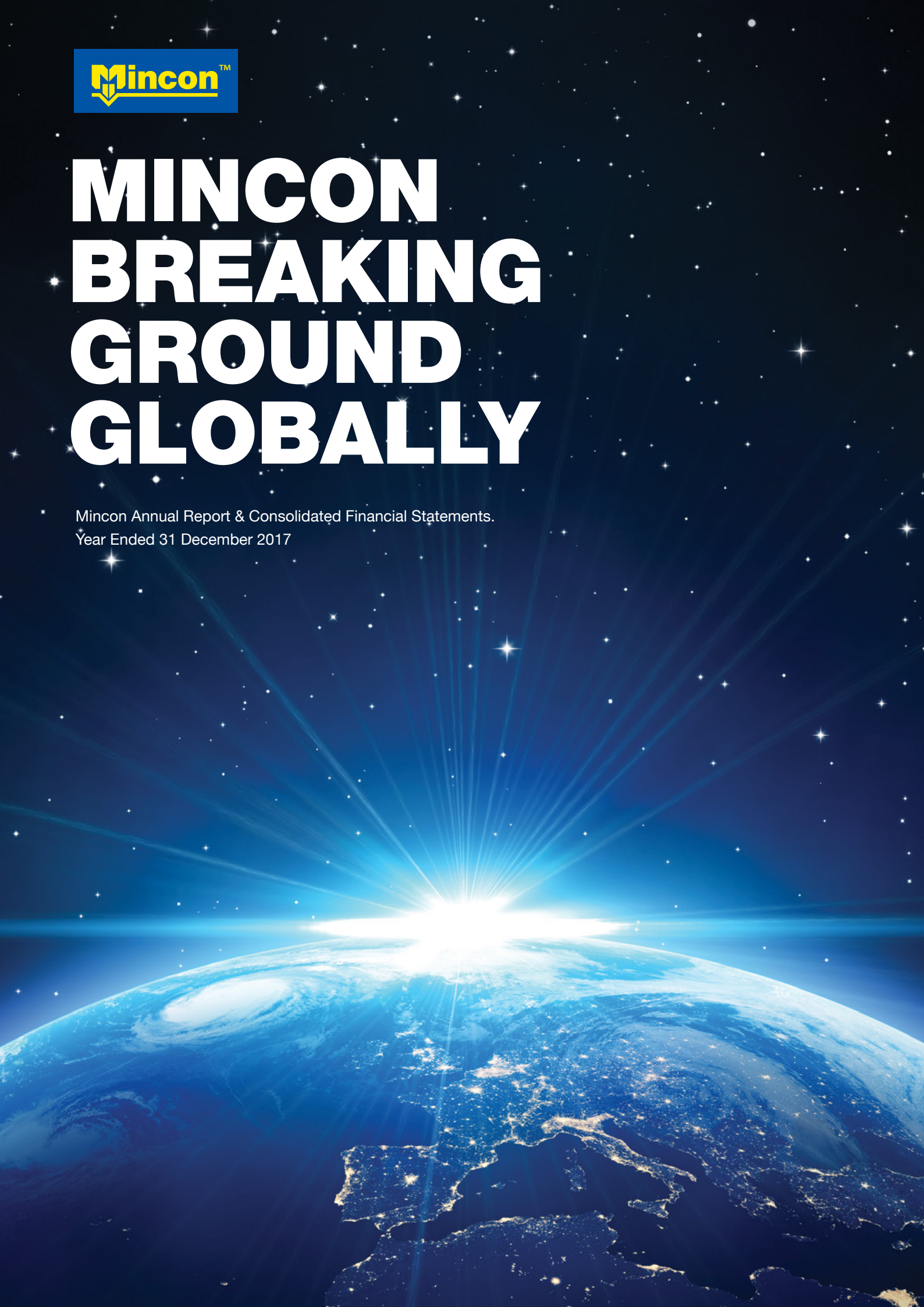




MINCON BREAKING GROUND GLOBALLY

Mincon Annual Report & Consolidated Financial Statements.
Year Ended 31 December 2017





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CORPORATE PROFILE

Mincon Group plc (“the Company” or “the Group”) is an Irish engineering group with its shares trading on the AIM market of the London Stock Exchange and the ESM market of the Irish Stock Exchange.

The Company specialises in the design, manufacture, sale and servicing of rock drilling tools and associated products. The Company’s strategy is to increase its share of the global rock-drilling consumables market through organic growth and acquisitions. Its manufacturing facilities are located in Ireland, the UK, the USA, South Africa, Canada, Sweden and Australia. The Company also maintains a network of sales and distribution companies in a number of international markets to provide after sales support and service to customers.

Directors

Patrick Purcell - Non Executive Chairman (Irish)

Hugh McCullough – Senior Independent Non-Executive Director (Irish)

Kevin Barry – Non Executive Director (Irish)

John Doris – Non Executive Director (Irish)

Joseph Purcell – Chief Executive Officer (Irish)

Thomas Purcell – Sales Director (USA)

Company Secretary

Mark McNamara (Irish)

Registered Office

Smithstown Industrial Estate, Shannon, Co. Clare, Ireland

Nominated Adviser, ESM Adviser and Broker

Davy, 49 Dawson Street, Dublin 2, Ireland

Legal advisers to the Company

William Fry, 2 Grand Canal Square, Dublin 2, Ireland

Auditor

KPMG, 1 Stokes Place, St Stephen’s Green, Dublin 2, Ireland

Registrar

Computershare Investor Services (Ireland) Limited,
Heron House, Corrig Road, Sandyford Industrial Estate,
Dublin 18, Ireland

Principal Bank

Allied Irish Banks plc, Shannon, Co. Clare, Ireland

Company Website

www.mincon.com

Ticker Symbols

ESM: MIO.IR

AIM: MCON.L



Mincon Global Network

EUROPE & THE MIDDLE EAST

Mincon International Limited
Smithstown, Shannon, Co. Clare,
Ireland

Mincon International UK Ltd
Windsor St, Sheffield S4
7WB, United Kingdom

Mincon Nordic OY
Hulikanmutka 6, 37570
Lempäälä, Finland

Mincon Sweden AB
Industrivagen 2-4, 61202
Finspang, Sweden

Marshalls Carbide Ltd
Windsor St, Sheffield S4
7WB, United Kingdom

Viqing Drilling Equipment AB
Svarvarevagen 1, SE-686
33 Sunne, Sweden

USA, CENTRAL & SOUTH AMERICA

Mincon Chile
Av. La Dehesa #1201, Torre Norte,
Lo Barnechea, Santiago, Chile

Mincon S.A.C.
Calle La Arboleda 151, Dpto 201,
La Planicie, La Molina, Peru

Mincon Inc.
603 Centre Avenue, N.W.
Roanoke, VA 24016, USA

**1676427 Ontario Inc.
(Operating as Rotacan)**
400B Kirkpatrick Street, North
Bay, Ontario, P1B 8G5, Canada

Mincon Rockdrills USA Inc.
107 Industrial Park, Benton,
IL 62812, USA

AFRICA & AUSTRALIA

Mincon Tanzania
Plot 1/3 Nyakato Road, Mwanza,
Tanzania

Mincon Namibia Pty Ltd
Ausspannplatz, Windhoek, Namibia

Premier Drilling Equipment Ltd
P.O. Box 30094, Kyalami, 1684,
Gauteng, South Africa

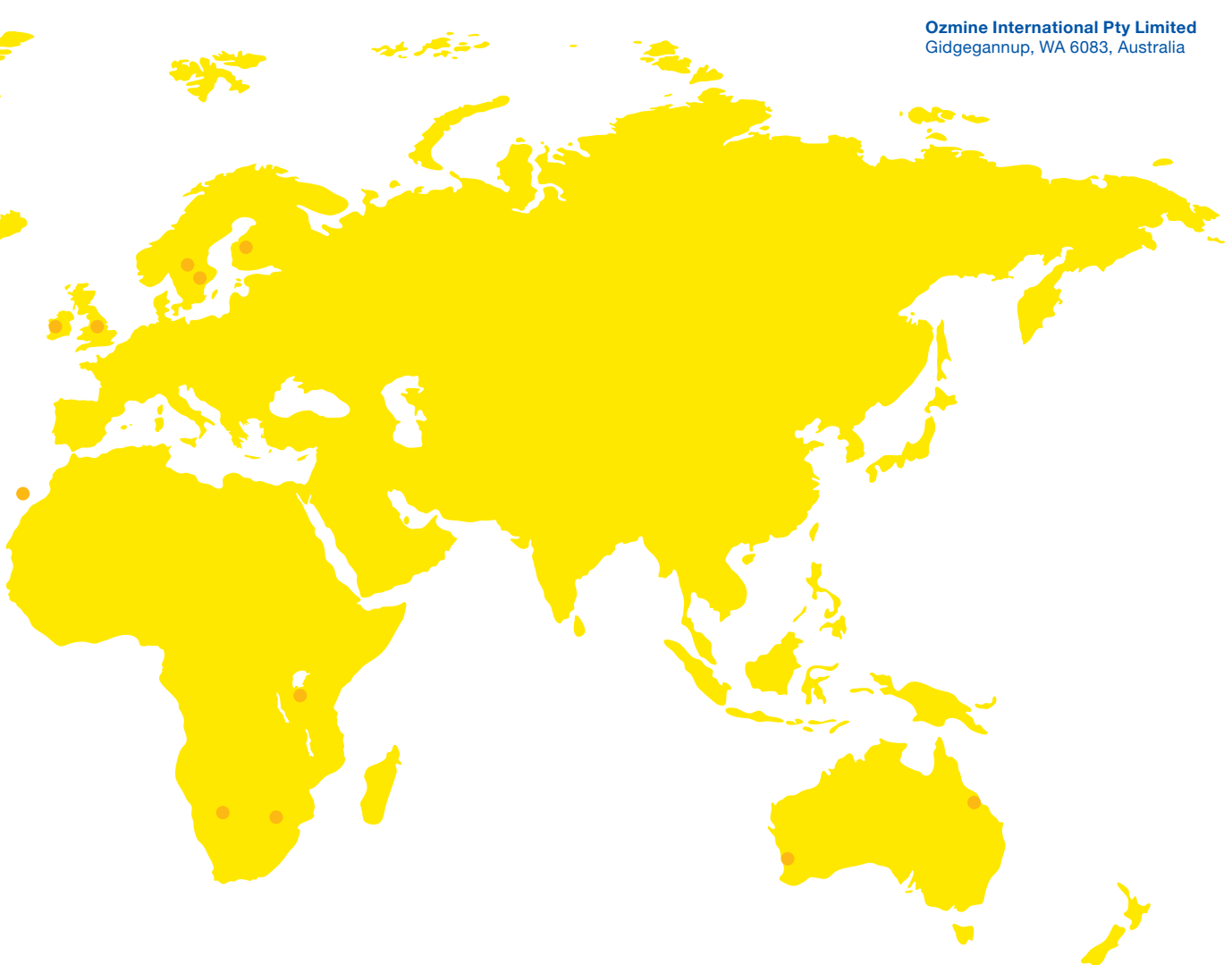
Mincon Southern Africa PTY Ltd
1 Northlake, Jetpark 1469,
Gauteng, South Africa

Mincon West Africa SL
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

ABC Products (Rocky) Pty Ltd
2/57 Alexandra Street, North
Rockhampton, Queensland,
4701 Australia

Mincon Rockdrills PTY Ltd
8 Fargo Way, Welshpool,
WA 6106, Australia

Ozmine International Pty Limited
Gidgegannup, WA 6083, Australia



MINCON – A YEAR IN REVIEW

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This fortieth anniversary year of our establishment has been **a year of tremendous achievement and growth.**



CHAIRMAN'S STATEMENT

**THE BUSINESS
HAS NEVER GROWN
AS QUICKLY AND
PROFITABLY, NOR
HAS IT HAD SUCH
OPPORTUNITY
FOR CONTINUED
SUCCESS AHEAD
OF IT.**

We are working hard to support **the growth
of our customers as we see this key to our
future success.**

This fortieth anniversary year of our establishment has been a year of tremendous achievement and growth. The business has never grown as quickly and profitably, nor has it had such opportunity for continued success ahead of it.

The sector is growing strongly and while we have pursued sales growth for the sake of growth, revenue from our own manufactured products has grown by 33% in a single year. Our focus on engineering at the core of what we do, our excellence in products, and our concentration on a value proposition, not just a price proposition, have developed and improved our margins.

We built a distribution footprint in the downturn, and that is now helping us. We have made a determined effort and a significant investment in being able to service customers on the ground in our key trading areas. We continue to build out our distribution footprint and in 2017 we setup Mincon Nordic to service the Nordic and Russia markets. The recent acquisition of Driconeq should alone deliver 20% growth in revenue this year, so our focus now shifts to the factories and the very rapid deployment of the machinery we have committed to, this year and last.

We are not planning to slow down, the year has started as the last one finished with record sales, but to re-engineer our production to satisfy the demand we are facing. Our contracted capital expenditure commitment last year was over €12 million, four times our depreciation. That was split equally between capacity increases, much of which has yet to be commissioned and brought on stream, and the rest is being invested in process improvements. This brings in-house key manufacturing elements. This should improve our intellectual property, and should support our value proposition and margins.

We have record sales, but in key locations and products, we have limited capacity as we are currently set up. A key task for the Executive in the coming year is to bring on that capacity, and to take the opportunities in front of us. Our goal is for the business to become more efficient, to reduce value lost in freight, overtime, supply side issues, and bring through the inherent profitability we expect to see in such sales growth. We are working hard to support the growth of our customers as we see this key to our future success.

We continue to invest strongly in research and development, to improve the current ranges, to extend our ranges and in the Greenhammer project. The fit of the Driconeq group with our product ranges, and with our distribution and manufacturing footprint could hardly be better, and 2018 should demonstrate this valuable addition of people and products.



I believe we have the right people in our line-up, the right products in our portfolio, we address the right markets and provide the right service levels. The proof will be when the Executive produce the sustainable profitability from the strategy we have put in place over the last few years.

The Board has recommended that a progressive dividend policy be adopted and to that end we will seek approval for a 5% increase at the AGM this year.

I would like to take this opportunity to thank the investors and advisers who supported us through the last few years, and note that in a sector downturn this is not always easy. We will continue to work to maintain the trust we have sought to build. I thank the employees of the Mincon Group for their dedication to the Group, and the Board for their diligence and commitment.

I note with regret the death during the year of my partner of fifty six years and co-founder, Mary Purcell. She helped create the culture of the group, alongside my colleague Kevin Barry for twenty five years, and they both made enormous contributions to the success of the Mincon Group plc today.

Patrick Purcell

Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW BEGINNING TO SEE THE RESULTS FROM PREVIOUS INVESTMENTS AND STRATEGY

We have never made as much product,
and never had order books that have continued
to lengthen through the end of the year in the
way we see today.

Revenue	From	To
UP	€76	€97
28%	MILLION	MILLION

Mincon Product Revenue	Third Party Product Revenue	Organic Growth	Acquisition Growth
UP	UP		
33%	13%	24%	4%

Gross Profit	To
UP	€38
24%	MILLION

Gross Margin	EBITDA
At	Was
39%	17.5% or 18.7%
	excluding Mincon Nordic

When exceptional items are excluded, operating profit is up by 38% on prior year to €14 million, and if the Mincon Nordic start up is excluded the operating profit is up by 49% on prior year to €15.8 million.	Operating profit at 14.4% of revenue, up from 13.3% in 2016. Excluding Mincon Nordic the operating profit was 15.6% of revenue for 2017.
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CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

We built out distribution in the down turn, and that has helped the growth this year. During the year we executed an organic build out in the Nordic region and in the process absorbed start-up losses of some €1.2 million but still delivered the growth seen opposite.

A strong year of organic growth

Out of the €97 million of revenue, the €75 million revenue for Mincon manufactured product was nearly the same as the Group total sales in the prior year. While the sales mix changed as we added more products, the gross margin was held at 39%, just shy of the 40% for the prior year. Our sales growth was 28% for the year, 33% for our own manufactured product in spite of the significant capacity constraints, and 13% for third party manufactured product.

We had to limit our sales due to capacity constraints and bringing additional capacity on stream is one of our key objectives for 2018. This will assist with improving factory and overhead efficiency in 2018 as the strain eases and capacity is deployed.

The protection of the gross margin is important to us, where we have seen pressure due to increased cost of supplies to the Group. Raw materials for manufactured product in the year rose to 25% from 22% of revenue. Some of this is mix change, but some of it is raw material costs being absorbed by the Group. The market is not yet taking sustainable price increases, and while we make good products, some great products, still we do not seek to be a price leader, nor do we need to be. Having said that, we expect to see upward price movement for the product ranges through 2018.

We seek to deliver products that are reliable and great value to our customers with margins that allow us to continue to invest and attract investment from shareholders. We take none of this for granted, and we report to shareholders on a quarterly basis because we believe this is an excellent market discipline rather than a requirement. We are conscious of how we deploy our business capital, being owners ourselves.

Even with the €5 million of capital investment in 2016, and the €12 million we committed this year, still the theme of our year has been the extraordinary lift in demand that we have seen as result of the sector recovery, and the capacity constraint that we see across the Group. We have never made as much product, and never had order books that have continued to lengthen through the end of the year in the way we see today.

We explained that we were building out our distribution footprint three years ago, we described how we saw the cycle coming back last year, we committed investment ahead of the curve, and we are seeing some of the benefits coming in the current phase. Our capital investment is still coming on stream this year even as capital order delivery dates continue to lengthen.

We built out our factories in 2017;

- increasing our footprint in Benton Illinois, our main USA bit plant, by 19,000 sq ft
- leased another factory in Perth for the start-up drill pipe manufacturing operation we launched there
- commissioned our steel warehouse as a manufacturing facility in Shannon, Ireland
- converted our warehouse in Sheffield, UK to a manufacturing plant

While these have yet to fully come on stream we will make the most of the manufacturing footprint we have before contemplating any greenfield operations. These capacity increases are in the process of coming on stream and we expect them to be operational during 2018. By using our facilities in this manner, and by ordering standard kit, we have minimised the learning curve and the commercial risk for our operations.

We bought distribution hubs through the downturn as we assessed it was cheaper to buy than build, and start-ups are generally loss makers in the early phase. There was no suitable distribution opportunity in the Nordic regions and East Europe, so we decided to build. This was the genesis of Mincon Nordic where we invested to assemble a senior team of experienced sector sales professionals and established another engineering hub. To this we added Viqing drillpipe and PPV, the specialists in ground engineering products. We absorbed the accelerated start-up costs of €1.2 million in this activity in 2017 and we are now set for growth through 2018. Nordic has the objective of breaking even this year and I am confident it has the team and the commitment to do this.



Acquisitions in the year

We acquired PPV, a company in Finland that can bring us into the construction industry and which has given us a new suite of products. We have commenced the process of building this out during the year. This follows on from the extensive training process already undertaken across our owned distribution centres.

We bought in the balance of Rotacan, making a contingent gain in the process, and applied that gain to the write downs on rigs, debtors and inventory. Rotacan has the opportunity to recover with the uptick in the sector, as it suffered very considerably with the set back in the coal industry, and the loss of a very substantial customer in Chile. However the business has weathered this, the recovery of value in Chile was more than expected last year, and all the business is growing again.

We acquired Viqing, a start-up drill pipe manufacturer in Sunne, Sweden, and while the turnover in that business has doubled since the acquisition, we still had maybe another €4 million of group sales to move from competing manufacturers into our own business. With the acquisition of Driconeq we believe that between these two businesses and management teams we have an excellent business with tremendous opportunities for development of customers, margins and profitability. We expect them to be combined seamlessly through H1, 2018.

How we manage and what we think

We believe we have created a good strategy but are challenged to deliver it efficiently in the face of the sudden sharp growth rates. We have spent large amounts on freight to avoid late delivery, we have worked production past its optimum levels, resulting in overtime and machine breakdowns.

We have yet to bring the added capacity on stream to address the order book back log. Once the new capacity is operational we believe there should be substantial additional profitability in improving our efficiency and cutting down on waste.

We see H1 of 2018 being committed to the build out of capacity, and H2 to an improvement in ongoing efficiency and cost reduction. We have the approval of the Board to commit an additional €5 million to raw material supplies to ensure we have the inputs, the machinery will come on stream, and we are recruiting to manage the factories within standard working hours and new shift patterns.

We will be investing in systems to allow us to see which products fit our strategy profile, which means adequate profitability to sustain investment and development, and market advantage.



CHIEF EXECUTIVE OFFICER'S REVIEW



Product development

We are renewing our product ranges to deliver scheduled improvements to sustain our competitive advantage.

This is where the engineering knowledge we have built up continues to protect the market position of the Group. We have built out our distribution model to give us direct access to end customers to ensure that we have good market knowledge, and competent margin management.

We have developed our range of large hammers, but we have been unable to devote manufacturing time to producing any significant volumes due to capacity constraints. We believe that these products are as good as the rest of our hammers, and will build sales. The engineering is substantially done to extend our range up to 34 inches, with models at 18 inch, 24 inch, and a new improved 12 inch hammer. We have these ready to go when we have the capacity to make them.

In H1, 2018 the Greenhammer in which we have been investing will move into stage 2 of beta testing, going live on a customer rig. The outcomes of the phase 1 testing on our own rig have been positive, within the development process we have been going through, constant iteration and adjustment, finding problems and solutions, and both the customer and we believe that the product is ready to approach commercialisation.

When we can establish just how sustainable the productivity gains are, we can build the commercial model around this. This is an exciting prospect for 2018 and beyond, even if we cannot predict exactly when in the year we expect to derive revenue.

The Group has great funding, good leadership, significant opportunities for organic and acquisition growth, exciting products and a strong, we believe, improving market position.



Making profits from investment

In 2018 on current volumes we will have a run rate revenue exceeding €120 million as we have acquired the Driconeq Group with the release of these results. We will have Driconeq for about nine months of the current year. Our organic growth may be constrained to single digits in the first half of 2018, as we have been running hard in 2017, and the new turnover base is so much higher, but if the demand continues to build, the capacity coming on stream should begin to reduce any order book back log.

If we can build sustainable organic growth on top of the acquisition growth, we will deliver another very strong year. We have tightened up on our working capital, actually reducing it before the exceptional write-offs, even while sales rose 28%.

The Board has agreed to make available another €5 million for raw material purchases as we have manufactured so much product that we have been in danger of running out of steel, forgings, carbide, and all the manufacturing inputs. With a committed capacity build out this is also appropriate. We will not commit it if we do not need to, but forward buying will help mitigate upcoming price increases and this point in the cycle where input price rises become more normal. We have absorbed the first couple of raw material price increases, but we will have to pass these on at some point.

Some of the capital investment we have made is not to add capacity but to bring processes in-house to maintain quality and protect margin. Chief among these investments has been in additional heat treatment facilities. With the acquisition of the Driconeq Group of companies we have added another eighteen heat treatment furnaces and a wealth of knowledge to our own intellectual property in this aspect of engineering our products. While this company has its own management and will remain in the Driconeq line-up we see exciting opportunities for development and investment in what is fast becoming a core competency. We continue to build out the Marshalls carbide plant with an incoming furnace allowing us to again significantly increase out-put consistent with our internal and external requirements.

The group wants to deliver sustainable profitable growth, and in 2017 we delivered 70 cent of every additional €1 of gross profit through to the operating profit line. We also monitor how much we absorb in additional indirect overhead (24% of revenue in 2017, against 27% in 2016). The revenue per employee averaged €300,000 in 2017, 17% above the €256,000 in 2016, another, but clearly not exclusive, efficiency metric.

Concluding comments

The Group is growing strongly, we have continued to build and invest, and we have made great strides in improving our culture and control. Confidence is high in the Group, in our products, our management and our people, and we have tremendous opportunities in front of us that we have yet to realise in our revenues and returns. We are not under pressure to grow revenue, that is coming naturally from good products and good management teams, our focus will be on bedding down what we have and planning the profitability and cash flow from our existing sales.

We believe the investments we have made through the downturn in footprint, products and people can now be deployed and while we have not made any more profit than we did when we came to market in 2013, that was in retrospect the final year of the last cycle, and this looks very much like the first one of the current upturn. The Group has great funding, good leadership, significant opportunities for organic and acquisition growth, exciting products and a strong, we believe, improving market position.

Joseph Purcell

Chief Executive Officer

OPERATIONAL AND FINANCIAL REVIEW

Industry overview Mincon manufactures and distributes rock drilling consumables. These comprise down the hole (DTH), reverse circulation (RC), horizontal directional drilling (HDD) hammers, bits, rods and other consumables used in a variety of sectors and sub sectors broadly including mining production, exploration, quarrying, geothermal and seismic drilling.

Mincon also produce the tungsten carbide buttons for bits used by the Group and for others in these and like activities. There has been a revival in the mining sector in 2017 after a number of years of a cyclical down turn following perhaps

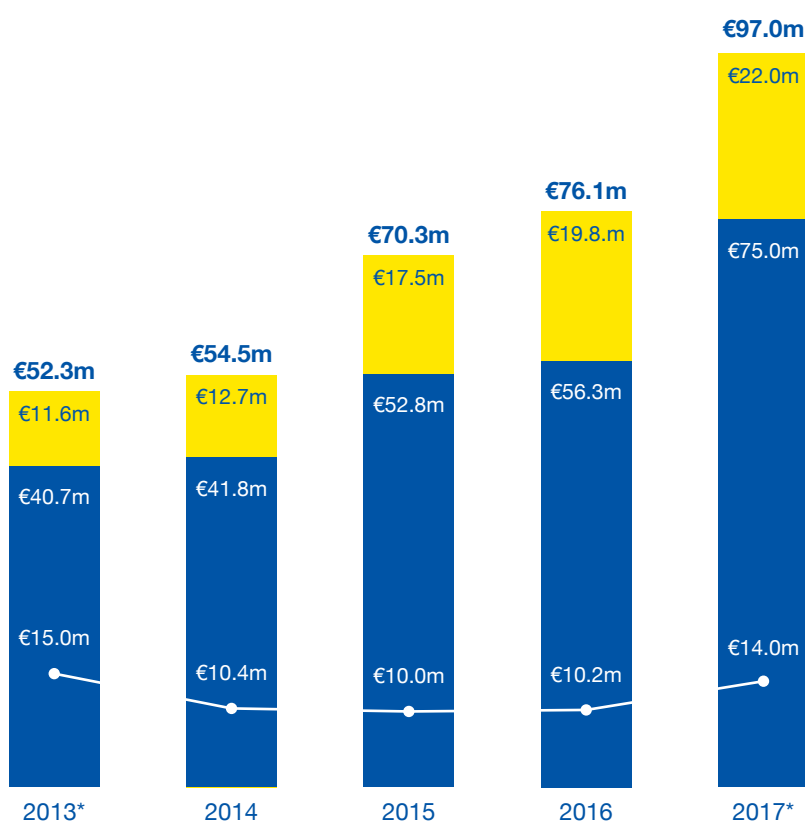
ten years of tremendous growth. While the recovery is fitful, commodity prices relevant to the customers of the Group are, in many cases, indicating strong upticks in pricing.

	2013*	2014	2015	2016	2017*
	Audited	Audited	Audited	Audited	Audited
INCOME STATEMENT	€'000	€'000	€'000	€'000	€'000
Revenue	52,343	54,544	70,266	76,181	97,358
Gross profit	25,722	23,552	28,277	30,561	37,838
Operating profit	15,012	10,350	9,990	10,178	14,040
Profit before tax	13,732	11,249	9,623	11,333	12,688
Profit after tax	11,159	9,264	8,028	9,253	10,445

*Before exceptional items



*Before exceptional items



Revenue and operating margins

Overall, revenue increased by 28% in the period. Growth in Mincon manufactured product was 26%, excluding any significant acquisitions in the period. We concentrated on developing organic growth in all regions during 2017, but this shone through the most in Australasia and the Americas. During the period revenue from acquisitions enhanced our overall offering to the market of Mincon manufactured product, and these products contributed 4% to our overall revenue. Third party sales increased by 13%, equivalent to the previous year growth rate.

Our gross margin for the period was 39%, which is slightly down on the previous year. Traded product revenue growth rate was in-line with the previous year, therefore this had a minimum impact on the gross margin percentage change. Mincon manufactured product revenue mix changed somewhat in 2017. This change together with lesser margin on 2017 acquisition product effected our overall gross margin percentage by 1% during the period.

Currency movements

The Group operates across the world in a number of currencies and is consequently exposed to movements in those currencies. There were two major movements in the year.

The weakening closing USD rate against the Euro at the end of 2017 (-14% compared with 2016 closing rate) contributed significantly to the FX loss in the Group's Income Statement. This is due to the high monetary net asset exposure the Group has to the USD.

A strengthening in the Rand average rate against the Euro of 8% compared to 2016 average rate, which resulted in an increase in reported revenue for the year of approximately €1 million. This was offset by the FX impact on the retranslation of underlying Rand costs, as a result, the strengthening Rand average rate against the Euro did not significantly impact reported profit for 2017.

As we build out the footprint of the Group we expose ourselves to the volatility of the currency markets. When we meet these challenges we quickly react to close out the risk. The Group introduced new procedures in 2016, and continued to expand on those in 2017, to offset the currency exposure caused by our major non-Euro trading currencies.

Our primary manufacturing facilities are denominated in Euro, GBP, USD and CAD, and much of our sales are not denominated in those currencies so we will continue to have currency exposures. We will continue to act to mitigate those currency fluctuations but will have difficulty eliminating or significantly reducing some of the exposures.

Operating profit

We have commented above that we watch a key metric, how much of our additional gross profit reaches the operating profit line, and in 2017 this was 70%. Our overhead costs increased of course as we grew and we will reflect on those this year while we normalise our production at the new, higher levels.

Operating costs have increased by €3.4 million (17%) to €23.8 million due to acquisitions, and to increased selling and marketing expenses as the Group continues to increase its footprint. Mincon Nordic has contributed significantly to our selling and marketing spend increase as we try and develop a base in the Finnish and Russian regions. We would plan for these businesses to deliver earnings by H2, 2018.

The step-up in operations elsewhere in the Group absorbed the build out costs expensed in the Nordic region and still gave the Group a 38% increase in operating profit in 2017.

Operating profit and profit attributable to shareholders

The operating profit stepped up to €14.04 million from €10.18 million last year. After exceptional gains and charges this out-turned at a profit attributable to shareholders of €10.4 million from €9.3 million, an improvement of 12%. This was after a foreign exchange charge of €1.3 million in the year compared to a foreign exchange gain of €1.1 million the previous year. The Group is actively working on reducing the earnings effect of foreign exchange and is reviewing how it funds its subsidiaries to mitigate exposures.

The effective rate of tax was 17.7% in 2017, down from 18.3% in 2016 reflective of the rates in the jurisdictions where the Group earned its profit mix in the year.

OPERATIONAL AND FINANCIAL REVIEW CONTINUED

The Mincon Group balance sheet The balance sheet totalled €108 million at the end of 2017, and of this, €26 million was net cash. While revenue grew by 28% in the year a substantial working capital exercise meant a more efficient application of resources at the year end. Working capital fell by €1.3 million by December, 2017 even as revenue grew through the year by €21 million.

BALANCE SHEET	2015	2016	2017
Assets employed			
Property, plant and equipment	17,277	20,052	22,576
Net working capital	36,926	43,359	41,996
Net taxation asset (liability)	359	50	(461)
Investments and other liabilities			
Intangible assets and other assets	11,801	13,358	25,194
Deferred contingent consideration and other liabilities	(7,069)	(6,264)	(7,299)
Financing assets/(liabilities)			
Net cash (debt)	38,610	34,960	26,142
Total equity	97,904	105,515	108,148

Group cash flow

In the cash flow we can see €10.7 million flow off the operations, compared to €9.13 million last year, and we paid away €5.2 million as the initial payments for PPV and Viqing, €2 million on a contingent payment as we bought in the Rotacan minority, and €5.6 million on fixed asset additions. This understates the capital commitments on fixed assets as prepayments are reflected in the “other assets” lines in the balance sheet, and €3.24 million in the “prepayments” in the cash flow. These are mainly deposits on capital expenditure coming into the factories on prior commitments.

Capitalisation of development expenditure

We generally expense research and development costs, but in 2017 we capitalised the expenditure on the Greenhammer project in the amount of €1.163 million after the same project had capitalised costs of €499,000 in 2016. The total of €1.7 million is carried forward at the end of December, 2017. We expect this project to move into the next phase of going live with a customer at the end of the first half of 2018, and we will begin to release this capitalised item as we understand the revenue stream through 2018 and beyond. The project is on schedule and represents a significant opportunity to the Group should the products perform as they have been designed and developed.

Net working capital

We have commented on the working capital above. The working capital improvement is understated as over €3 million of prepayments and capital expenditure deposits are grouped in this line item, but then again the working capital has been the beneficiary of approximately the same reduction when the provisions have been applied.

Growth

We have grown revenue very strongly in 2017, and this has absorbed considerable amounts of our free manufacturing capacity. We have been making capital commitments to add about another €20 million of capacity and it is beginning to arrive and be commissioned. We have had to pull back on growth by extending delivery schedules for key products simply because we cannot meet demand in the strongly recovering sectors we serve.

STRATEGY OF THE GROUP

We are beginning to sort out the extended product categories to the well specified factories where they can be manufactured with the most economic and customer advantage, and this is an on-going exercise.

We have also started to order larger quantities of raw materials and to build the raw materials at key sites. These are standard raw materials, steel, carbide powder and forgings, and We will carefully watch this ensure we do not end up with an inventory risk, but in fact it is generally third party finished good product that is the category most at risk.

With Driconeq on-board for nine months of 2018 we have the opportunity to drive for revenue of €120 million while improving our internal systems and controls and a tremendous opportunity for cross selling. We have made substantial strides in being able to supply the entire drill strings for our customers.

Acquisitions

We completed two new acquisitions in 2017, and completed the buy-out of the Rotacan minority shareholder. We also opened a substantial office in Finland and Russia, and started the 2018 year with the acquisition of four new factories and sales teams for our drillpipe business with the completion of the Driconeq transaction.

We have learned that making acquisitions is more easily done than developing the growth in revenue and earnings that justify those purchases. Having said that, we are delighted that Driconeq has joined the Group and look forward to those teams developing their best opportunities with us.

Our Driconeq Group will absorb about €10 million in cash in the short term between the purchase price and costs, what we think may be required by working capital as we grow this business and we will report on the development of the business through the 2018 year.



DIRECTORS AND MANAGEMENT

At 31 December 2017, the Board of Mincon comprised of four non-executive directors and two executive directors. Details of the directors are set out below:

NON-EXECUTIVE DIRECTORS

Patrick Purcell (Age 80) (Non-Executive Chairman)

Patrick served an apprenticeship in the Irish Air Corps in the 1950s and later qualified as an accountant in Australia in 1961. When he returned to Ireland in 1967 he joined Shannon Diamond and Carbide Ltd, (later Boart Longyear) and worked in various capacities with their European Group Companies for the next 10 years. His roles with Shannon Diamond and Carbide included that of cost accountant, sales and marketing director and a period as a general manager of their manufacturing plant in Norway before becoming their director for European sales companies and product development.

Patrick set up Mincon in 1977 and developed the group, firstly in Ireland and then into overseas areas including USA, Canada, Australia, South Africa and Sweden. Patrick remained as executive chairman until 2012 but continued to work with the company as an adviser on new projects.

Hugh McCullough (Age 67) (Senior Independent Non-Executive Director)

Hugh has over 40 years' experience in gold and base metal exploration, principally in Ireland, Ghana, Mali and Papua New Guinea. Having previously worked as a project geologist, in 1982 he became chief executive of Glencar Mining plc. Hugh was responsible for the management, financing and strategy of Glencar for over 27 years until it was acquired by Gold Fields Limited in September 2009. Hugh currently serves as a director on the board of Papua Mining plc, an exploration company with projects in Australia and Papua New Guinea and which trades on the AIM market of the London Stock Exchange.

Hugh is a geologist and holds an honours degree in geology from University College Dublin and a degree of Barrister-at-Law from the King's Inns, Dublin.

Kevin Barry (Age 62) (Non-Executive Director)

Kevin commenced his career as a trainee accountant in practice in 1973. He joined Kraus and Naimer Ireland Limited as an accountant in 1977. He qualified as a Certified Public Accountant ("CPA") and began working with Mincon International Limited in 1984 as Financial Controller. He was appointed chief executive officer of the Mincon Group of companies in 1991 and was responsible for expanding the Group's activities by extending the product range through organic growth and by setting up the Group's international subsidiaries. Kevin resigned as chief executive officer of Mincon Group plc in May 2015 but remains on the board as a non-executive director.

EXECUTIVE DIRECTORS

John Doris (Age 71) (Non-Executive Director)

John Doris joined the board in February 2017. He has broad experience across a number of sectors including manufacturing, lending and corporate finance. He has been an independent consultant and a non-executive director for the past eighteen years. Prior to becoming an independent consultant, he was a director of ABN Amro Corporate Finance (Ireland) Limited where he managed the successful Riada Business Expansion Funds.

John graduated from University College Dublin with a B.Sc. in physics in 1969 and returned to University College Dublin to complete his M.B.A. in 1977. He qualified as an ACCA in 1974 and is a former president of ACCA Ireland.

Joseph Purcell (Age 51) (Chief Executive Officer)

Joseph qualified as a mechanical engineer in 1988 at University College Galway, in Ireland and since then has worked with Mincon in various capacities. DTH hammer design has been his main area of specialisation although he has extensive experience in manufacturing methods, heat treatment and process development. His hammer design work has included seven years in Perth, Australia where he developed a successful range of reverse circulation and conventional DTH hammers for local and export markets. Joseph was appointed as chief technical officer for the Mincon Group on his return from Australia in 1998. In May 2015, Joseph succeeded Kevin Barry as the Chief Executive Officer of Mincon Group plc.

Thomas Purcell (Age 46) (President, Mincon Inc.)

Thomas Purcell has a background in accounting prior to emigrating to the USA to work with Mincon on a new joint venture opportunity in the country. He worked for the Mincon Group in the dimensional stone quarrying industry during which time he was key in setting up operations in Virginia and North Carolina. In 1996, Mincon sold its investment in the quarrying entities to Marlin Group of South Africa. He worked in various positions with their USA subsidiary from Purchasing and Safety Manager of four quarrying companies, to CFO and Operations Manager for their Atlanta based operation, Stone Connection. He re-joined the Mincon Group in 1999 as President of Mincon, Inc.



DIRECTORS AND MANAGEMENT

CONTINUED

Mincon has a highly experienced team of senior managers that has helped to drive the development of the Group across its global locations. Brief profiles of the Mincon senior management team are set out below:

EXECUTIVE MANAGEMENT

Peter E. Lynch (Age 60) (Chief Operating Officer)

Peter qualified as a chartered accountant with KPMG in 1985. He previously worked as Managing Director of ABN AMRO Stockbrokers Ireland Limited, as Finance Director of Eircom Group plc where he led and executed circa €10 billion of transactions and as Chairman of Prime Active Capital plc. With colleagues he built up Adare Printing Group plc from €1 million to €200 million turnover through sixteen transactions before its sale to a management team. Peter graduated in economics from Trinity College Dublin in 1981 and is a member of the Chartered Institute for Securities and Investment.

Robert Fassel (Age 55) (Vice President of Sales)

Robert joined Mincon in August 2014 after the acquisition of Rotacan – where he was assisting in an advisory role. He has over 30 years’ experience of the mining and construction industries. Prior to joining Rotacan, he served as senior executive vice president and president of Mining and Rock Excavation Technique Business at Atlas Copco AB from 1 July, 2011 to 31 July 2013. Mr. Fassel joined the Atlas Copco Group in 1982. He managed the acquisition process of Ingersoll-rand Drilling Solutions and was responsible for its integration into the Atlas Copco Group. Mr. Fassel has a degree in business administration from Ekliden College, Nacka, Sweden.

Jussi Rautiainen (Age 53) (SVP – Business Development)

Jussi joined Mincon Group in January 2017. He was chief executive officer of Robit Rocktools Ltd. from 2005 to January, 2016. Prior to that, he held international management positions at Huhtamäki Oyj and UPM Kymmene Corporation. Jussi holds a bachelor of Economics degree and has also an Executive Master of Business Administration degree.



GROUP FINANCIAL CONTROLLER AND COMPANY SECRETARY

Mark McNamara (Age 37) (Company Secretary and Group Financial Controller)

Mark began his finance career in practice in 2004 where he qualified as a Certified Public Accountant (“CPA”). He began working with Mincon as Financial Controller of Mincon International Ltd. in March 2010. He moved into the position as Group Financial Controller in 2013 prior to the IPO of Mincon where he was the lead accountant. Preceding his finance career Mark worked in airline operations and holds a bachelor’s degree in Information Technology. Mark became company secretary in March 2017.



DIRECTORS' REPORT

The Directors present the directors' report and the consolidated financial statements of Mincon Group plc ("Mincon") for the year ended 31 December 2017.

Principal activities of the Group

Mincon is an Irish engineering group, specialising in the design, manufacture, sales and servicing of rock drilling tools and associated products. The Group's manufacturing facilities are located in Shannon, Ireland, in Sheffield, in the UK, in Benton, Illinois in the USA, in North Bay, Ontario in Canada, in Johannesburg, South Africa, in Sunne, Sweden and in Perth, Australia.

Mincon has had a clear vision and determined focus giving priority towards:

- Highest design specifications
- Best manufacturing methods and processes
- Delivery of superior products to our customers

Mincon also maintains a network of sales and distribution companies in a number of international markets to provide after sales support and service to customers. Products, comprising both Mincon manufactured products and third party products which are complementary to Mincon's own products, are sold directly to the end user or through distributors.

Mincon manufactured product can be broken down into six distinct product lines:

1.	2.	3.	4.	5.	6.
Conventional down the hole (DTH) product	Reverse circulation (RC) DTH product	Horizontal directional drilling (HDD) product	Rotary drilling product	Drill pipe product	Tungsten carbide product

Mincon manufactured hammers, bits (including rotary bits) and pipe are used for a variety of drilling industries including production and exploration mining, water well, geothermal, construction, oil and gas and seismic drilling. Mincon also provides a hard-rock HDD system to provide access for fibre optic cable laying and similar activities. In addition, Mincon, through its subsidiary Marshalls Carbide Limited, manufactures tungsten carbide inserts, its core markets being mining, construction and the oil and gas industry.

DTH, RC and HDD products have distinct sales lines for associated parts, namely hammers, spares and bits. Bits and pipe can be sold separate from the hammer. Mincon manufactures a range of bits and pipe to an industry standard size which can be used in conjunction with hammers manufactured by competitors. Rotary bits are made to industry standard size and are used in the same applications and industries as Mincon's DTH hammers and bits. Tungsten carbide high quality impact buttons are used on the face of DTH, drifter and tricone drill bits.

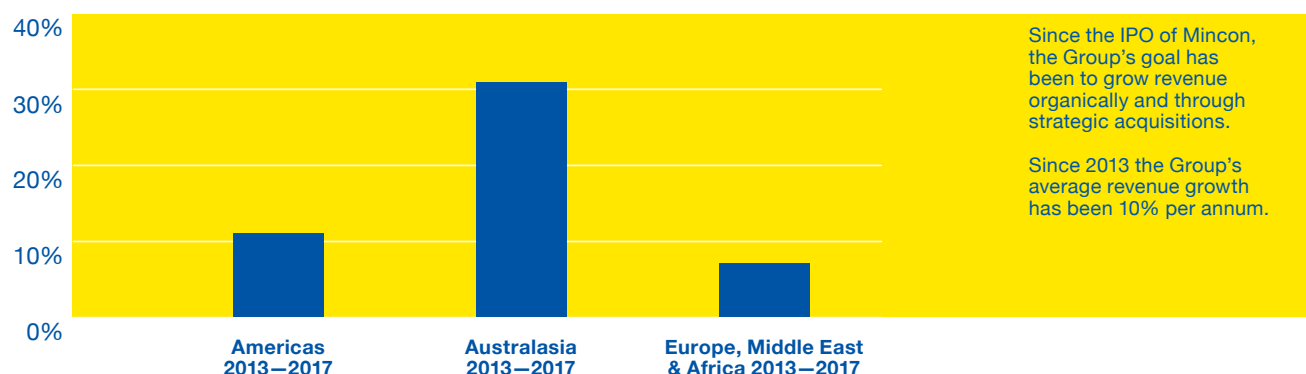
The Mincon hammers, bits and pipe are considered consumable items in the drilling industry in contrast with capital items such as truck/track-mounted drilling rigs and large air compressors. As products of a consumable nature, Mincon products have a shorter life cycle than capital goods (such as rigs and compressors).

Business review

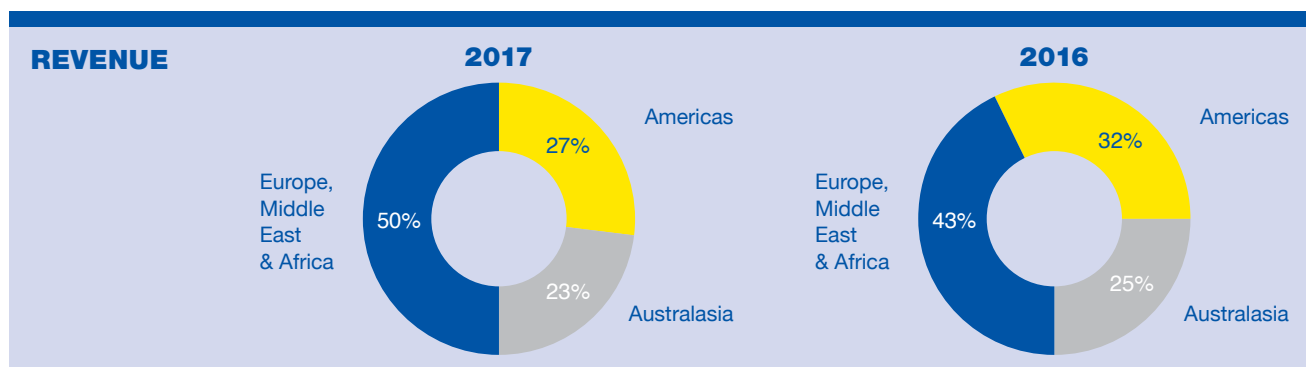
Commentaries on performance in the year ended 31 December 2017, including information on recent events and likely future developments, are contained in the Chairman’s Statement, Chief Executive Officer’s Review and Operating and Financial Review. The performance of the business and its financial position together with the principal risks faced by the Group are reflected in the Operating and

Financial Review as well as the risk review section. The following table sets forth for the periods indicated certain financial data and the percentage change in these items compared to the prior period, being the key performance indicators used by management. The trends illustrated in the following table may not be indicative of future results.

AVERAGE REVENUE GROWTH PER ANNUM



	Pre-Exceptional Items 2017 €'000	2016 €'000	Percentage change in period
PRODUCT REVENUE			
Sale of Mincon product	74,965	56,360	33%
Sale of third party product	22,393	19,821	13%
Total revenue	97,358	76,181	28%
Gross profit	37,838	30,561	24%
Operating profit	14,040	10,178	38%
Profit for the period	10,445	9,253	13%



DIRECTORS' REPORT

CONTINUED

Dividend

In September 2017, Mincon Group plc paid an interim dividend in the amount of €0.01 (1 cent) per ordinary share (€2.1 million total payment), which was paid to shareholders on the register at the close of business on 26 September 2016. The Directors recommend the payment of a final dividend of €0.0105 (1.05 cent) per share for the year ended 31 December 2017 (31st December 2016: 1 cent per share).

Directors and secretary

The current serving directors and secretary of the Company are set out on pages 18–20. The dates of appointments and resignations of the Company's directors and secretary are set out in the table below:

Director	Date of appointment
Patrick Purcell	16 August 2013
Kevin Barry	16 August 2013
John Doris	16 February 2017
Hugh McCullough	13 December 2016
Joseph Purcell	23 September 2013
Thomas Purcell	23 September 2013

Company Secretary

Mark McNamara	14 March 2017
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Substantial shareholders

As at close of business on 20 March 2018, in so far as is known to the Company, the following persons are, directly or indirectly, interested in 3% or more of the issued share capital of the Company:

Shareholder	Ordinary Shares as at the date of this Document	Percentage of Enlarged Issued Ordinary Share Capital
Kingbell Company	119,671,200	56.84%
Setanta Asset Management	29,508,428	14.02%
Investmentaktiengesellschaft für langfrist TGV	17,683,140	8.40%
Ballybell Limited	11,117,800	5.28%
FMR LLC	10,959,643	5.20%

None of the Group's major shareholders, as listed above, have different voting rights attaching to ordinary shares held by them in the Group. Both the Purcell and Barry family vehicles (Kingbell Company and Ballybell Limited) have certain board nomination rights for so long as their respective shareholdings remain above certain thresholds.

Financial risk management

The Group's operations expose it to financial risks including credit risk, interest rate risk and foreign currency risk. The Group manages risk in order to reduce the impact of these risks on the performance of the Group and it is the Group's policy to manage these risks on a non-speculative manner. The Group does not utilise derivative financial instruments to hedge economic exposures. Details of the Group's financial risk management objectives and policies are set out in note 21 to the financial statements.

Compliance Statement

The directors acknowledge that they are responsible for securing compliance by Mincon Group plc (the 'Company') with its relevant obligations as are defined in the Companies Act, 2014 (the 'Relevant Obligations'). The directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company's policies that, in the directors' opinion, are appropriate to the Company with respect to compliance by the Company with its relevant obligations.

The directors further confirm the Company has put in place appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with its relevant obligations including reliance on the advice of persons employed by the company and external legal and tax advisers as considered appropriate from time to time and that they have reviewed the effectiveness of these arrangements or structures during the financial year to which this report relates.

Political donations

The Group and Company did not make any donations during the year disclosable in accordance with the Electoral Act 1997.

Research and development

The Group's strategy around research and development is to set out in the Strategy section of this Annual Report. The Group invested €1.7 million on research and development in 2017 (2016: €0.9 million), €1.2 million of which has been capitalised (2016: €0.5 million).

Corporate governance

The board of Mincon is committed to achieving high standards of corporate governance, integrity and business ethics for all activities as set out in the Directors' Statement on Corporate Governance of this Annual Report.

Accounting records

The directors believe that they have complied with the requirement of Section 281 to 285 of the Companies Act 2014 with regard to keeping adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the company are maintained at the company's offices at Smithstown Industrial Estate, Shannon, Co Clare.

Significant events since year-end

Details of significant events since year-end are set out in note 27 to the financial statements.

Going concern

The directors, having made enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditor

Each of the Directors individually confirm that:

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

Auditor

KPMG, Chartered Accountants continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Board

Patrick Purcell

Chairman

20 March 2018

Joseph Purcell

Chief Executive Officer

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE

The board of Mincon is committed to maintaining high standards of corporate governance and has regard to the Quoted Companies Alliance set of governance guidelines for smaller quoted companies (the "QCA Guidelines"), which includes a code of best practice for AIM companies, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters.

The directors recognise the importance of sound corporate governance and has taken account of the main principles of the QCA Guidelines, wherever possible and as appropriate to the size, nature and resources of the Group. It is also our intention to be as open and transparent about our governance arrangements as possible and use the annual report to give details of changes and improvements we have made during the year.

The key aspects of the Company's corporate governance are set out below.

Managing and communicating risk and implementing internal control

The board is responsible for putting in place and communicating a sound system to manage risk and implementing internal control. The directors have outlined in the Principal Risks and Uncertainties section the key risks facing the Group and strategies to manage these risks.

Corporate communication and investor relations

The Group recognises the importance of shareholder communications. There is regular dialogue between the executive directors and institutional shareholders as well as presentations at the time of release of annual and half year results. The board is subsequently briefed on the views and concerns of institutional shareholders. The Group issues its results promptly to shareholders and they are also published on the Group's website, www.mincon.com. The Company's Annual General Meeting will afford each shareholder the opportunity to meet and engage directly with the chairman of the board and all other board members. The annual report, including the notice of the Annual General Meeting, will be sent to all shareholders at least 21 days prior to the meeting.

The Board

The Company is controlled through its board of directors. The board comprises five non-executive directors and two executive directors. Biographical details on the board members are set out in the section entitled "Board of Directors". The board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The directors hold board meetings at least quarterly and at other times as and when required. The board has delegated responsibility for the day to day management of the Group to the Group's executive management. There are clear divisions of responsibilities between the roles of the chairman and chief executive officer.

Directors' independence

The board currently comprises four non-executive directors and two executive directors. The board has determined that Hugh McCullough and John Doris are independent within the meaning of the QCA Guidelines. Patrick Purcell and Kevin Barry are not considered independent within the requirements of the QCA Guidelines by virtue of their shareholding in the Company. The two executives on the Board are Joseph Purcell and Thomas Purcell.

Board Committees

The board has established an audit committee, a remuneration committee and a nomination committee with formally delegated duties and responsibilities. The board deals with matters relating to health and safety and risk through the board (as opposed to through a separate sub-committee).

Audit Committee

The audit committee is chaired by non-executive director John Doris and it consists of two other non-executive directors; Kevin Barry and Hugh McCullough. On 25 May 2017, Kevin Barry replaced Patrick Purell who became the non-executive chairman of the board of directors. The chairman of the board of directors, chief executive officer and representatives of the finance function may be invited to attend all or part of any meeting of the committee, as appropriate.

The audit committee is required to meet at least three times a year and is responsible for ensuring that the financial performance of the Group is properly monitored and reported. As part of this, it is responsible for meeting with the external auditors and reviewing findings of the audit with them. It meets with the auditors at least once a year without any members of the management being present and is also responsible for considering and making recommendations regarding the identity and remuneration of such auditors. It is authorised to seek any information that it properly requires from any employee and may ask questions of any employee. The terms of reference of the committee are available on our website.

During 2017, the committee met on three occasions and all members were present at these meetings.

Remuneration Committee

The remuneration committee consists of three non-executive directors; Patrick Purcell (chairman), Hugh McCullough and John Doris (appointed 25 May 2017). Hugh McCullough replaced Pádraig McManus on 25 May 2017, Pádraig resigned from the board on 28 April 2017 and John Doris replaced Kevin Barry on 25 May 2017.

It meets at least once per year, it considers and recommends to the board the framework for the remuneration of the chief executive officer, chairman, company secretary, chief financial officer, executive directors and such other officers as it is designated to consider and, within the terms of the agreed policy, considers and recommends to the board the total individual remuneration package of each executive director including bonuses, incentive payments and share awards. The committee reviews the design of all incentive plans for approval by the board and shareholders and, for each such plan, recommends whether awards

are made and, if so, the overall amount of such awards, the individual awards to executive directors and the performance targets to be used. No director is involved in decisions concerning his/her own remuneration. The terms of reference of the committee are available on our website. The committee met three times during 2017 and all members were present at these meetings.

Nomination Committee

The nomination committee consists of three non-executive Directors; Patrick Purcell, Hugh McCullough and John Doris. Hugh McCullough is chairman of the committee. Hugh McCullough and John Doris joined the committee on 25 May 2017. It identifies and nominates candidates for all board vacancies and reviews regularly the structure, size and composition (including the skills, knowledge and experience) of the board and makes recommendations to the board with regard to any changes. The terms of reference of the committee are available on our website. The committee met once during 2017 and all members attended this meeting.

Share Ownership and Dealing

Mincon has adopted a share dealing policy that complies with Rule 21 of the AIM Rules and Rule 21 of the ESM Rules relating to directors' dealings as applicable to AIM and ESM companies respectively. Mincon takes all reasonable steps to ensure compliance by applicable employees.

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Directors' Remuneration

Details of individual remuneration of directors are set out in the table below:

Name	Title	31 December 2017				31 December 2016			
		Salary €'000	Fees €'000	Pension €'000	Total €'000	Salary €'000	Fees €'000	Pension €'000	Total €'000
Patrick Purcell	Non-Executive Chairman	-	34	-	34	-	-	-	-
Padraig McManus	Non-Executive Chairman	-	15	-	15	-	45	-	45
Rose Hynes	Non-Executive Director	-	-	-	-	-	37	-	37
Kevin Barry	Non-Executive Director	-	-	-	-	-	-	-	-
Hugh McCullough	Non-Executive Director	-	40	-	40	-	3	-	3
John Doris	Non-Executive Director	-	40	-	40	-	-	-	-
Joseph Purcell	Chief Executive Officer	268	-	31	299	193	-	23	216
Thomas Purcell	Sales Director	201	-	29	230	207	-	2	209
Total executive and non-executive remuneration		469	129	60	658	400	85	25	510

Patrick Purcell and Kevin Barry waived FY2016 board fees available to them in the amount of €40,000 each, Kevin Barry waived FY2017 board fees available to him.

The executive directors employment contracts include the ability to earn performance bonuses dependent on the performance of the group and payable at the discretion of the

remuneration committee. Each executive directors' service contracts allows the company to terminate their employment by making a lump sum payment of one year's base salary.

The executive directors received no bonuses for the year-ended 31 December 2017 (2016: €Nil).

Directors' and Company Secretary's Share Interests

The beneficial interests of the Directors and Company Secretary (including those of their spouses and children) who held office at 31 December 2017 in the share capital of the Company was as follows:

Name	Ordinary Shares held	Percentage of Issued Ordinary Share Capital
Patrick Purcell	119,671,200 ¹	56.84%
Kevin Barry	11,117,800 ²	5.28%
Joseph Purcell	119,671,200 ¹	56.84%
Thomas Purcell	119,671,200 ¹	56.84%

No Director or member of a Director's family has a related financial product referenced to the Company's share capital. There are no outstanding loans as at 31 December 2017 (2016: €Nil) granted or guarantees provided by any company in the Group to or for the benefit of any of the Directors other

than amounts disclosed in note 26 to the financial statements. There have been no changes in the interests of the Directors and the Company Secretary in the period to 20 March 2018.

Other transactions with the directors are set out in note 26 to the consolidated financial statements.

¹ Kingbell Company, a company controlled by Patrick Purcell and members of the Purcell family (including Joseph Purcell and Thomas Purcell) holds 119,671,200 Ordinary Shares of €0.01 in the capital of the Company

² Ballybell Limited, a company controlled by Kevin Barry holds 11,117,800 Ordinary Shares of €0.01 in the capital of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties are outlined in this section. **Mincon has adopted appropriate controls and recruited management with the necessary skills and experience to manage and mitigate these risks where possible** and thus enable execution of the Group's business strategy as outlined in the Strategy section.

PRINCIPAL RISKS RELATING TO THE COMPANY'S INDUSTRY

The Group's products are used in industries which are either cyclical or affected by general economic condition

The demand for the Group's products and services is affected by changes in customers' investment plans and activity levels. Customers' investment plans could change depending on global, regional and national economic conditions or in the case of a widespread financial crisis or economic downturn. The demand for the Group's products is affected by the level of construction and mining activities as well as mineral prices. Financial crises may also have an impact on customers' ability to finance their investments. In addition, changes in the political situation in a region or country or political decisions affecting an industry or country could also materially impact on investments in consumable equipment. Although the Company believes that its sales are well diversified with customers located in disparate geographic markets, it is likely that the Group would be affected by an economic downturn in the markets in which it operates.

The Group is exposed to risks associated with operations in emerging markets

The Group's international operations may be susceptible to political, social and economic instability and civil disturbances. Risks of the Group operating in such areas may include:

- disruption to operations, including strikes, civil actions, international conflict or political interference;
- changes to the fiscal regime including changes in the rates of income and corporation taxes;
- reversal of current policies encouraging foreign investment or foreign trade by the governments of certain countries in which the Group operates;
- limited access to markets for periods of time;
- increased inflation; and
- expropriation or forced divestment of assets.

Any of the above factors could result in disruptions to the Group's business, increased costs or reduced future growth opportunities. Potential losses caused by these disruptions may not be covered by insurance.

The Group operates in countries with less developed legal systems

The countries in which the Group operates may have less developed legal systems than countries with more established economies, which may result in risks such as:

- effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain;
- a higher degree of discretion on the part of governmental authorities;
- a lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- an inability on the part of the Group to adequately protect its assets in these jurisdictions;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISKS RELATING TO THE COMPANY'S BUSINESS

If the Group fails to develop, launch and market new products, respond to technological development or compete effectively, its business and revenues may suffer

The Group's long-term growth and profitability is dependent on our ability to develop and successfully launch and market new products. The Group's revenues and market share may suffer if it is unable to successfully introduce new products in a timely fashion or if any new or enhanced products or services are introduced by our competitors that customers find more advanced and/or better suited to their needs. While the Group continuously invests in research and development to develop products in line with customer demand and expectations, if it is not able to keep pace with product development and technological advances, including also shifts in technology in the markets in which it operates, or to meet customer demands, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is dependent on the efficiency of our distribution network

The Group distributes products primarily through distributors and also directly to end customers. Should the distribution network be subject to disruptions, it could have a material adverse effect on the Group's revenues and results of operations.

If the Group's manufacturing and production facilities are damaged, destroyed or closed for any reason, our ability to distribute products will be significantly affected

The Group has six manufacturing facilities located in Ireland, the UK, Sweden, Australia, Canada, Sweden, South Africa and the United States and an assembly facility in the United States. Should any of these facilities be destroyed or closed for any reason, or the equipment in the facilities be significantly damaged, the Group is likely to face setbacks in our ability to manufacture and distribute products to customers. Such circumstances, to the extent that it is not possible to find an alternative manufacturing and production facility, or transfer manufacturing to other Group facilities or repair the damaged facilities or damaged equipment in a timely and cost-efficient manner, could have a material adverse effect on the Group's business, results of operations

and financial condition. In addition, the availability of manufacturing components is dependent on suppliers to the Group and, if they suffer interruptions or if they do not have sufficient capacity, this could have an adverse effect on the Group's business and results of operations.

Financial Condition Risks

Future Revenues

The Group relies on the ability to secure orders with new customers as well as maintain relationships with existing customers to generate most of our revenue. Investors should not rely on period to period comparisons of revenue as an indicator of future performance.

Competition

The markets for the Group's products are highly competitive in terms of pricing, product design, service and quality, the timing and development and introduction of new products, customer services and terms of financing. The Group faces intense competition from significant competitors and to a lesser extent small regional companies. If we do not compete successfully in all of our business areas and do not anticipate and respond to changes in evolving market demands, including new products, we will not be able to compete successfully in our markets, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to competition in the markets in which it operates and some of its competitors are significantly larger and have significantly greater resources than the Group. The Group's principle competitors are Atlas Copco which is headquartered in Stockholm, Sweden with a global reach spanning more than 170 countries and Sandvik which is also headquartered in Stockholm, Sweden with business activities in more than 130 countries. There can be no guarantee that the Group's competitors or new market entrants will not introduce superior products or a superior service offering. Such competitors may have greater development, marketing, personnel and financial resources than the Group. Should these or other competitors decide to compete aggressively with the Group on price in the markets and industries in which it operates while offering comparable or superior quality products this could have a material adverse effect on the Group's financial position, trading performance and prospects.

The Group is exposed to the risk of currency fluctuation

The Group's financial condition and results of operations are reported in euro but a large proportion of its revenues are denominated in currencies other than euro, including the US dollar, the Australian dollar and the South African rand. Adverse currency exchange rate movements may hinder the Group's ability to procure important materials and services from vendors and suppliers, may affect the value of its level of indebtedness, and may have a significant adverse effect on its revenues and overall financial results. In the past, the Group has experienced gains and losses from exchange rate fluctuations, including foreign exchange gains and losses from transactions risks associated with assets and liabilities denominated in foreign currencies, including inter-company financings. The Group has introduced measures to improve its ability to respond to currency exchange rate risks. However, these measures may prove ineffective, and exchange rate volatility, particularly between currency pairs that have traditionally been rather stable, may develop. As a result, the Group may continue to suffer exchange rate losses, which could cause operating results to fluctuate significantly and could have a material adverse effect on the Group's business and financial condition.

Contractual Arrangements

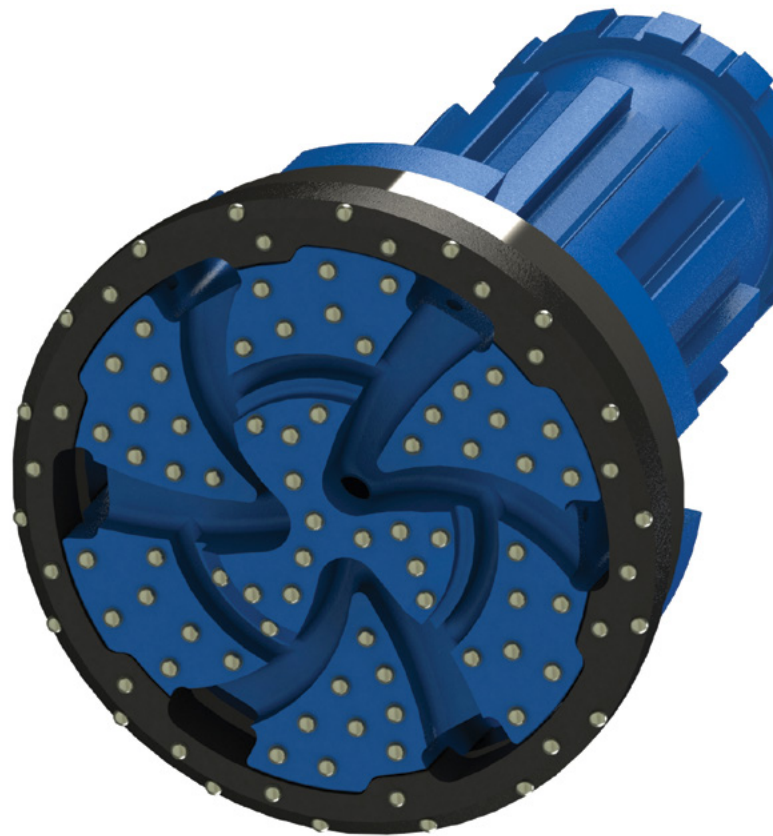
The Group derives some of its revenue from large transactions (which may be non-recurring in nature). Prospective sales are subject to delays or cancellation over which the Group has little or no control and these delays could adversely affect results. Also to address the non-recurring nature of some of these transactions, the Group needs to focus on securing new lines of business on a regular basis.

Customer Concentration

Over the past three years, the Group's top ten customers have accounted for approximately 24% of its revenues. If, in the future, these customers fail to meet their contractual obligations, decide not to purchase the Group's products or decide to purchase few products, this could disrupt the Group's business and require it to expend time and effort to develop relationships with new customers, which could have a material adverse effect on the Group's business, results of operations and financial condition. There can be no assurance that, even if the Group could find alternate customers, the Group could receive the same price for its products.

The Group is exposed to fluctuations in the price of raw materials

The Group's operations give rise to risks due to changes in the price of market-quoted raw materials, mainly steel and tungsten. The prices can vary significantly during a year. If the market does not permit a transfer of the effects of changing raw material prices into the end-price of the products, this may have a material adverse effect on the Group's business, results of operations and financial condition.



GROUP FINANCIAL STATEMENTS

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The operating profit **stepped up to €14 million** from €10 million last year.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

Under company law the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

On behalf of the Board

Patrick Purcell

Chairman

20 March 2018

Joseph Purcell

Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

1. Opinion: our opinion is unmodified

We have audited the financial statements of Mincon Group Plc ("the Company") for the year ended 31 December 2017 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statement of Cash Flows, and the related notes, including the accounting policies in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its profit for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities are further described in the Auditor's Responsibilities section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Revenue recognised (2017: €97.4 million; 2016: €76.2 million):

Refer to note 4 to the financial statements.

The risk

- The Group recognised Revenue of €97.4 million for the year ended 31 December 2017 (FY16: €76.2 million). Revenue recognition has been identified as a risk primarily relating to the judgement required to determine when the risks and rewards of ownership have transferred under certain contractual arrangements with third parties.

Our response

The procedures that we performed, among others, to assess the appropriateness of revenue recognition, included:

- Testing a sample of sales transactions to ensure that they were complete, exist and are accurate.
- Discussing with management the basis for determining the point of sale for material deliveries near year-end.
- Agreeing on a sample basis deliveries occurring near 31 December 2017 to supporting documentation to assess that IFRS revenue recognition criteria were met.
- Assessing the design of the control environment in relation to revenue recognition including but not limited to the process, perceived risks and controls designed to respond to those risks.
- Assessing whether the related disclosures in the financial statements are appropriate.
- Requesting that component auditors perform similar procedures as outlined above.

Based on the results of our testing we are satisfied that the revenue recognition policies are in line with IFRS and were appropriately applied throughout the period.

INDEPENDENT AUDITOR'S REPORT CONTINUED

2. Key audit matters: our assessment of risks of material misstatement (continued)

Recoverability of trade receivables (2017: €20.6 million; 2016: €18.1 million):

Refer to note 16 to the financial statements.

The risk

- The Group carries significant trade receivables of €20.6 million at 31 December 2017 (FY16: €18.1 million). The recoverability of those receivables is a significant business risk given the geographical spread of the Group's customers.
- The Group has recorded a provision of €3.0 million (FY16: €1.6 million) against this balance to account for doubtful debts.

Our response

The procedures that we performed, among others, to assess the carrying value of trade receivables, included:

- Testing subsequent cash received in relation to receivables outstanding at the balance sheet date.
- Challenging the information used to determine the bad debt provisions by comparing cash collection performance and level of bad debt charge over time, specifically considering overdue balances.
- Assessing the reasonableness of the provisioning policy and ensure that the provision at the balance sheet date has been calculated in line with the policy.
- Identifying and discussing any material write-offs of receivables during the year.
- Assessing presentation of any accounts in credit
- Inspecting accounting for credit notes issued post year end.
- Assessing the design of the control environment in relation to trade receivables including but not limited to the process, perceived risks and controls designed to respond to those risks.
- Assessing whether the related disclosures in the financial statements are appropriate.

The results of our testing were satisfactory and we found the level of bad debt provisions and the disclosures to be appropriate.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at €0.6 million (2016: €0.5 million). This has been calculated using a benchmark of Group profit before taxation, from continuing operations (of which it represents 5 per cent), which we have determined, in our professional judgement, to be one of the principal financial benchmarks relevant to members of the Company in assessing financial performance.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €30,000 (2016: €25,000), in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

Of the Group's 21 (2016:17) reporting components, we subjected 13 (2016: 15) to full scope audits for Group purposes. We conducted reviews of financial information (including enquiry) at a further 4 (2016: 2) non-significant components. The components for which we performed a review of financial information (including enquiry) were not individually significant enough to require an audit for Group reporting purposes but a review was performed to provide further coverage over the Group's results.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the materiality for components which ranged from €24,000 to €540,000, having regard to the mix of size and risk profile of the Group across the components.

The Group team held telephone conference meetings with all component auditors to assess the audit risk and strategy and reviewed a selection of component auditor files to assess work undertaken.

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the Corporate Profile, Chairman's Statement, Chief Executive Officer's Review, Operating and Financial Review, Strategy of the Group, Directors and management, Directors' Report, Directors' Statement on Corporate Governance and Principal Risks and Uncertainties, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

6. Our opinions on other matters prescribed the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company's statement of financial position is in agreement with the accounting records.

7. We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 34, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT CONTINUED

8. Respective responsibilities (continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

9. The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

Ruaidhri Gibbons

for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm

1 Stokes Place, St Stephen's Green, Dublin, Ireland

20 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017		Total €'000	2016
		Pre-exceptional items €'000	Exceptional items (Note 8) €'000		€'000
Continuing operations					
Revenue	4	97,358	-	97,358	76,181
Cost of sales	6	(59,520)	(2,271)	(61,791)	(45,620)
Gross profit		37,838	(2,271)	35,567	30,561
General, selling and distribution expenses	6	(23,798)	(903)	(24,701)	(20,383)
Operating profit	10	14,040	(3,174)	10,866	10,178
Finance cost		(126)	-	(126)	(140)
Finance income		47	-	47	170
Foreign exchange (loss)/gain		(1,309)	-	(1,309)	1,129
Movement on contingent consideration	21(e)	36	-	36	(4)
Settlement gain	21(e)	-	3,124	3,124	-
Profit before tax		12,688	(50)	12,638	11,333
Income tax expense	11	(2,243)	-	(2,243)	(2,080)
Profit for the period		10,445	(50)	10,395	9,253
Profit attributable to:					
- owners of the Parent				10,092	9,234
- non-controlling interests				303	19
Earnings per Ordinary Share					
Basic earnings per share, €	19			4.79c	4.39c
Diluted earnings per share, €	19			4.76c	4.38c

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 €'000	2016 €'000
Profit for the year	10,395	9,253
<i>Other comprehensive income/(loss):</i>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation – foreign operations	(3,975)	2,495
Other comprehensive income/(loss) for the year	(3,975)	2,495
Total comprehensive income for the year	6,420	11,748
Total comprehensive income attributable to:		
- owners of the Parent	6,117	11,729
- non-controlling interests	303	19

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 €'000	2016 €'000
Non-Current Assets			
Intangible assets	12	25,094	13,120
Property, plant and equipment	14	22,576	20,052
Deferred tax asset	11	150	529
Other non-current assets	13	100	238
Total Non-Current Assets		47,920	33,939
Current Assets			
Inventory	15	31,851	35,310
Trade and other receivables	16a	17,560	16,437
Other current assets	16b	4,709	996
Current tax asset		842	954
Cash and cash equivalents	21	28,215	36,836
Total Current Assets		83,177	90,533
Total Assets		131,097	124,472
Equity			
Ordinary share capital	18	2,105	2,105
Share premium	18	67,647	67,647
Undenominated capital		39	39
Merger reserve		(17,393)	(17,393)
Share based payment reserve	20	512	89
Foreign currency translation reserve		(2,940)	1,035
Retained earnings		57,391	51,509
Equity attributable to owners of Mincon Group plc		107,361	105,031
Non-controlling interests		787	484
Total Equity		108,148	105,515
Non-Current Liabilities			
Loans and borrowings	12	1,405	1,142
Deferred tax liability	11	318	714
Deferred contingent consideration	21	6,931	5,669
Other liabilities		368	595
Total Non-Current Liabilities		9,022	8,120
Current Liabilities			
Loans and borrowings	17	668	734
Trade and other payables		7,721	6,561
Accrued and other liabilities		4,403	2,823
Current tax liability		1,135	719
Total Current Liabilities		13,927	10,837
Total Liabilities		22,949	18,957
Total Equity and Liabilities		131,097	124,472

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 2017

	2017 €'000	2016 €'000
Operating activities:		
Profit for the period	10,395	9,253
<i>Adjustments to reconcile profit to net cash provided by operating activities:</i>		
Depreciation	3,014	2,332
Fair value movement on deferred contingent consideration	(3,160)	4
Finance cost	126	140
Finance income	(47)	(170)
Income tax expense	2,243	2,080
Other non-cash movements	2,548	(3,356)
	15,119	10,283
Changes in trade and other receivables	(3,488)	(1,708)
Changes in prepayments and other assets	(3,776)	669
Changes in inventory	1,339	281
Changes in trade and other payables	1,517	(394)
Cash provided by operations	10,711	9,131
Interest received	47	170
Interest paid	(126)	(140)
Income taxes paid	(1,723)	(1,943)
Net cash provided by operating activities	8,909	7,218
Investing activities		
Purchase of property, plant and equipment	(5,639)	(5,246)
Acquisitions, net of cash acquired	(5,200)	(979)
Payment of deferred contingent consideration	(2,024)	(682)
Short term deposit	-	30,781
Proceeds from former joint venture investments	109	116
Net cash used in/generated by investing activities	(12,754)	23,990
Financing activities		
Dividends paid	(4,210)	(4,210)
Repayment of loans and finance leases	(253)	(1,052)
Net cash provided by/(used in) financing activities	(4,463)	(5,262)
Effect of foreign exchange rate changes on cash	(313)	246
Net increase/(decrease) in cash and cash equivalents	(8,621)	26,192
Cash and cash equivalents at the beginning of the year	36,836	10,644
Cash and cash equivalents at the end of the year	28,215	36,836

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital €'000	Share premium €'000	Merger denominated reserve €'000	Un- Share based dominated payment capital reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interests €'000	Total equity €'000
Balances at 1 January 2016	2,105	67,647	(17,393)	39	(1,460)	46,485	97,439	465	97,904
Comprehensive income:									
Profit for the year	-	-	-	-	-	9,234	9,234	19	9,253
Other comprehensive income/(loss):									
Foreign currency translation	-	-	-	-	2,495	-	2,495	-	2,495
Total comprehensive income					2,495	9,234	11,729	19	11,748
Transactions with Shareholders:									
Share based payments	-	-	-	-	-	-	73	-	73
Dividends	-	-	-	-	-	(4,210)	(4,210)	-	(4,210)
Balances at 31 December 2016	2,105	67,647	(17,393)	39	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
Dividends	-	-	-	-	-	(4,210)	(4,210)	-	(4,210)
Balances at 31 December 2017	2,105	67,647	(17,393)	39	(2,940)	57,391	107,361	787	108,148

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

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 Company”) 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 Irish Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange.

2. Basis of preparation

These consolidated financial statements has 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).

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 2017 and 31 December 2016.

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.

The following new and amended standards and interpretations are effective for the Group for the first time for the financial year beginning 1 January 2017:

- Disclosure initiative (Amendments to IAS 7)
- Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)
- Annual improvements to IFRSs 2014 – 2016 Cycle – various standards (Amendments to IFRS 12)

The aforementioned did not have a material impact on the Group.

A number of new Standards, Amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements.

These are set out as follows:

- IFRS 15: Revenue from contracts with customers*
- IFRS 9: Financial Instruments*
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions*
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Amendments to IAS 40: Transfers of Investment Property*
- Annual Improvements to IFRS 2014-2016 Cycle - various standards (Amendments to IFRS 1 and IAS 28)*
- IFRIC 22: Foreign Currency Transactions and Advance Consideration*
- IFRS 16: Leases**
- IFRIC 23: Uncertainty over Income Tax Treatments**
- IFRS 17: Insurance Contracts***

The aforementioned did not have a material impact on the Group.

IFRSs not yet effective

The following new or amended standards and interpretations that are mandatory for 2018 annual periods (and future years) will be applicable to the Group:

IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Group has not adopted any standard, interpretation or amendment that has been issued but is not yet effective. The impact of these new or amended standards and interpretations has been considered as follows:

Estimated impact of the adoption of IFRS 9, IFRS 15 and IFRS 16

The Group is required to adopt IFRS 9 Financial Instruments from 1 January 2018. The Group has assessed the estimated impact that initial application of IFRS 9 will have on the consolidated financial statements. IFRS 9 Financial Instruments sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

* Amendments are effective for annual period commencing after 1 January 2018.

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

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

Classification of financial assets and financial liabilities

Based on its assessment, the Group concludes that the classification requirements will not have a material impact on any of its accounting balances.

Impairment – Financial assets

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12 month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that due to the nature of its receivables, the impact of IFRS 9 will not significantly impact the provision for bad debts.

Estimated impact of the adoption of IFRS 15

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 has reviewed the requirements of the new standard, considered those requirements in the context of the Group's revenue generating activities and identified the key areas for further detailed assessment. Based on the Group's initial review, the Group concludes that the new standard will not have a material impact on the net profit of the Group.

IFRS 16 Leases

IFRS 16 replaced existing leases guidance including IAS 17 leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluation the substance of transactions involving the legal form of a lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right of use assets representing its right to use the underlying asset and 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).

The Group has commenced an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. It is expected that the Group will recognise right of use assets and related lease liabilities for its operating leases.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, goods returned, and discounts and other similar deductions. Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which in most cases occurs on delivery. Revenue is recognised when recovery of the consideration is considered probable and the revenue and associated costs can be measured reliably. No revenue is recognised if there are significant uncertainties regarding the possible return of goods.

Segment reporting

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. See note 5 for additional information.

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.

Income taxes

Income taxes include both current and deferred taxes in the consolidated financial statements. Income taxes are reported in profit or loss unless the underlying transaction is reported in other comprehensive income or in equity. In those cases, the related income tax is also reported in other comprehensive income or in equity. A current tax liability or asset is recognised for the estimated taxes payable or refundable for the current or prior years.

Deferred tax is recognised using the statement of financial position liability method. The calculation of deferred taxes is based on either the differences between the values reported in the statement of financial position and their respective values for taxation, which are referred to as temporary differences, or the carry forward of unused tax losses and tax credits. Temporary differences related to the following are not provided for: the initial recognition of goodwill, the initial recognition (other than in business combinations) of assets or liabilities that affect neither accounting nor taxable profit, and differences related to investments in subsidiary companies to the extent that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In the calculation of deferred taxes, enacted or substantively enacted tax rates are used for the individual tax jurisdictions. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories 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

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 multiple cash generating units, which are aggregated into one operating segment and therefore all goodwill is tested for impairment at Group level and this is tested for impairment annually.

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 21.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

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.

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.

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.

Financial 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

Exceptional Items

The Group has adopted an Income Statement format which seeks to highlight significant items within the Group results for the year. Such 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. 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.

Trade and other receivables

The Group estimates the risk that receivables will not be paid and provides for doubtful accounts based on specific provisions for known cases and collective provisions for losses based on historical profit levels.

Total trade and other receivables as of 31 December 2017 amounted to €20.6 million (2016: €18.1 million) with a corresponding total allowance for estimated losses of €3 million (2016: €1.6 million).

4. Revenue

	2017	2016
	€'000	€'000
Product revenue:		
Sale of Mincon product	74,965	56,360
Sale of third party product	22,393	19,821
Total revenue	97,358	76,181

5. Operating Segment

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 2017 of €97.4 million (2016: €76.2 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 and 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):

	2017	2016
	€'000	€'000
Region:		
Ireland	661	669
Americas	25,407	23,389
Australasia	22,206	19,101
Europe, Middle East, Africa	49,084	33,022
Total revenue from continuing operations	97,358	76,181

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

	2017	2016
	€'000	€'000
Region:		
Ireland	10,381	6,752
Americas	14,796	14,423
Australasia	5,241	7,237
Europe, Middle East, Africa	17,352	4,998
Total non-current assets⁽¹⁾	47,770	33,410

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Cost of Sales and operating expenses

Included within cost of sales, selling and distribution expenses and general and administrative expenses were the following major components:

Cost of sales

	2017 €'000	2016 €'000
Raw materials	24,517	16,473
Third party product purchases	17,580	15,562
Employee costs	9,588	7,162
Depreciation	2,404	1,752
Impairment of capital inventory (note 8)	1,741	-
Impairment of finished goods inventory (note 8)	530	-
Other	5,431	4,671
Total cost of sales	61,791	45,620

The Group invested approximately €1.7 million on research and development projects in 2017 (2016: €0.9 million), of this €0.6 million has been expensed in the period with the balance of €1.1 million capitalised (note 12).

General, selling and distribution expenses

	2017 €'000	2016 €'000
Employee costs (including director emoluments)	13,845	12,026
Depreciation	610	580
Acquisition and related costs (note 8)	303	-
Impairment of trade receivable (note 8)	600	-
Other	9,343	7,777
Total other operating costs	24,701	20,383

7. Employee information

	2017 €'000	2016 €'000
Wages and salaries – excluding directors	19,448	16,507
Wages, salaries, fees and pensions – directors	658	510
Termination payments	380	349
Social security costs	1,591	1,317
Pension costs of defined contribution plans	1,045	732
Share based payment expense (note 20)	411	73
Total employee costs	23,533	19,388

The Group capitalised payroll costs of €0.1 million in 2017 (2016: €0.2 million) in relation to research and development.

The average number of employees was as follows:

	2017 Number	2016 Number
Sales and distribution	86	76
General and administration	49	58
Manufacturing, service and development	189	164
Average number of persons employed	324	298

Pension and Other Employee Benefit Plans

The Group operates various defined contribution pension plans. During the year ended 31 December 2017, the Group recorded €1.1 million (2016: €0.8 million) of expense in connection with these plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. Exceptional Items

	Total €'000
Cost of sales	
Impairment of capital equipment inventory	(1,741)
Impairment of finished goods inventory	(530)
Total cost of sales	(2,271)
General, selling and distribution expenses	
Impairment of trade receivable	(600)
Acquisition and related costs	(303)
Total general, selling and distribution expenses	(903)
Fair value movement on contingent consideration	3,124
Total exceptional items	(50)

The write down in the year ended 31 December 2017 on the Group's capital equipment inventory is €1.7 million (2016: €nil).

The level of finished goods inventory write down recognised as an exceptional item within the cost of sales amounted to €0.5 million (2016: €nil). This write down in inventory in the year ended 31 December 2017 arose on various non-Mincon manufactured product that became obsolete due to the availability of more advanced products that have now become available on the market.

The Group provides for all receivables where there is objective evidence, including historical loss experience, that amounts are irrecoverable. The Group now considers that a receivable of €0.6 million from a South American distributor is no longer recoverable.

The Group considers acquisition and related costs as significant items. During the course of acquiring PPV and Viqing the Group incurred costs of €0.3 million.

In August 2014 the Group acquired a 65% majority shareholding in Rotacan. In June 2017 the Group acquired the 35% minority interest in this business for cash consideration of €2 million which was settled in July 2017. The acquisition of the minority shareholding in Rotacan resulted in a credit to the income statement as the amount paid to settle the contingent consideration was less than the director's estimate of its fair value at 31 December 2016.

9. Acquisitions

In 2017, the Group increased its product portfolio and further extended its distribution network through the acquisition of PPV (Pirkanmaan Poraveikot OY) and Viqing Drilling Equipment AB.

In April, 2017, Mincon acquired 100% shareholding in Pirkanmaan Poraveikot OY, PPV, this is a Finnish based business that specialises in the design and sale of specialised consumable equipment for drilling where ground disruption must be minimised.

In July 2017, Mincon acquired 100% shareholding in Viqing Drilling Equipment AB. This company specialises in the manufacture and distribution of drill pipe, adapters/subs and other drilling accessories for drilling in mining, geothermal, water well and construction industries.

A. Consideration transferred

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

	PPV €'000	Viqing €'000	Total €'000
Cash	2,000	3,200	5,200
Deferred consideration	2,000	4,700	6,700
Total consideration transferred	4,000	7,900	11,900

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	1,152
Inventories	337
Trade receivables	656
Other assets	35
Trade and other payables	(553)
Other liabilities	(1,251)
Fair value of identifiable net assets acquired	376

The carrying amount of trade receivables equates to the fair value and the gross contractual amounts. The best estimate of the amount not to be collected is €nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Acquisitions (continued)

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.

If the information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisitions, then the accounting for the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	Total
Consideration transferred	11,900
Fair value of identifiable net assets	(376)
Goodwill	11,524

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. PPV product will be sold through the Group's current sales offices and Viqing product will continue to sell through existing channels and also through Mincon's sales offices.

10. Statutory and other required disclosures

Operating profit is stated after charging the following amounts:

	2017 €'000	2016 €'000
Directors' remuneration		
Fees	129	85
Wages and salaries	469	400
Other emoluments	-	-
Pension contributions	60	25
Total directors' remuneration	658	510

Auditor's remuneration:

	2017 €'000	2016 €'000
Auditor's remuneration – Fees payable to lead audit firm		
Audit of the Group financial statements	131	127
Audit of the Company financial statements	14	12
Other assurance services	10	10
Tax advisory services (a)	24	46
Other non-audit services	4	2
	183	197
Auditor's remuneration – Fees payable to other firms in lead audit firm's network		
Audit services	61	47
Other assurance services	12	10
Tax advisory services	10	8
Total auditor's remuneration	266	262

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. Income tax

Tax recognised in income statement:

	2017 €'000	2016 €'000
Current tax expense		
Current year	2,226	1,971
Adjustment for prior years	-	-
Total current tax expense	2,226	1,971
Deferred tax expense		
Origination and reversal of temporary differences	17	109
Total deferred tax (credit)/expense	17	109
Total income tax expense	2,243	2,080

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:

	2017 €'000	2016 €'000
Profit before tax from continuing operations	12,638	11,333
<i>Irish standard tax rate (12.5%)</i>	12.5%	12.5%
<i>Taxes at the Irish standard rate</i>	1,580	1,417
Foreign income at rates other than the Irish standard rate	116	436
Losses creating no income tax benefit	226	274
Other	321	(47)
Total income tax expense	2,243	2,080

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

	2017 €'000	2016 €'000
Deferred taxation assets:		
Reserves, provisions and tax credits	69	377
Tax losses and unrealised FX gains	81	152
Total deferred taxation asset	150	529
Deferred taxation liabilities:		
Property, plant and equipment	(194)	(523)
Accrued income	(30)	-
Profit not yet taxable	(94)	(191)
Total deferred taxation liabilities	(318)	(714)
Net deferred taxation liability	(168)	(185)

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

	Balance 1 January €'000	Recognised in Profit or Loss €'000	Balance 31 December €'000
1 January 2016–31 December 2016			
Deferred taxation assets:			
Reserves, provisions and tax credits	98	279	377
Tax losses	382	(230)	152
Total deferred taxation asset	480	49	529
Deferred taxation liabilities:			
Property, plant and equipment	(459)	(64)	(523)
Accrued income and other	-	-	-
Profit not yet taxable	(97)	(94)	(191)
Total deferred taxation liabilities	(556)	(158)	(714)
Net deferred taxation liability	(76)	(109)	(185)

	Balance 1 January €'000	Recognised in Profit or Loss €'000	Balance 31 December €'000
1 January 2017–31 December 2017			
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	-	(30)	(30)
Profit not yet taxable	(191)	97	(94)
Total deferred taxation liabilities	(714)	396	(318)
Net deferred taxation liability	(185)	17	(168)

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

	2017 €'000	2016 €'000
Tax losses	3,286	2,631
Total	3,286	2,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Intangible assets

	Product development €'000	Goodwill €'000	Total €'000
Balance at 1 January 2016	-	11,459	11,459
Investments	499	-	499
Acquisitions	-	279	279
Translation differences	-	883	883
Balance at 31 December 2016	499	12,621	13,120
Investments	1,163	-	1,163
Acquisitions (note 9)	-	11,524	11,524
Translation differences	-	(713)	(713)
Balance at 31 December 2017	1,662	23,432	25,094

Goodwill relates to the acquisition of the remaining 60% of DDS-SA Pty Limited in November 2009, the 60% acquisition of Omina Supplies in August 2014 and the 65% acquisition of Rotacan and ABC products in August 2014, the acquisition of Ozmine in January 2015, the acquisition of Mincon Chile and Mincon Tanzania in March 2015, the acquisition of Premier and Rockdrill Engineering in November 2016 and the acquisition of PPV and Viqing in 2017 being the dates that the Group obtained control of these businesses. 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 five-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 years budgeted. The discount rate in 2017 was assumed to amount to 13% (2016: 13%) after tax (approximately 13% before 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 substantially or the long-term growth was lowered to zero.

13. Other non-current assets

	Total €'000
Loan to former joint venture partner⁽¹⁾:	
At 1 January 2016 ⁽¹⁾	342
Repayment of loan from joint venture partner	(116)
FX movement on loan from joint venture partner	12
At 31 December 2016	238
Repayment of loan from joint venture partner	(109)
FX movement on loan from joint venture partner	(29)
At 31 December 2017	100

⁽¹⁾ 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 2017, an amount of US\$120,000 (2016: US\$251,000) was outstanding on this loan.

14. Property, plant and equipment

	Land and Buildings €'000	Plant and Equipment €'000	Total €'000
Cost:			
At 1 January 2016	9,157	22,478	31,635
Acquisitions	-	68	68
Additions	316	4,930	5,246
Disposals	(288)	(683)	(971)
Foreign exchange differences	81	614	695
At 31 December 2016	9,266	27,407	36,673
Acquisitions	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
Accumulated depreciation:			
At 1 January 2016	(1,994)	(12,364)	(14,358)
Charged in year	(247)	(2,085)	(2,332)
Disposals	31	453	484
Foreign exchange differences	(28)	(387)	(415)
At 31 December 2016	(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)
Carrying amount: 31 December 2017	8,427	14,149	22,576
Carrying amount: 31 December 2016	7,028	13,024	20,052
Carrying amount: 1 January 2016	7,163	10,114	17,277

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

	2017 €'000	2016 €'000
Cost of sales	2,404	1,752
General, selling and distribution expenses	610	580
Total depreciation charge for property, plant and equipment	3,014	2,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. Inventory

	2017 €'000	2016 €'000
Finished goods and work-in-progress	23,336	25,603
Capital equipment	2,612	4,473
Raw materials	5,903	5,234
Total inventory	31,851	35,310

The company recorded write-downs of €2.3 million against inventory to net realisable value (see note 8) during the year ended 31 December 2017 (2016: €0.2 million). Write-downs are included in cost of sales, please refer to note 8 for further details. Included in capital equipment inventory are third party rigs held for resale in Southern Africa.

16. Trade and other receivables and the current assets

a) Trade and other receivables

	2017 €'000	2016 €'000
Gross receivable	20,603	18,068
Provision for impairment	(3,043)	(1,631)
Net trade and other receivables	17,560	16,437

	2017 €'000	2016 €'000
Less than 60 days	13,333	11,148
61 to 90 days	3,005	1,844
Greater than 90 days	1,222	3,445
Net trade and other receivables	17,560	16,437

At 31 December 2017, €3.9 million (22%) of trade receivables balance was past due but not impaired (2016: €3.4 million (21%)).

b) Other current assets

	Total €'000
Balance at 1 January 2017	996
Plant and machinery prepaid	3,143
Other	570
Balance at 31 December 2017	4,709

17. Loans and borrowings

	Maturity	2017 €'000	2016 €'000
Bank loans	2018–2021	1,825	1,183
Finance leases	2018–2020	248	693
Total loans and borrowings		2,073	1,876
Current		668	734
Non-current		1,405	1,142

The Group has a number of bank loans and finance leases in 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.

In July 2017, Mincon Nordic OY a subsidiary of Group plc acquired 100% of Viqing Drilling Equipment AB. This acquisition included variable rate loans on the books of Viqing and its subsidiaries of €1.2 million. The loans are secured against land and buildings and plant and machinery.

18. Share capital and reserves

At 31 December 2016 and 2017

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 Irish Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange.

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 2017, Mincon Group plc paid an interim dividend for 2017 of €0.01 (1 cent) per ordinary share. In June 2017, Mincon Group plc paid a final dividend for 2016 of €0.01 (1 cent) per ordinary share. In September 2016, Mincon Group plc paid an interim dividend for 2016 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 2017 which will be subject to approval at the company's AGM in April 2018.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. 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:

	2017 €'000	2016 €'000
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	10,092	9,234
Earnings per Ordinary Share		
Basic earnings per share, €	4.79c	4.39c
Diluted earnings per share, €	4.76c	4.38c
Denominator (Number):		
Basic shares outstanding	210,541,102	210,541,102
Diluted weighted average shares outstanding	212,194,947	211,041,102

There were a number of outstanding restricted share awards (RSAs) in issue at 31 December 2016 and 2017.

20. Share based payment

During the year ended 31 December 2017, the Remuneration Committee made a grant of approximately 1,153,845 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.

During the year ended 31 December 2016, the Remuneration Committee made a grant of approximately 500,000 Restricted Share Awards (RSAs) to members of the senior management team.

21. 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.

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 2017 were as follows:

	2017	2016
	€'000	€'000
Cash and cash equivalents	28,215	36,836
Loans and borrowings	2,073	1,876
Shareholders' equity	107,361	105,031

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.

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

	31 December 2017	31 December 2016
	€'000	€'000
Ireland	17,148	29,373
Americas	2,087	1,543
Australasia	3,407	1,740
Europe, Middle East, Africa	5,573	4,180
Total cash, cash equivalents and short term deposits	28,215	36,836

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. 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 Carrying Value €'000	Total Cash Flows €'000	Less than 1 Year €'000	1-3 Years €'000	3-5 Years €'000	More than 5 Years €'000
At 31 December 2016:						
Deferred contingent consideration	5,669	5,870	-	5,870	-	-
Loans and borrowings	1,183	1,226	345	682	173	26
Finance leases	693	726	418	308	-	-
Trade and other payables	6,561	6,561	6,561	-	-	-
Accrued and other financial liabilities	2,823	2,823	2,823	-	-	-
Total at 31 December 2016	16,929	17,206	10,147	6,860	173	26
At 31 December 2017:						
Deferred contingent consideration	6,931	6,931	1,444	5,487	-	-
Loans and borrowings	1,825	2,192	481	751	383	577
Finance leases	248	258	182	76	-	-
Trade and other payables	7,721	7,721	7,721	-	-	-
Accrued and other financial liabilities	4,403	4,403	4,403	-	-	-
Total at 31 December 2017	21,128	21,505	14,231	6,314	383	577

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 and Swedish krona.

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.

The Group's worldwide presence creates currency volatility when compared year on year. In 2017, there were two major movements in Mincon's operational currencies:

- The weakening closing USD rate against the Euro at the end of 2017 (-14% compared with 2016 closing rate) contributed significantly to the FX loss in the Group's Income Statement. This is due to the high monetary net asset exposure the Group has to the USD.
- A strengthening in the Rand average rate against the Euro of 8% compared to 2016 average rate, which resulted in an increase in reported revenue for the year of approximately €1 million. This was offset by the FX impact on the retranslation of underlying Rand costs, as a result, the strengthening Rand average rate against the Euro did not significantly impact reported profit for 2017.

In 2017 44% (2016: 46%) of Mincon's revenue €97 million (2016: €35 million) was generated in ZAR, AUD and SEK, compared to 9% (2016: 15%) of the Group's cost of sales. The majority of the group's manufacturing base has a Euro or US dollar 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.

Euro exchange rates	2017		2016	
	Closing	Average	Closing	Average
US Dollar	1.20	1.13	1.05	1.11
Australian Dollar	1.53	1.47	1.46	1.49
Great British Pound	0.89	0.88	0.85	0.82
South African Rand	14.80	15.02	14.41	16.27
Swedish Krona	9.83	9.63	9.54	9.46

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:

Net Foreign Currency

Monetary Assets/(Liabilities)	2017 €'000	2016 €'000
Euro	(2,625)	(1,001)
US Dollar	15,069	12,016
Australian Dollar	2,172	1,865
South African Rand	11,227	11,979
Other	1,445	368
Total	27,288	25,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. Financial risk management (continued)

c) Credit risk

The majority of the Group's customers are third party distributors and end users of drilling tools and equipment. The maximum exposure to credit risk for trade and other receivables at 31 December by geographic region was as follows:

	2017 €'000	2016 €'000
Ireland	62	27
Americas	3,325	5,340
Australasia	3,648	3,559
Europe, Middle East, Africa	10,525	7,511
Total amounts owed	17,560	16,437

The Group is also exposed to credit risk on its liquid resources (cash), of which €17.1 million (2016: €27.1 million) was held with Irish financial institutions in Ireland. The Directors actively monitor the credit risk associated with this exposure.

d) Interest rate risk

Interest Rate Risk on financial liabilities

The Group is primarily equity and cash funded and has drawn down small amounts of debt for natural hedging purposes. Movements in interest rates had no significant impact on our financial liabilities or finance cost recognised in either 2016 or 2017.

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 2016 or 2017.

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.

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 2017 are as follows:

	Deferred contingent consideration
	€'000
Balance at 1 January 2017	5,669
Arising on acquisition	6,700
Cash payment	(2,024)
Settlement gain	(3,124)
Foreign currency translation adjustment	(254)
Other	(36)
Balance at 31 December 2017	6,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Subsidiary undertakings

At 31 December 2017, the Group had the following subsidiary undertakings:

Company	Group Share %	Registered Office and 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
Marshalls 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 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
DDS-SA (Proprietary) Ltd 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 Sales 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
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	70% ⁽¹⁾	Plot 1/3 Nyakato Road, Mwanza, Tanzania

Company	Group Share %	Registered Office and Country of Incorporation
Mincon Namibia Pty Ltd Sales company	60% ⁽¹⁾	Ausspannplatz, Windhoek, Namibia
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 2B8, Canada
Lotusglade Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Floralglade Company Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Microcare Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Castle Heat Treatment 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

*Indirectly held shareholding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Leases

Operating leases

The Group leases certain of its facilities and equipment under non-cancellable operating lease agreements. However, annual obligations under these operating leases has not exceeded €100,000 in any of the periods presented, and is not expected to do so in the foreseeable future.

Finance leases

At 31 December 2017, the net book value of assets acquired under finance leases was €0.8 million (2016: €2.3 million), which included €0.5 million (2016: €2.0 million) of accumulated depreciation. The depreciation expense related to assets under finance leases for 2017 was €0.1 million (2016: €0.3 million).

24. Commitments

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

	31 December 2017 €'000	31 December 2016 €'000
Contracted for	6,258	3,889
Not-contracted for	718	-
Total	6,976	3,889

For information on lease commitments, refer to note 23.

25. Litigation

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

26. Related parties

As at 31 December 2017, the share capital of Mincon Group plc was 56.84% (2016: 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 of the Company. Ballybell Limited, a company controlled by Kevin Barry, holds 5.28% (2016: 7.09%) of the equity of the Company.

In September 2017, the Group paid an interim dividend for 2017 of €0.01 to all shareholders. The total dividend paid to Kingbell Company and Ballybell Limited was €1,196,172 (September 2016: €1,196,712) and €111,178 (September 2016: €149,178) respectively.

In June 2017, the Group paid a final dividend for 2016 of €0.01 to all shareholders. The total dividend paid to Kingbell Company and Ballybell Limited was €1,196,172 (September 2016: €1,196,712) and €149,178 (September 2016: €299,178) respectively.

The Group has a related party relationship with its subsidiary and its joint venture undertakings (see note 22) 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 2017 and 2016. The Group has amounts owing to directors of €Nil as at 31 December 2017 and 2016.

Key management compensation

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

	2017 €'000	2016 €'000
Short term employee benefits	1,283	1,346
Bonus and other emoluments	-	100
Post-employment contributions	90	31
Total	1,373	1,477

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 (eight in total at year end). Amounts included above are time weighted for the period of the individuals employment.

27. 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 2017 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 2018. This final dividend, when added to the interim dividend of 1 cent paid in September 2017, makes a total distribution for the year of 2.05 cent per share. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 22 June 2018 to Shareholders on the register at the close of business on 25 May 2018.

Acquisition of the Driconeq Group

On 20 March 2018, the Group entered into an agreement to acquire a 100% shareholding in the Driconeq Group, a manufacturer of drill rods based in Sweden for total cash consideration of €8 million.

28. Approval of financial statements

The Board of Directors approved the consolidated financial statements on 20 March 2018.

SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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The operating profit **stepped up to €14.04 million** from €10.18 million last year.



COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 €'000	2016 €'000
Non-Current Assets			
Investments in subsidiary undertakings	2	40,139	38,065
Total Non-Current Assets		40,139	38,065
Current Assets			
Loan amounts owing from subsidiary companies	3	17,817	7,814
Other assets		91	62
Cash and cash equivalents	4	15,348	27,712
Total Current Assets		33,256	35,588
Total Assets		73,395	73,653
Equity			
Ordinary share capital	1	2,105	2,105
Share premium	1	67,647	67,647
Undenominated capital		39	39
Share based payment reserve		512	89
Retained earnings		2,760	3,535
Total Equity		73,063	73,415
Current Liabilities			
Accrued and other liabilities		174	80
Amounts owed to subsidiary companies	3	158	158
Total Current Liabilities		332	238
Total Liabilities		332	238
Total Equity and Liabilities		73,395	73,653

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

On behalf of the Board:

Patrick Purcell
Chairman

Joseph Purcell
Chief Executive Officer

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 €'000	2016 €'000
Operating activities:		
Profit for the period	3,435	1,606
Share based payments	423	73
Loans to subsidiaries	(10,003)	728
Movement in other current assets	(29)	(38)
Movement in accruals and intercompany creditors	94	46
Net cash provided/(used in) by operating activities	(6,080)	2,415
Investing activities		
Redemption of/(investment in) short term deposits	-	29,964
Investment in subsidiary undertakings	(2,074)	(1,470)
Net cash provided by/(used in) investing activities	(8,154)	28,494
Financing activities		
Dividends	(4,210)	(4,210)
Receipt of capital contribution	-	-
Net cash provided by/(used in) financing activities	(4,210)	(4,210)
Effect of foreign exchange rate changes on cash	-	-
Net increase/(decrease) in cash and cash equivalents	(12,364)	26,699
Cash and cash equivalents at the beginning of the period	27,712	1,013
Cash and cash equivalents at the end of the period	15,348	27,712

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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital €'000	Share premium €'000	Other reserve €'000	Undenominated Capital €'000	Share based payment reserve €'000	Capital contribution €'000	Retained earnings €'000	Total equity €'000
Balance at 31 December 2015	2,105	67,647	-	39	16	-	6,139	75,946
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	1,606	1,606
Total comprehensive income							7,745	77,552
Transactions with Shareholders:								
Share based payments	-	-	-	-	73	-	-	73
Dividends	-	-	-	-	-	-	(4,210)	(4,210)
Balances at 31 December 2016	2,105	67,647	-	39	89	-	3,535	73,415
Comprehensive income:								
Profit for the period							3,435	3,435
Total comprehensive income							6,970	76,850
Transactions with Shareholders:								
Share based payments					423			423
Dividends							(4,210)	(4,210)
Balances at 31 December 2017	2,105	67,647	-	39	512	-	2,760	73,063

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Share capital

See note 18 of the Mincon Group plc consolidated financial statements for details of the authorised and issued share capital of the company.

2. Investments in subsidiary undertakings

During the year ended 31 December 2017, Mincon Group plc subscribed for equity in the following subsidiaries as follows:

- €2.0 million investment in Rotacan
- €10,000 in Mincon Nordic OY
- €49,000 in Mincon International UK Ltd..

3. Transactions with subsidiary companies

At 31 December 2017, the Company had advanced €17.8 million (2016: €7.8 million) to subsidiary companies by way of loans. These loans are interest free and repayable on demand, however these are unlikely to be recalled in the foreseeable future.

At 31 December 2017, the Company owed €158,000 (2016: €158,000) to subsidiary companies in relation to costs incurred on its behalf.

4. Short term deposits

At 31 December 2017, the Company had €15.3 million cash readily available (2016: €27.7 million).

5. Approval of financial statements

The Board of Directors approved the financial statements on 20 March 2018.





The Driller's Choice Worldwide

MINCON GROUP PLC

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