition of the Driconeq Group were €166,000.

During 2018, the Group transferred payment for the remaining shareholding in Mincon Tanzania and Mincon Namibia for €46,000 and €94,000 respectively.

A. Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	Driconeq €'000	Mincon Namibia €'000	Mincon Tanzania €'000	Total €'000
Cash	7,783	94	46	7,923
Total consideration transferred	**7,783**	**94**	**46**	**7,923**

B. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets and liabilities assumed at the date of acquisition.

	Total €'000
Property, plant and equipment	4,039
Inventories	4,189
Trade receivables	3,527
Other assets	94
Trade and other payables	(2,732)
Tax liabilities	(521)
Employee taxes & pensions	(1,645)
Other accruals and liabilities	(3,519)
Fair value of identifiable net assets acquired	**3,432**

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation Technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

9. Acquisitions *(continued)*

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	Driconeq	Mincon Namibia	Mincon Tanzania	Total
Consideration transferred	7,783	94	46	7,923
Fair value of identifiable net assets	(3,432)	-	-	(3,432)
Goodwill	**4,351**	**94**	**46**	**4,491**

The goodwill created in the acquisition in the period is primarily related to the synergies expected to be achieved from integrating these companies into the Group's existing structure. Driconeq product will be sold through the Group's current sales offices and the Group's existing distribution channels.

10. Statutory and other required disclosures

Operating profit is stated after charging the following amounts:

	2018 €'000	2017 €'000
Directors' remuneration		
Fees	161	129
Wages and salaries	546	469
Other emoluments	-	-
Retirement benefit contributions	58	60
Total directors' remuneration	**765**	**658**

Auditor's remuneration:	2018 €'000	2017 €'000
Auditor's remuneration – Fees payable to lead audit firm		
Audit of the Group financial statements	186	131
Audit of the Company financial statements	14	14
Other assurance services	10	10
Tax advisory services (a)	28	24
Other non-audit services	3	4
	241	**183**
Auditor's remuneration – Fees payable to other firms in lead audit firm's network		
Audit services	150	61
Other assurance services	3	12
Tax advisory services	3	10
Total auditor's remuneration	**156**	**266**

(a) Includes tax compliance work on behalf of Group companies.

11. Income tax

Tax recognised in income statement:

Current tax expense	**2018 €'000**	**2017 €'000**
Current year	2,594	2,226
Adjustment for prior years	(412)	-
Total current tax expense	2,182	2,226
Deferred tax expense		
Origination and reversal of temporary differences	287	17
Adjustment for prior years	(32)	-
Total deferred tax (credit)/expense	255	17
Total income tax expense	**2,437**	**2,243**

A reconciliation of the expected income tax expense for continuing operations is computed by applying the standard Irish tax rate to the profit before tax and the reconciliation to the actual income tax expense is as follows:

	2018 €'000	**2017 €'000**
Profit before tax from continuing operations	16,284	12,638
Irish standard tax rate (12.5%)	*12.5%*	*12.5%*
Taxes at the Irish standard rate	2,036	1,580
Foreign income at rates other than the Irish standard rate	446	116
Losses creating no income tax benefit	559	226
Other	(604)	321
Total income tax expense	**2,437**	**2,243**

The Group's net deferred taxation liability was as follows:

	2018 €'000	**2017 €'000**
Deferred taxation assets:		
Reserves, provisions and tax credits	278	69
Tax losses and unrealised FX gains	-	81
Total deferred taxation asset	278	150
Deferred taxation liabilities:		
Property, plant and equipment	(1,154)	(194)
Accrued income	-	(30)
Profit not yet taxable	(68)	(94)
Total deferred taxation liabilities	(1,222)	(318)
Net deferred taxation liability	(944)	(168)

11. Income tax *(continued)*

The movement in temporary differences during the year were as follows:

1 January 2017 – 31 December 2017	Balance 1 January €'000	Recognised in Profit or Loss €'000	Balance 31 December €'000
Deferred taxation assets:			
Reserves, provisions and tax credits	377	(308)	69
Tax losses	152	(71)	81
Total deferred taxation asset	529	(379)	150
Deferred taxation liabilities:			
Property, plant and equipment	(523)	329	(194)
Accrued income and other	-	(30)	(30)
Profit not yet taxable	(191)	97	(94)
Total deferred taxation liabilities	(714)	396	(318)
Net deferred taxation liability	(185)	17	(168)

1 January 2018 – 31 December 2018	Balance 1 January €'000	Recognised in Profit or Loss €'000	Acquired in a Business combination €'000	Balance 31 December €'000
Deferred taxation assets:				
Reserves, provisions and tax credits	69	209	-	278
Tax losses	81	(81)	-	-
Total deferred taxation asset	150	128	-	278
Deferred taxation liabilities:				
Property, plant and equipment	(194)	(439)	(521)	(1,154)
Accrued income	(30)	30	-	-
Profit not yet taxable	(94)	26	-	(68)
Total deferred taxation liabilities	(318)	(383)	(521)	(1,222)
Net deferred taxation liability	(168)	(255)	(521)	(944)

Deferred taxation assets have not been recognised in respect of the following items:

	2018 €'000	2017 €'000
Tax losses	3,824	3,286
Total	3,824	3,286

12. Intangible assets and goodwill

	Product development	Goodwill	Total
	€'000	€'000	€'000
Balance at 1 January 2017	**499**	**12,621**	**13,120**
Internally developed	1,163	-	1,163
Acquisitions	-	11,524	11,524
Translation differences	-	(713)	(713)
Balance at 31 December 2017	**1,662**	**23,432**	**25,094**
Internally developed	1,715	-	1,715
Acquisitions (note 9)	-	4,491	4,491
Translation differences	-	(547)	(547)
Balance at 31 December 2018	**3,377**	**27,376**	**30,753**

Goodwill relates to the acquisition of the below companies, being the dates that the Group obtained control of these business:

- The remaining 60% of DDS-SA Pty Limited in November 2009.
- The 60% acquisition of Omina Supplies in August 2014.
- The 65% acquisition of Rotacan in August 2014.
- The acquisition of ABC products in August 2014.
- The acquisition of Ozmine in January 2015.
- The acquisition of Mincon Chile in March 2015.
- The acquisition of and Mincon Tanzania in March 2015.
- The acquisition of Premier in November 2016.
- The acquisition of Rockdrill Engineering in November 2016.
- The acquisition of PPV in April 2017.
- The acquisition of Viqing July 2017.
- The acquisition of Driconeq in March 2018.

The Group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 *Business Combinations*.

The businesses acquired were integrated with other Group operations soon after acquisition. Impairment testing (including sensitivity analyses) is performed at each period end. Group management has determined that the Group has multiple cash generating units, which are aggregated into one operating segment and therefore all goodwill is tested for impairment at Group level.

The recoverable amount of goodwill has been assessed based on estimates of value in use. Calculations of value in use are based on the estimated future cash flows using forecasts covering a three-year period and terminal value (based on three year plans prepared annually). The most significant assumptions are revenues, operating profits, working capital and capital expenditure. A growth rate of 3% was applied for all periods after the three year budget. The discount rate in 2018 was assumed to amount to 13% (2017: 13%) after tax and has been used in discounting the cash flows to determine the recoverable amounts. Goodwill impairment testing did not indicate any impairment during any of the periods being reported. Sensitivity in all calculations implies that the goodwill would not be impaired even if the discount rate increased or decreased by 5% or the long-term or short-term growth was substantially increased or decreased.

Investment expenditure of €1.7 million, which has been capitalised, is in relation to ongoing product development within the Group. Amortisation will begin at the stage of commercialisation and charged to the income statement over a period of three to five years, or the capitalised amount will be written off if the project is deemed no longer viable by management.

13. Other non-current assets

	Total €'000
Loan to former joint venture partner:	
At 1 January 2017 (1)	238
Repayment of loan from joint venture partner	(109)
FX movement on loan from joint venture partner	(29)
At 31 December 2017	**100**
Repayment of loan from joint venture partner	(104)
FX movement on loan from joint venture partner	4
At 31 December 2018	**-**

In September 2008, the Group invested in TJM, a drilling equipment and supplies company based in Pennsylvania, USA. The Group disposed of its investment in March 2012. The consideration for sale of the Group's shareholding was a US$700,000 interest bearing loan note repayable over 6 years. As at 31 December 2018 this loan had been repaid in full.

14. Property, plant and equipment

	Land & Buildings €'000	Plant & Equipment €'000	Total €'000
Cost:			
At 1 January 2017	9,266	27,407	36,673
Acquisitions through business combinations	244	908	1,152
Additions	1,865	3,774	5,639
Disposals	-	(986)	(986)
Foreign exchange differences	(529)	(1,444)	(1,973)
At 31 December 2017	10,846	29,659	40,505
Acquisitions through business combinations	501	3,511	4,012
Additions	4,353	8,199	12,552
Disposals	-	(601)	(601)
Foreign exchange differences	(50)	(421)	(471)
At 31 December 2018	**15,650**	**40,347**	**55,997**
Accumulated depreciation:			
At 1 January 2017	(2,238)	(14,383)	(16,621)
Charged in year	(264)	(2,750)	(3,014)
Disposals	-	796	796
Foreign exchange differences	83	827	910
At 31 December 2017	(2,419)	(15,510)	(17,929)
Charged in year	(448)	(3,448)	(3,896)
Disposals	-	598	598
Foreign exchange differences	12	148	160
At 31 December 2018	**(2,855)**	**(18,212)**	**(21,067)**
Carrying amount: 31 December 2018	**12,795**	**22,135**	**34,930**
Carrying amount: 31 December 2017	8,427	14,149	22,576
Carrying amount: 1 January 2017	7,028	13,024	20,052

The depreciation charge for property, plant and equipment is recognised in the following line items in the income statement:

	2018 €'000	2017 €'000
Cost of sales	3,213	2,404
General, selling and distribution expenses	683	610
Total depreciation charge for property, plant and equipment	3,896	3,014

15. Inventory and capital equipment

	2018 €'000	2017 €'000
Finished goods and work-in-progress	36,158	23,336
Capital equipment	2,365	2,612
Raw materials	10,834	5,903
Total inventory	49,357	31,851

The company recorded write-downs of €0.1 million against inventory to net realisable value during the year ended 31 December 2018 (2017: €2.3 million). Write-downs are included in cost of sales.

At 31 December 2018 and 31 December 2017, capital equipment are rigs held in South Africa for resale.

16. Trade and other receivables and other current assets

a) Trade and other receivables

	2018 €'000	2017 €'000
Gross receivable	21,519	20,603
Provision for impairment	(808)	(3,043)
Net trade and other receivables	20,711	17,560

	Provision for impairment €'000
Balance at 1 January 2018	(3,043)
Write off in impaired South American Trade receivable	1,245
IFRS 9 movement due to ECL model	990
Balance at 31 December 2018	808

	2018 €'000	2017 €'000
Less than 60 days	14,451	13,333
61 to 90 days	3,437	3,005
Greater than 90 days	2,823	1,222
Net trade and other receivables	20,711	17,560

At 31 December 2018, €5.6 million of trade receivables balances (27%) were past due but not impaired (2017: €3.9 million (22%)).

b) Prepayments and other current assets

	2018 €'000	2017 €'000
Plant and machinery prepaid	4,943	3,143
Prepayments	1,635	1,566
Prepayments and other current assets	6,578	4,709

17. Trade creditors, accruals and other liabilities

	2018 €'000	2017 €'000
Trade creditors	12,027	7,721
Total creditors and other payables	**12,027**	**7,721**

At 31 December 2018, €2.8 million of trade creditors was held within the Driconeq Group

	2018 €'000	2017 €'000
VAT	476	466
Social security costs	3,048	1,527
Other accruals and liabilities	3,472	2,410
Total accruals and other liabilities	**6,996**	**4,403**

18. Capital management

The Group's policy is to have a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

The Group monitors capital using a ratio of 'net debt' to equity. Net debt is calculated as total liabilities less cash and cash equivalents (as shown in the statement of financial position).

	2018 €'000	2017 €'000
Total liabilities	34,135	22,949
Less: cash and cash equivalents	8,042	28,215
Net debt	**26,093**	**(5,266)**
Total equity	116,766	**108,148**
Net debt to equity ratio	**0.22**	**(0.05)**

19. Loans and borrowings

	Maturity	2018 €'000	2017 €'000
Bank loans	2019-2022	4,576	1,825
Finance leases	2019-2021	2,620	248
Total loans and borrowings		**7,196**	**2,073**
Current		2,735	668
Non-current.		4,461	1,405

The Group has a number of bank loans and finance leases in Sweden, the UK, the United States and Australia with a mixture of variable and fixed interest rates. The Group has not been in default on any of these debt agreements during any of the periods presented. None of the debt agreements carry restrictive financial covenants. Interest rates on current borrowings are at an average rate of 3.5%

During 2018, the Group availed of the option to enter into overdraft facilities and to draw down loans of €6.3 million with interest rate between 3% and 9.5%.

19. Loans and borrowings *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans and borrowings €'000	Finance leases €'000	Retained earnings €'000	Total €'000
At 1 January 2018:	**1,825**	**248**	**-**	**2,073**
Proceeds from loans and borrowings	3,821	2,443	-	6,264
Proceeds from finance leases	-	-	-	-
Repayment of borrowings	(1,070)	(71)	-	(1,141)
Repayment of finance lease liabilities	-	-	-	-
Dividend paid	-	-	(4,421)	(4,421)
Total at 31 December 2018	**4,576**	**2,620**	**(4,421)**	**2,775**

20. Non-controlling interest

The following table summarises the information relating to the Group's subsidiary, Mincon West Africa SL, that has material non-controlling interests, before any intra-group eliminations. The non-controlling interest is 20% of this subsidiary.

Non-controlling Interest 20%	2018 €'000	2017 €'000
Non-current assets	106	36
Current assets	3,762	4,004
Non-current liabilities	-	(500)
Current liabilities	(664)	(1,704)
Net assets	3,204	1,836
Net assets attributable to NCI	**641**	**367**
Revenue	6,978	7,137
Profit	1,368	1,519
OCI	-	-
Total comprehensive income	1,368	1,519
Profit allocated to NCI	**274**	**303**

21. Share capital and reserves

At 31 December 2017 and 2018

Authorised Share Capital	**Number**	**€000**
Ordinary Shares of €0.01 each	500,000,000	5,000

Allotted, called-up and fully paid up shares	**Number**	**€000**
Ordinary Shares of €0.01 each	210,541,102	2,105

Share issuances

On 26 November 2013, Mincon Group plc was admitted to trading on the Enterprise Securities Market (ESM) of the Euronext Dublin and the Alternative Investment Market (AIM) of the London Stock Exchange.

21. Share capital and reserves *(continued)*

Voting rights

The holders of Ordinary Shares have the right to receive notice of and attend and vote at all general meetings of the Company and they are entitled, on a poll or a show of hands, to one vote for every Ordinary Share they hold. Votes at general meetings may be given either personally or by proxy. Subject to the Companies Act and any special rights or restrictions as to voting attached to any shares, on a show of hands every member who (being an individual) is present in person and every proxy and every member (being a corporation) who is present by a representative duly authorised, shall have one vote, so, however, that no individual shall have more than one vote for every share carrying voting rights and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

Dividends

In September 2018, Mincon Group plc paid an interim dividend for 2018 of €0.0105 (1.05 cent) per ordinary share. In June 2018, Mincon Group plc paid a final dividend for 2017 of €0.0105 (1.05 cent) per ordinary share. In September 2017, Mincon Group plc paid an interim dividend for 2017 of €0.01 (1 cent) per ordinary share. The directors are recommending a final dividend of €0.0105 (1.05 cent) per ordinary share for 2018 which will be subject to approval at the company's AGM in April 2019.

Share premium and other reserve

As part of a Group reorganisation the Company, Mincon Group plc, became the ultimate parent entity of the Group. On 30 August 2013, the Company acquired 100% of the issued share capital in Smithstown Holdings and acquired (directly or indirectly) the shareholdings previously held by Smithstown Holdings in each of its subsidiaries.

Restricted equity reserve

Restricted equity reserve arises on the acquisition of the Driconeq Group. It is untaxed reserves within the Driconeq Swedish companies. The appropriation arises on allocating 78% of the untaxed reserves to equity and 22% to deferred taxes in the Driconeq Swedish companies balance sheets.

22. Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit for the period available to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period. Diluted earnings per share is computed by dividing the profit for the period by the weighted average number of Ordinary Shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets forth the computation for basic and diluted net profit per share for the years ended 31 December:

	2018	2017
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	13,573	10,092
Denominator (Number):		
Basic shares outstanding	210,541,102	210,541,102
Restricted shares awards	2,469,176	1,653,845
Diluted weighted average shares outstanding	213,010,278	212,194,947
Earnings per Ordinary Share		
Basic earnings per share, €	6.45c	4.79c
Diluted earnings per share, €	6.37c	4.76c

23. Share based payment

During the year ended 31 December 2018, the Remuneration Committee made a grant of approximately 883,331 Restricted Share Awards (RSAs) to members of the senior management team. The vesting conditions of the scheme state that the minimum growth in EPS shall be CPI plus 5% per annum, compounded annually, over the relevant three accounting years up to the share award of 100% of the participants basic salary. Where awards have been granted to a participant in excess of 100% of their basic salary, the performance condition for the element that is in excess of 100% of basic salary is that the minimum growth in EPS shall be CPI plus 10% per annum, compounded annually, over the three accounting years.

Reconciliation of outstanding share options	**Number of Options in thousands**
Outstanding on 1 January 2018	1,654
Forfeited during the year	(60)
Exercised during the year	-
Granted during the year	883
Outstanding at 31 December 2018	**2,469**

During 2018 members of the senior management team departed the company and the award of 68,000 Restricted Share Awards (RSAs) that were granted during 2016 have now been cancelled.

Measurement of fair values	**Key management**		**Senior management**	
	2018	**2017**	**2018**	**2017**
Fair value at grant date	€1.24	€1.04	€1.28	€1.04
Share price at grant date	€1.28	€1.04	€1.27	€1.04

24. Financial risk management

The Group is exposed to various financial risks arising in the normal course of business. Its financial risk exposures are predominantly related to changes in foreign currency exchange rates and interest rates, as well as the creditworthiness of our counterparties.

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

24. Financial risk management *(continued)*

a) Liquidity and capital

The Group defines liquid resources as the total of its cash, cash equivalents and short term deposits. Capital is defined as the Group's shareholders' equity and borrowings.

The Group's objectives when managing its liquid resources are:

- To maintain adequate liquid resources to fund its ongoing operations and safeguard its ability to continue as a going concern, so that it can continue to create value for investors;
- To have available the necessary financial resources to allow it to invest in areas that may create value for shareholders; and
- To maintain sufficient financial resources to mitigate against risks and unforeseen events.

Liquid and capital resources are monitored on the basis of the total amount of such resources available and the Group's anticipated requirements for the foreseeable future. The Group's liquid resources and shareholders' equity at 31 December 2018 and 31 December 2017 were as follows:

	2018 €'000	2017 €'000
Cash and cash equivalents	8,042	28,215
Loans and borrowings	7,196	2,073
Shareholders' equity	115,705	107,361

The Group frequently assess its liquidity requirements, together with this requirement and the rate return of long term euro deposits, the Group has decided to keep all cash readily available that is accessible within a month or less. Cash at bank earns interest at floating rates based on daily bank deposits. The fair value of cash and cash equivalents equals the carrying amount.

Cash and cash equivalents are held by major Irish, European, United States and Australian institutions with credit rating of A3 or better. The Company deposits cash with individual institutions to avoid concentration of risk with any one counterparty. The Group has also engaged the services of a depository to ensure the security of the cash assets.

Risk of counterparty default arising on cash and cash equivalents and derivative financial instruments is controlled by dealing with high-quality institutions and by policy, limiting the amount of credit exposure to any one bank or institution.

The Group is also exposed to credit risk on its liquid resources (cash), of which the euro equivalent of €1.6m was held in Swedish krona (SEK 17 million) and the euro equivalent of €1.2m was held in South African rand (ZAR 19 million). The Directors actively monitor the credit risk associated with this exposure.

At year-end, the Group's total cash and cash equivalents were held in the following jurisdictions:

	31 December 2018 €'000	31 December 2017 €'000
Ireland	1,068	17,148
Americas	1,558	2,087
Australasia	266	3,407
Europe, Middle East, Africa	5,150	5,573
Total cash, cash equivalents and short term deposits	8,042	28,215

There are currently no restrictions that would have a material adverse impact on the Group in relation to the intercompany transfer of cash held by its foreign subsidiaries. The Group continually evaluates its liquidity requirements, capital needs and availability of resources in view of, among other things, alternative uses of capital, the cost of debt and equity capital and estimated future operating cash flow.

24. Financial risk management *(continued)*

a) Liquidity and capital *(continued)*

In the normal course of business, the Group may investigate, evaluate, discuss and engage in future company or product acquisitions, capital expenditures, investments and other business opportunities. In the event of any future acquisitions, capital expenditures, investments or other business opportunities, the Group may consider using available cash or raising additional capital, including the issuance of additional debt. The maturity of the contractual undiscounted cash flows (including estimated future interest payments on debt) of the Group's financial liabilities were as follows:

	Total Fair Value of Cash Flows €'000	Less than 1 Year €'000	1-3 Years €'000	3-5 Years €'000	More than 5 Years €'000
At 31 December 2017:					
Deferred contingent consideration	6,931	1,444	5,487	-	-
Loans and borrowings	2,192	481	751	383	577
Finance leases	258	182	76	-	-
Trade and other payables	7,721	7,721	-	-	-
Accrued and other financial liabilities	4,403	4,403	-	-	-
Total at 31 December 2017	21,505	14,231	6,314	383	577
At 31 December 2018:					
Deferred contingent consideration	5,470	1,596	3,874	-	-
Loans and borrowings	4,677	2,246	479	416	1,536
Finance leases	2,630	655	1,025	950	-
Trade and other payables	12,027	12,027	-	-	-
Accrued and other financial liabilities	6,996	6,996	-	-	-
Total at 31 December 2018	31,800	23,520	5,378	1,366	1,536

b) Foreign currency risk

The Group is a multinational business operating in a number of countries and the euro is the presentation currency. The Group, however, does have revenues, costs, assets and liabilities denominated in currencies other than euro. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The resulting monetary assets and liabilities are translated into the appropriate functional currency at exchange rates prevailing at the reporting date and the resulting gains and losses are recognised in the income statement. The Group manages some of its transaction exposure by matching cash inflows and outflows of the same currencies. The Group does not engage in hedging transactions and therefore any movements in the primary transactional currencies will impact profitability. The Group continues to monitor appropriateness of this policy.

The Group's global operations create a translation exposure on the Group's net assets since the financial statements of entities with non-euro functional currencies are translated to euro when preparing the consolidated financial statements. The Group does not use derivative instruments to hedge these net investments.

The principal foreign currency risks to which the Group is exposed relate to movements in the exchange rate of the euro against US dollar, South African rand, Australian dollar, Swedish krona and Canadian dollar.

The Group has material subsidiaries with a functional currency other than the euro, such as US dollar, Australian dollar, South African rand, Canadian dollar, British pound and Swedish krona.

24. Financial risk management *(continued)*

b) Foreign currency risk (continued)

The Group's worldwide presence creates currency volatility when compared year on year. In 2018, there were negative movements in all of Mincon's non-euro operational currencies, except for USD. Continued interest rate increases and strong economic growth in the USA are a key driver for increases in the USD. Conversely low interest rates and economic growth challenges in other economies in which Mincon operates has helped create negative currency movements. In particular we note the following:

- The Swedish Krona decreased by 4% against the closing 2017 Euro rate (2017 increase of 3% against 2016). As Mincon has increased its holdings in Swedish Krona in 2018 through the acquisition of Driconeq, the negative currency movement of the Swedish Krona against the Euro has contributed significantly to the FX movement.
- The South African Rand has decreased 11% against the closing 2017 Euro rated (2017 increase of 3% against 2016).
- Other negative currencies movements, which had a material impact on Mincon's holdings were the Canadian Dollar and the Australian Dollar.

In 2018, 53% (2017: 44%) of Mincon's revenue €118 million (2017: €97 million) was generated in ZAR, AUD, SEK. The majority of the group's manufacturing base has a Euro, US dollar or Swedish Krona cost base. While Group management makes every effort to reduce the impact of this currency volatility, it is impossible to eliminate or significantly reduce given the fact that the highest grades of our key raw materials are either not available or not denominated in these markets and currencies. Additionally, the ability to increase prices for our products in these jurisdictions is limited by the current market factors.

	2018		2017	
Euro exchange rates	**Closing**	**Average**	**Closing**	**Average**
US Dollar	1.14	1.18	1.20	1.13
Australian Dollar	1.62	1.58	1.53	1.47
Great British Pound	0.90	0.88	0.89	0.88
South African Rand	16.46	15.60	14.80	15.02
Swedish Krona	10.21	10.25	9.83	9.63

The table below shows the Group's net monetary asset/(liability) exposure. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved. These exposures were as follows:

b) Foreign currency risk *(continued)*

Net Foreign Currency

	2018	2017
Monetary Assets/(Liabilities)	**€'000**	**€'000**
Euro	(1,877)	(2,625)
US Dollar	25,313	15,069
Australian Dollar	6,384	2,172
South African Rand	10,867	11,227
Other	(2,974)	1,445
Total	37,713	27,288

24. Financial risk management *(continued)*

c) Credit risk

Credit risk is the risk that the possibility that the Group's customers may experience financial difficulty and be unable to meet their obligations. The Group monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. The majority of the Group's customers are third party distributors and end users of drilling tools and equipment.

Expected credit loss assessment
The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement. Credit risk grades are defined using quantitative factors that are indicative of the risk of default and are aligned to past experiences. Loss rates are based on accrual credit loss experience over the past five years.

The maximum exposure to credit risk for trade and other receivables at 31 December 2018 and 31 December 2017 by geographic region was as follows:

	2018	**2017**
	€'000	**€'000**
Ireland	122	62
Americas	5,154	3,325
Australasia	4,772	3,648
Europe, Middle East, Africa	10,663	10,525
Total amounts owed	**20,711**	**17,560**

The Group is also exposed to credit risk on its liquid resources (cash), of which the euro equivalent of €1.6m was held in Swedish krona (SEK 17 million) and the euro equivalent of €1.2m was held in South African rand (ZAR 19 million). The Directors actively monitor the credit risk associated with this exposure, cash and cash equivalents are held by major Irish, European, United States and Australian institutions with credit rating of A3 or better.

d) Interest rate risk

Interest Rate Risk on financial liabilities
Movements in interest rates had no significant impact on our financial liabilities or finance cost recognised in either 2017 or 2018.

Interest Rate Risk on cash and cash equivalents
Our exposure to interest rate risk on cash and cash equivalents is actively monitored and managed, the rate risk on cash and cash equivalents is not considered material to the Group.

e) Fair values

Fair value is the amount at which a financial instrument could be exchanged in an arms-length transaction between informed and willing parties, other than in a forced or liquidation sale. The contractual amounts payable less impairment provision of trade receivables, trade payables and other accrued liabilities approximate to their fair values. Under IFRS 7, the disclosure of fair values is not required when the carrying amount is the reasonable approximation of fair value.

There are no material differences between the carrying amounts and fair value of our financial liabilities as at 31 December 2017 or 2018.

Financial instruments carried at fair value

The deferred contingent consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential pay-out scenarios.

24. Financial risk management *(continued)*

e) Fair values *(continued)*

Movements in the year in respect of Level 3 financial instruments carried at fair value

The movements in respect of the financial assets and liabilities carried at fair value in the year to 31 December 2018 are as follows:

	Deferred contingent consideration
	€'000
Balance at 1 January 2018	6,931
Arising on acquisition	-
Cash payment	(1,445)
Settlement gain	-
Foreign currency translation adjustment	(3)
Other	(13)
Balance at 31 December 2018	**5,470**

25. Subsidiary undertakings

At 31 December 2018, the Group had the following subsidiary undertakings:

Company	Group Share %	Registered Office & Country of Incorporation
Mincon International Limited Manufacturer of rock drilling equipment	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Rockdrills USA Inc. Manufacturer of rock drilling equipment	100%*	107 Industrial Park, Benton, IL 62812, USA
Mincon Rockdrills PTY Ltd Manufacturer of rock drilling equipment	100%	8 Fargo Way, Welshpool, WA 6106, Australia
1676427 Ontario Inc. (Operating as Rotacan) Manufacturer of rock drilling equipment	100%	400B Kirkpatrick Street, North Bay, Ontario, P1B 8G5, Canada
Mincon Carbide Ltd Manufacturer of tungsten carbide	100%	Windsor St, Sheffield S4 7WB, United Kingdom
Viqing Drilling Equipment AB Manufacturer of drill pipe equipment	100%*	Svarvarevagen 1, SE-686 33 Sunne, Sweden
Mincon Inc. Sales company	100%	603 Centre Avenue, N.W. Roanoke, VA 24016, USA
Premier Drilling Equipment SA (Pty) Ltd Manufacturer of rock drilling equipment	100%	P.O. Box 30094, Kyalami, 1684, Gauteng, South Africa
Mincon Sweden AB Sales company	100%	Industrivagen 2-4, 61202 Finspang, Sweden
Mincon Nordic OY Sales company	100%	Hulikanmutka 6, 37570 Lempäälä, Finland
Mincon Holdings Southern Africa (Pty) Sales company	100%	1 Northlake, Jetpark 1469, Gauteng, South Africa
ABC Products (Rocky) Pty Ltd Sales company	95%	2/57 Alexandra Street, North Rockhampton, Queensland, 4701 Australia
Mincon West Africa SARL Dormant company	80%	Villa TF 4635 GRD, Almadies, Dakar B.P. 45534, Senegal
Mincon West Africa SL Sales company	80%	Calle Adolfo Alonso Fernández, s/n, Parcela P-16, Planta 2, Oficina 23, Zona Franca de Gran Canaria, Puerto de la Luz, Código Postal 35008, Las Palmas de Gran Canari
Mincon Poland Dormant company	100%	ul.Mickiewicza 32, 32-050 Skawina, Poland

25. Subsidiary undertakings *(continued)*

Company	Group Share %	Registered Office & Country of Incorporation
Mincon Rockdrills Ghana Limited Dormant company	80%	P.O. Box CT5105, Accra, Ghana
Mincon S.A.C. Sales company	100%	Calle La Arboleda 151, Dpto 201, La Planicie, La Molina, Peru
Ozmine International Pty Limited Sales company	100%	Gidgegannup, WA 6083, Australia
Mincon Chile Sales company	100%	Av. La Dehesa #1201, Torre Norte, Lo Barnechea, Santiago, Chile
Mincon Tanzania Sales company	100%	Plot 1/3 Nyakato Road, Mwanza, Tanzania
Mincon Namibia Pty Ltd Sales company	100%	Ausspannplatz, Windhoek, Namibia
Mincon Russia Sales Company	100%	4,4 Lesnoy In,125047 Moscow, Russia
Mincon International UK Ltd Sales company	100%	Windsor St, Sheffield S4 7WB, United Kingdom
Mincon Mining Equipment Inc Sales company	100%*	19789-92a Avenue, Langley, British Columbia V1M3B3, Canada
Pirkanmaan Poraveikot OY PPV Engineering company	100%*	Hulikanmutka 6, 37570 Lempäälä, Finland
Mincon Exports USA Inc. Group finance company	100%	603 Centre Ave, Roanoke VA 24016, USA
Mincon International Shannon Dormant company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Smithstown Holdings Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Canada Drilling Products Inc. Holding company	100%	Suite 1800-355 Burrard Street, Vancouver, BC V6C 268, Canada
Lotusglade Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Floralglade Company Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland

25. Subsidiary undertakings *(continued)*

	Group	Registered Office &

Company	Share %	Country of Incorporation
Castle Heat Treatment Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Mincon Microcare Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Cebeko Elast AB Holding company	100%*	Svarvarevagen 1, SE-686 33 Sunne, Sweden
Gunnarsby Fastighets AB Holding company	100%*	Svarvarevagen 1, SE-686 33 Sunne, Sweden
Driconeq AB Holding company	100%	Svetsarevägen 4, 686 33, Sunne, Sweden
Driconeq Production AB Manufacturing facility	100%	Svetsarevägen 4, 686 33, Sunne, Sweden
Driconeq fastighet AB Property holding company	100%	Svetsarevägen 4, 686 33, Sunne, Sweden
Härdtekno i Kristinehamn AB Manufacturing facility	100%	Hantverkaregatan 6, 681 42 Kristinehamn, Sweden.
Driconeq Do Brasil Sales company	100%	Rua Dr. Ramiro De Araujo Filho, 348, Jundai, SP, Brasil
Driconeq Africa Ltd Manufacturing facility	100%	Cnr of Harriet and James Bright Avenue, Driehoek. Germiston 1400
Driconeq Australia Holdings Pty Ltd Holding company	100%	47 Greenwich Parade, AU-6031 Neerabup, WA, Australia
Driconeq Australia Pty Ltd Manufacturing facility	100%	47 Greenwich Parade, AU-6031 Neerabup, WA, Australia
Mincon Drill String AB (former Goldcup) Holding company	100%	Svetsarevägen 4, 686 33, Sunne, Sweden

* Indirectly held shareholding

26. Leases

Operating leases

The Group leases certain of its facilities and equipment under non-cancellable operating lease agreements. The leases typically run for a period of less than 5 years, with an option to renew the lease after that date. Lease payments are renegotiated at intervals specific to each contract to reflect market rentals.

At 31 December 2018, the future minimum lease payments under non-cancellable leases were payable as follows:

Future minimum lease payments	31 December 2018 €'000	31 December 2017 €'000
Less than one year	874	892
Between one and five years	1,405	1,451
Total	2,279	2,343

Amounts recognised in the income statement	31 December 2018 €'000	31 December 2017 €'000
Lease expense	906	920
Total	906	920

Finance leases

At 31 December 2018, the net book value of assets acquired under finance leases was €2.2 million (2017: €0.8 million), which included €0.1 million (2017: €0.5 million) of accumulated depreciation.

27. Commitments

The following capital commitments for the purchase of property, plant and equipment had been authorised by the directors at 31 December:

	31 December 2018 €'000	31 December 2017 €'000
Contracted for	3,553	6,258
Not-contracted for	185	718
Total	3,738	6,976

28. Litigation

The Group is not involved in legal proceedings that could have a material adverse effect on its results or financial position.

29. Related parties

As at 31 December 2018, the share capital of Mincon Group plc was 56.84% owned by Kingbell Company which is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director and Chairman of the Company. In September 2018, the Group paid an interim dividend of €0.0105 (1.05 cent) to all shareholders on the register at 31 August 2018, of this dividend payment Kingbell Company was paid €1,256,551.

In September 2018, the Group paid an interim dividend for 2018 of €0.0105 to all shareholders. The total dividend paid to Kingbell Company was €1,256,551 (September 2017: €1,196,712).

In June 2018, the Group paid a final dividend for 2017 of €0.0105 to all shareholders. The total dividend paid to Kingbell Company €1,256,551.

The Group has a related party relationship with its subsidiary and its joint venture undertakings (see note 25) for a list of these undertakings), directors and officers. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

Transactions with Directors
The Group is owed €Nil from directors and shareholders at 31 December 2018 and 2017. The Group has amounts owing to directors of €Nil as at 31 December 2018 and 2017.

Key management compensation
The profit before tax from continuing operations has been arrived at after charging the following key management compensation:

	2018 €'000	2017 €'000
Short term employee benefits	1,686	1,283
Share based payment charged in the year	600	242
Bonus and other emoluments	188	-
Post-employment contributions	109	90
Social security costs	164	104
Total	**2,747**	**1,719**

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group, which comprises the Board of Directors and executive management (ten in total at year end). Amounts included above are time weighted for the period of the individuals employment.

30. Events after the reporting date

The Board of Mincon Group plc is recommending the payment of a final dividend for the year ended 31 December 2018 in the amount of €0.0105 (1.05 cent) per ordinary share, which will be subject to approval at the Annual General Meeting of the Company in April 2019. This final dividend, when added to the interim dividend of 1.05 cent paid in September 2018, makes a total distribution for the year of 2.10 cent per share. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 21 June 2019 to Shareholders on the register at the close of business on 24 May 2019.

Acquisitions of the Pacific Bit of Canada

On the 26th February 2019, the Group completed the acquisition of Pacific Bit of Canada Inc., a reseller of drilling consumables for a consideration of CA$2.8 million. The goodwill arising on acquisition at the 1 January 2019 is circa €0.9 million, with expected 2019 revenue of between CA$5.8 million and CA$6.5 million, and profit after tax of between CA$260,000 and CA$289,000 in 2019.

31. Approval of financial statements

The Board of Directors approved the consolidated financial statements on 18 March 2019.