MINCON BREAKING GROUND GLOBALLY

Mincon Annual Report & Consolidated Financial Statements.
Year Ended 31 December 2018

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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 Euronext Dublin.

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)
John Doris – Non Executive Director (Irish)
Jussi Rautiainen – Non Executive Director (Finnish)
Joseph Purcell – Chief Executive Officer (Irish)
Thomas Purcell – Sales Director (USA)

Company Secretary

Jonathan Clancy (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 Chartered accountants, 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

Marshalls Carbide 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

Driconeq Production AB
100% Svarvarevagen 4, 686 33 Sunne, Sweden

Härdtekno i Kristinehamn AB
Hantverkaregatan 6, 681 42 Kristinehamn, Sweden

NORTH & SOUTH AMERICA

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

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

1676427 Ontario Inc.(Operating as Mincon Canada).
400B Kirkpatrick Street, NorthBay, Ontario, P1B 8G5, Canada

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

Driconeq Do Brazil
Rua Dr. Ramiro De Araujo Filho, 348, Jundai, SP, Brazil

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 Holdings PTY Ltd
1 Northlake, Jetpark 1469, Gauteng, South Africa

Driconeq Africa Ltd
Cnr of Harriet and James Bright Avenue, Driehoek. Germiston 1400, 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 Canaria

Mincon Australia Pty Ltd
2/57 Alexandra Street, North Rockhampton, Queensland, 4701 Australia

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

Driconeq Australia Pty Ltd
100% 47 Greenwich Parade, AU-6031 Neerabup, WA, Australia

MINCON – A YEAR IN REVIEW

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We have invested in people, in **factories**, in **products**, in **distribution**, and we have earned a return, but the real value of these decisions and these investments is now in front of us.

CHAIRMAN'S STATEMENT

WE PUT ENGINEERING AT THE CORE OF WHAT WE DO, AND HIGH QUALITY PRODUCTS AND CUSTOMER SERVICE AT THE CENTRE OF OUR OFFERING.

We have to take our opportunities

After the recent years of rapid organic growth and growth by acquisition we have reached a point where we should increase the return on the investments we have made.

It is good **that we have continued to build profitability,** now we will **focus on increasing the return on capital employed**, on the cash growth and on the efficiency of our manufacturing and distribution base. These are among the objectives the Board has set for the Executive in 2019.

We have **invested in new capital equipment** for all the factories and **built a prototype facility**. We have **completed the engineering on the large hammer range**, and equipped the factories to manufacture them, so now we seek the sales that justify the investment.

The Executive has installed the additional factory capacity as planned, and the factories are meeting the order books without undue delays. We are now seeking increases in efficiency, savings in overhead spend, increased return on our investment, in our sales expenditure, and in cash allocation to prioritise the reward for all our stakeholders.

The Hydraulic DTH Hammer System is also moving towards its commercial deployment phase.

Over the last few years we have doubled our size and more, but there is no gain in this if the earnings don't follow, While we now have a stronger market position and offer a wider range of excellent products, this market position must translate into better profitability and a better return on this investment.

In building up the Group in recent years, and in assembling the drill string offering, the team in the Mincon Group has concluded that there is a world of difference between offering the products in a catalogue, even an on-line catalogue, and engaging directly with the end customers on their specific requirements to achieve their objectives.

This thinking has also strategically brought us into the construction and piling sectors. It has taken us five years to bring though the Hydraulic System to its current stage of development, and three years to design, develop and put the capital expenditure in place to support the large hammer range. In future the Technology Steering Group, now in place, will take responsibility for the new product ranges and their development so that we develop new efficiencies, and new methodologies with the environment and customers' needs in mind.

Our business has to play its part in **being environmentally aware**, in minimising the energy that the products use, in reducing ground disturbance in sensitive and high population density sites, and in matching our customers ambition for efficiency. We see this as a challenge to be met, not a burden to be endured, and it is this opportunity to rethink and renew the industries that we serve that characterises the challenger mentality we are adopting.

We have assembled and now present the entire drill string as a sales offering, with a range of sizes and product

types that address a wider range of markets, directed at the surface drilling customer. With a full range of drilling consumables we can meet the requirements of our larger customers, and through joint partnerships with these end users, savings will accrue on both sides. This positions us as a challenger brand in the mid-market, and away from the more commoditised low end business.

We put engineering at the core of what we do, and high quality products and customer service at the centre of our offering. It is our belief that the building up of our intellectual property, the increased quality of our manufacturing, and the investment in our service is a combination that protects and develops our products, our people and our margins.

There is great satisfaction in the continuing good performance of the Group. We sometimes don't appreciate the progress as we can be too close to the business, and we appreciate the management team, their leadership, our staff and the shared vision. We believe that this is a very different and better business to the one that received the investment funds on IPO some years ago, and the value is to come from the maturing of the investments the team have made since that date.

We have been successful to date, but the opportunities are not the ones we have taken since 2013, but the new opportunities in front of us now. We have invested in people, in factories, in products, in distribution, and we have earned a return, but the real value of these decisions and these investments is now in front of us.

In my view the share price of the company, outside of the general movements in the markets, is a function of the expectations on the company, and the earnings of the company. If we can continue to improve both of these ambitions then we will achieve the ambitions of the stakeholders, the Board, and the Executive.

Patrick Purcell

Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

HIGHER RETURN ON CAPITAL EMPLOYED AND BETTER CASH FLOW FOR INVESTMENT AND FOR STAKEHOLDERS

We have great opportunities to deliver new products in a new way, driven by the thinking of a challenger brand, guided by the talent we have assembled.

Revenue	From	To
UP 21%	€97 MILLION	€118 MILLION

Gross Profit	From	To
UP 18%	€37 MILLION	€44 MILLION

Operating Profit	From	To
UP 16%	€14 MILLION	€16 MILLION

Basic Earnings Per Share	From	To
UP 35%	4.79 CENT	6.45 CENT

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

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

We have continued to grow the Mincon Group

In 2018 we were able to continue the growth of previous years, showing an increase of 21% overall in revenue in the year, a 12% improvement in our pre-exceptional operating profit and a 35% uplift in the basic earnings per share.

Looking into the numbers we see 34% growth in Mincon Group product revenue in the year. Most of this was **growth through acquisition as we caught up with the order build** of the last two years and we reached production and sales equilibrium. The task in front of us in 2019 is to make it a dynamic equilibrium. **The significant acquisition in the year was the Driconeq Group**, a large lower margin business, but a great fit for our business, as a drill pipe manufacturer, and consequently a key element to building out our drill string offering.

We are different from some of our competitors, in that some 85% of what we sell is not just branded as Mincon product, but designed and manufactured by our Group. Our out-sourcing, and third party manufacturing is minimal. This gives us substantial control over the quality of what we manufacture but more importantly it means that the compound intellectual property of our products resides in-house. This has been key in the development of the next generation of products outlined below.

Responding to the stakeholders

Mincon stakeholders tend to have done the deskwork on the results of the Group, and meetings and presentations are more geared towards what the Executive and Board are thinking, where we see the Group going, and when the stakeholders will see a return from the decisions the Executive and Board have made. Accordingly as we present the results of the Group for 2018, we take this opportunity to explain how we think , how we lead, and where we believe we should and will go next.

In recent years **we have added many products**, **wider geographic distribution** from Canada to Eastern Australia, from Sunne in Sweden to Johannesburg South Africa, and Chile, South America. The cost of this footprint is significant, and the complexity of management in different languages, time zones, cultures and currencies is a very significant burden for a small company. We have balanced this by adding tremendous experience in our senior management team at Group and overseas, and the brief for our senior managers includes bringing through the next management team.

Much done, much to do

We have developed profitability at a slower rate than the revenue growth as a result of a number of factors:

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

We have yet to see the mature returns from these initial investments.

We understand that we have to derive revenue and returns from those investments. We have made the investments, and, in the coming year, we plan to build out the income streams.

This coming year we are on the verge of;

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

Our management approach

We have a collegiate approach to the management of our business, we discuss openly what we are doing, and what we plan to do. There is often robust and healthy debate on what we should do and it is my job to bring the discussions to a decision, and present it to the Board for support.

The discussions among the Executive and with the Board mean that a variety of opinions are captured, with the ambition of making fewer mistakes, and if any mistakes occur, they are picked up quickly, and amended before they become too expensive or too far off target. We have adopted the same open approach in the formation and leadership brief of the Technology Steering Group, the lead engineering group commented on below.

Mincon is developing into a challenger brand

Mincon has concentrated on the design, manufacture, delivery and servicing of surface drilling consumables for the first forty years of its corporate existence. In recent years we have set out to assemble the full range of the drill string for different types of mining and construction piling. This provides it with the opportunity to deliver a full service offering to end customers, and as we now design and manufacture the key elements in the drill string, we have differentiated ourselves from the less developed businesses in low margin activities in the sector, and are stepping towards direct provision to end customers and larger contracts.

We are embracing a regime of continuous development, of continuous improvement in the service delivery, and new ways to enable our customers to achieve the same objectives as we seek ourselves; capital efficiency, better safety, improved environmental protection, **higher return on capital employed and better cash flow for investment and for stakeholders**.

We believe a challenger brand should try to change the market it services, because the market construct protects and maintains the market leaders. **We can change the market by improving our channels to market, establishing new ones, delivering a high quality service offering, better products, by the quality of our thinking, and by the rapidity of our response to changing needs**. We need new thinking, we need to embrace the creative destruction of our own businesses to drive their renewal.

If we do not work to make our current range of products redundant by developing new, better products, we can rely on our competitors to do this. If we don't renew our channels to market, and play our part in accepting the way our customers wish to develop their requirements then we will be superseded. If we copy what the market structure already is, we will fail, as we will have embraced the existing structures without the market advantages of the leaders. Not only do we have to continue to develop our own range of current products, but we have to plot their replacement by newer technologies and newer delivery systems.

A challenger brand has to bring change

As we carry out our day to day work, we are also investing our leadership time in thinking, and reflecting on our business, products and markets.

Mincon's primary engineering objective is to design and manufacture class-leading and highly efficient drilling consumable tools that use less energy per metre of drilling. Rock drilling is an energy-intensive undertaking, with efficiency being measured in the speed of drilling; the life of consumables; and the reliability of equipment.

Our primary engineering objective will be driven by our engineering leadership, the Technology Steering Group. This group of five is led by myself and is made up of senior engineers who each have many decades of experience in the rock drilling industry. The experience in the group is very broad and includes the areas of mechanical design and simulation; metallurgy and heat treatment; market and application knowledge; and hands-on drilling. The function of the group is to develop the next generation of engineering leaders and to liaise with all levels of the Mincon Group, including the customer service centres, so that it can analyse customer feedback, and prioritise areas for technology development.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Product development
Our engineering effort can be broken down to the following headings:

1. **Product maintenance** – ensuring existing product line-ups continue to be manufactured and serviced to the highest standard, as well as identifying areas for optimisation within customer operations.
2. **Design and development** – ongoing optimisation of existing products, with service engineers providing feedback on real-world performance to design engineers. Over the coming years, development will include work on:

- New DTH hammer and bit developments with a focus on efficiency.
- Rotary bit development – Continuous improvement for our range of open, and sealed-bearing, rotary bits to deliver market-leading performance in terms of life and penetration rates.
- Optimising drill-rod performance and durability – implementing new wear-resistance technologies in drill-rod manufacturing and extending tool-joint thread life.

3. **New technology development** – spearheaded by Mincon's Technology Steering Group. The group is exploring several new technologies and concepts for development, including:

- Greenhammer (working name) – Mincon's flagship technology for single-pass hard rock blasthole drilling, using a high-performance DTH hydraulic percussion system.
- Drilled foundation product developments particularly for sensitive ground conditions.
- Wear resistance technologies to benefit all rock drilling applications.

The hydraulic systems
We see this environmental thinking in the emerging hydraulic **DTH system range**. We could not have brought this through development without a full understanding of the manufacture and control of the drill string, without the patience and commitment of our engineering and service delivery team, and without the resources of the Group. In this, a partner has been key to bringing the system to the current stage, where we stand, we believe, on the edge of commercial release.

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

We have found that the intellectual property of our business is as much in the service of our customer at the mine or construction site, as it is in the performance of our product designs ,or the quality of our manufacturing processes. **Every step we take from mind to market, where we design, manufacture and deliver our products and services gives us an opportunity for margin, and the risk of complexity**. We are working to find a balance, and we are prepared to take a longer view of our business rather than chase growth for the sake of growth. In 2019 we are continuing to improve the quality of the Group's offering through training our people, to improving our management and processes, and providing better delivery with fewer faults. Automation in our factories and investment in our IT are key to this long view.

Sustainability
As owners we believe that **long-term sustainability will remain a key priority for Mincon's business**, and consequently our engineering **efforts and global growth**. Mincon is building a business for the future by recruiting and nurturing new engineering talent; developing its existing service and manufacturing centres; diversifying its product range; and expanding market presence.

To help realise this sustainability, Mincon has made significant capital expenditure commitments to increase production capacity at its factories around the world. To help these facilities respond to local demand, investments have been made in automation, heat treatment and machining capacity, as well as carbide development and manufacturing.

Going forward this means we must embrace more environmentally conscious products and systems, more energy efficient delivery of production, longer term partnerships and multi-year contracts with direct delivery to the end customer.

Acquisitions
Acquisitions are part of our business model, as it helps us accrue leadership for our teams, build access into new markets and new customers, and fill out our product ranges. Over the last five years, through acquisitions, we have added **good people**, **good products**, and **greater reach** into the markets we plan to serve. We have learned, too, that in general making good acquisitions and developing value from them can take substantial time before, during and after their acquisition, and is itself a specialist skill set. We have made enough acquisitions to become more careful in what we buy, how we buy it and in establishing how the people and the businesses fit in the Group.

The direction of our acquisitions will develop in the coming years, for example, into construction drilling and piling, in keeping with the development of our product range and strategy. Our environmental product emphasis is to create minimum ground disturbance in our products for construction piling in sensitive and high density areas.

Concluding comments
We had another year of good growth across most of the metrics for the Group. We closed out the current capital investment build out in June of 2018, and the Board approved expenditure is running off and being commissioned. It is more likely that we will run capital expenditure at less than the depreciation rate for the coming three year cycle, save for the potential new factory expansion in Australia. However there is a lot of project work yet to be done before proposals are filled out.

We also plan to review the overheads that we have built up with a view to improving efficiency across the Group, and we will **be investing in Group information technology** to give us **easy worldwide access** to and transparency of our inventory for our own team, and for our customers.

The three main factories will go live on a common system in the **coming months**, and this should be substantially established throughout the entire Group by the year end.

The factory build out in the three core factories in **Shannon, Ireland**, **Benton Illinois, USA**, and **Perth, Australia** should allow us to deliver efficiently to our Group distribution points, and to our end customers. We aggressively ramped up our production levels and increased our raw material purchases in response to very strong growth and orders over the last two years.

Consequently we can generally supply within standard delivery times, and we now plan to move raw materials through the factories to the finished goods category in order to deliver a pick and pack service for customers. Amongst the issues being reviewed will be the comparative manufacturing advantages of each plant, and the related margin analysis, and from that whether and where we should make products, and service our customers.

This type of approach, combined with the supporting investment in IT should shrink inventories in 2019 while still delivering a faster order service across the Group. The rig sales of the last few months will also help reduce the inventory carried.

I am delighted to have formed the Technology Steering Group in 2018, and through the work of this team, with that of other teams led by my colleagues, we have great opportunities to deliver new products in a new way, driven by the thinking of a challenger brand, guided by the talent we have assembled. We have over 500 employees in the Group today, and we will continue to seek tomorrows business managers and engineering leadership from the people we develop inside our companies.

Joseph Purcell
Chief Executive Officer

STRATEGY OF THE GROUP
BUSINESS MODEL AND STRATEGY

The Group works with a three year rolling strategy, which is each year, and as necessary, reviewed by the Executive and the Board. We examine and reflect on our decisions, continually review our processes and act to mitigate adverse outcomes.

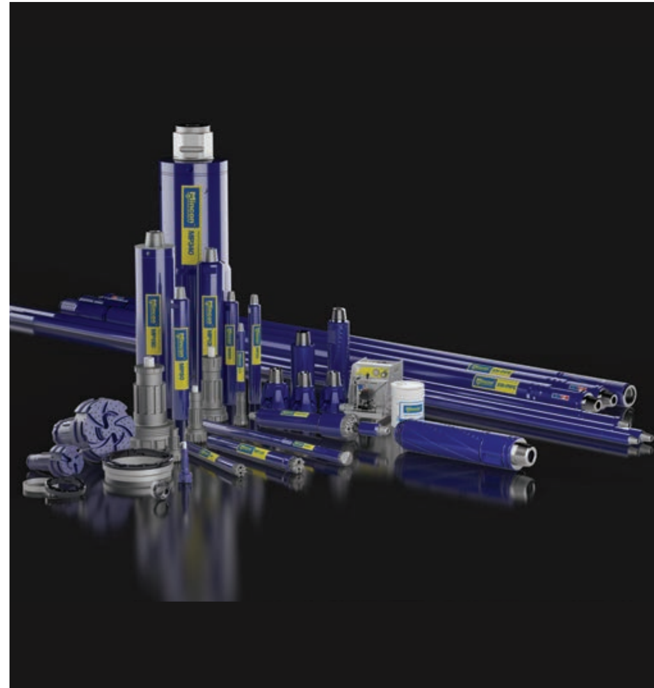
The Group's strategy and business model and amendments thereto, are developed by the Chief Executive Officer and his Executive team, and approved by the Board. The senior management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.

The Group's overall strategic objective is to develop long term sustainable competitive advantage with our products and services for customers, for the benefit of our shareholders and all stakeholders.

The Group has historically focused on surface drilling, initially manufacturing hammers and bits for those applications. We have extended our addressable market into the GeoTech sector primarily aimed at construction piling. We have continued to build out the ranges of hammers and bits that we have offered, and we continue to add the drill string components that support a full product range and service offering. Our strategic direction is to provide market leading products for surface applications to the mining and construction industries, manufactured, supplied and serviced by the Group.

We seek to market competitive products centred in an ethos of better engineering and service, and we supply markets and customers across the world, in part because that is where the customers are, and in part because the geographic spread enables us to obtain a wide range of feedback from the use of our products in a wide range of drilling environments. This constant iteration from the end customer to engineering and back to the market drives our design and process improvements.

The Group manufactures and sells rock drilling consumable products, and accordingly responsive supply and service is key to the offering. Since the markets we serve across the world are geographically dispersed, and the lead times for delivery are set by customer requirements and competition to a large degree, we have built a wide network of customer service centres backed by manufacturing plants in key markets. Our development into GeoTech and construction should give, over time, less dependency on mining if our development is successful. Our products



are not that different in engineering for the construction sector, though they differ in size, method of utilisation by the end customer, and potentially routes to market.

Mining across the world tends to move cyclically and to a high degree homogenously, whereas construction can be localised, with a much higher degree of state involvement in infrastructure projects. We have acquired our first companies and product categories in this sector, and we will be considering additions to these over the coming years.

In executing the Group's strategy and operational plans, management will typically confront a range of day-to-day challenges associated with key risks and uncertainties, and through compliance, audit, risk management and policy setting, we will aim to mitigate these risks and maximise the sustainable opportunity for success.

We are committed to:

- better engineering
- the creation of intellectual property at the core of our products, supporter inter alia by patents
- better service delivery, and
- improving the skill sets of our teams

STRATEGY OF THE GROUP
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 GROUP'S INDUSTRY

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

The demand for the Group's products and services is affected by changes in customers' investment plans and activity levels. Customers' investment plans can change depending on global, regional and national economic conditions or 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 can also materially impact on investments in consumable equipment. Although the Group 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 some 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.

STRATEGY OF THE GROUP
PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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 eight 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 maintaining relationships with existing customers to generate most of its 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 Epiroc 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

During 2018, the Group's top ten customers have accounted for approximately 21% 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 fewer 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.

Implications in relation to Brexit

The Group has a carbide manufacturing facility in the UK, along with a sales and distribution centre selling all our major manufacturing components and some third party product. The Group envisages minimal impact from Brexit in the coming year. The Group's revenue that was generated in the UK during 2018 was €3.3 million

OPERATING AND FINANCIAL REVIEW

Revenue up 21%, and gross profit up 18%

Revenue increased by 21% in the year just passed, from €97 million for 2017 to €118 million for 2018, much of it through the acquisition of the Driconeq Group in March 2018. This drillpipe manufacturer was a key supplier to the Mincon Group and had been supplying Mincon with some €4 million of drillpipe.

We had planned to switch this turnover to our own drillpipe company, Viqing, but the opportunity came to add Driconeq to the Mincon Group, and since then we have combined the businesses in Sweden, and added their Australian and South African businesses to our regional leadership responsibilities. We saw growth of 33% in EMEA, 26% in Australasia, and while the Americas were flat, this understates the progress in that region, with South America retracing due to the loss of a large customer at the end of 2017 and while the USA moved ahead.

INCOME STATEMENT	2013* Audited €'000	2014 Audited €'000	2015 Audited €'000	2016 Audited €'000	2017* Audited €'000	2018* Audited €'000
Revenue	52,343	54,544	70,266	76,181	97,358	117,688
Gross profit	25,722	23,552	28,277	30,561	37,838	44,626
Operating profit	15,012	10,350	9,990	10,178	14,040	16,352
Profit before tax	13,732	11,249	9,623	11,333	12,688	15,703
Profit after tax	11,159	9,264	8,028	9,253	10,445	13,266

*Before exceptional items

Driconeq was a difficult acquisition, geographically spread, marginally profitable, with a subsidiary in administration, and it consequently required very significant senior management time, but it has bedded in well and we believe that it meet all our expectations for it. We are looking for businesses with similar characteristics to bring down our average cost of acquisition. This transfer of external purchases to internal purchases by the acquisition explains the third party sales falling by 22%, while Mincon Group sales increased by 34%.

Gross margin in 2018 was 38%, down from 39% in 2017, but this is a function of the acquisition dilution and not of any pricing weakness generally, but gross profit increased by 18% to €44.6 million on sales up 21%.

Operating profit – up 16%

When commenting on this section we are comparing the pre-exceptional operating profit, since 2017 was distorted by the exceptional gain on an acquisition and an adjustment mainly to inventory carrying costs, and 2018 was flattered by a write back of a gain on rigs. The unadjusted operating profit in 2017 was €14.0 million, and the unadjusted operating profit for 2018 was €16.4 million, an improvement of 16%.

We made an additional operating profit contribution by writing back some of the previous rigs write-down, as they began to sell before and after the year end. While the first rigs went out at their written down value, the later ones realised their original cost, and after selling none in four years we have sold five from inventory in the last three months. This indicates greater interest in production mining for drillers as the sector recovery matures. Being rightly cautious we have only written back the value on the rigs we have actually sold before and since the year end.

Our Mincon Nordic business grew very significantly in 2018, and while still marginally loss making, it is becoming a formidable competitor in that market. The competitive response in the region has been robust, if uncommercial, but it is breaking their business and will prove to be short term. We will continue to build our sales in the region as we are in this market for the long term, and may continue to make investments in the territory.

Profit attributable to shareholders – up by 34%

After the modest rigs writeback the business made an operating profit of €16.9 million, and this translated into a profit before tax of €16.3 million, variously 29% ahead of 2017. It is a continuing improvement in the business. There was a forex loss of €0.6 million in the year, following on from a forex loss of €1.3 million in the previous year. In general we are reporting in a currency that is stronger than some currencies in which we carry out our business, but within that we have made considerable progress in mitigating the volatility and the impact on our reported results. This is an ongoing exercise.

The profit after tax of €13.8 million is ahead of the 2017 out-turn of €10.4 million, an increase of 33%. This brings the basic earnings per share to 6.45 cent, up from 4.79 cent in 2017, an increase of 35% in the profit attributable to shareholders.

The Mincon Group balance sheet

The total equity at the year end was €117 million, up from €108 million at the end of 2017. The goodwill increased to reflect the buyout of the minority shareholders in Namibia and Tanzania, and the goodwill on the acquisition of Driconeq Group, together totalling €4.5 million, but was offset by a difference on foreign currency translation. Product development assets increased by €1.7 million, reflecting additional expenditure on the Greenhammer, and this project has advanced to the introduction of the site commissioning team. The total amount capitalised on the Greenhammer projects is now €3.4 million.

Fixed assets increased by €12.4 million through factory additions, and €4 million was from the acquisitions, against which we had depreciation of €3.9 million. This is peak outflow on the capital expenditure as the capital expenditure plan ended in June 2018. The biggest absorption of cash was into inventory, €13.3 million for the ongoing business, and €4.1 million of inventory due to the acquisition. Now that we have caught up with the order book we intend to scale back our inventory through 2019 as after two years we can deliver on time against orders. We have set targets under this heading as we right size inventory against revenue.

Group cash flow

The capital investment and inventory investment took a heavy toll of our cash flow in 2018, with the improved cash inflow being met by a significant inventory increase and capital expenditure build out. However we have passed peak investment and expenditure related to these categories and through 2019 should see the outflows reverse. We added to the cash outflows by expenditure on acquisitions and this reduced our cash significantly through the year end.

OPERATING AND FINANCIAL REVIEW
CONTINUED

When we add a distribution point it adds to our inventory as we place group inventory at the location of the distribution point, and when we add factories with new products the distribution points want to also carry those products physically in their location, all the pressure is to increase inventory.

We have addressed this issue by moving the factories onto the front foot by having finished goods at the factory hub, rather than at the distribution points. By scaling the factories adequately for delivery in a reasonable time frame from order we can rebuild the confidence in our distribution base, internal and external, that they will get their orders on time and in full. This will obviate the standard reaction of insisting on carrying the inventory locally. In thinking this through we have to be sensible about the freight timetables and costs to our markets. There is not much point in saving in inventory to spend on urgent freight, it's a question of balance.

By also providing the distribution points with timely information about what is in inventory across the Group, first in the factories and then in the other distribution centres, we plan to reduce inventory through the rollout of a new IT system. This is a two year rolling plan and is underway, first in the three key factories in Perth, Australia, Benton, Illinois, USA, and Shannon, Ireland. The first distribution centre to be engaged is in the USA.

Capital expenditure is expected to run at or below depreciation in the coming three year cycle unless we see the type of growth that we achieved in the last three years or unless we decide building a new factory makes sense. We will flag that some months in advance if we do, otherwise the plan for 2019 is to return to cash generation as we stabilise our growth.

Capitalisation of development expenditure

The only project where we capitalise development expenditure is the hydraulic hammer systems, and only as it has been within striking distance of realisation. In 2018 we capitalised €1,7 million, for a combination of development of the product suite which now includes the drill string, the hammers, the hydraulic systems on the rig, and the installation of the primary system in a live environment. The system has been on and off the production rig a number of times in recent months testing functionality and we are due back in the field for the pre-commercial resilience testing in March 2019.

There is widening interest in the system, which addresses some historical problems for hard rock and altitude mining, but we remain committed to the key partner in 2019 and the live production mining objective in the current year. The project will continue to get the investment it requires and the Technical Engineering Group, led by the CEO, is fully engaged in the support of the project.

Net working capital

This increased in 2018, largely due to the inventory investment addressed above. Other than this there was nothing particularly remarkable about the working capital. Investment should reverse in the coming year.

Growth

Growth in revenue has not really been our objective, although revenue has grown at 21% per annum compounded over the last five years. After periods of rapid growth we have found it sensible to pause and reflect on our expenditure on overheads, investment in inventory and capital equipment, and review our margins. We had the rapid growth of the last two years, and we are now in the review phase. We have many projects and opportunities in front of the Group, between contracts for which we are shortlisted, the hydraulic systems, the launch of the large hammers and engagement in the construction piling sector, and while these are designed to pick up pace in 2019, we are carrying out the review and setting ourselves for that growth.

At the same time we will review our product portfolio and decide on the basis of margins and scale, which products, customers and markets are worth the investment and risk, and which are not. We are fully in favour of growth, but we feel it should be deliberate, commercial and valuable to the Group.

Acquisitions

Acquisitions have been a core element of our growth in recent years, and the talent and product range we have accumulated has been central to the growing intelligence of the Group. We place a premium on keeping the key people in the businesses that join us, and we look to find the next generation of leaders amongst them. In January we added Pacific Bit of Canada in Vancouver to our distribution line up, and we welcome this very experienced leader to the Group. As we generate cash off the balance sheet we would expect to continue to make bolt on acquisitions, and as we engage more fully with the construction drilling opportunities we expect that funds will be directed into this target sector. We continue to build our pipeline of potential acquisitions, with clear direction on the objectives.

BOARD OF DIRECTORS

At 31 December 2018, 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 81) (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 & 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 & 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 68) (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 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.

John Doris
(Age 72) (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 nineteen 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.

Jussi Rautiainen
(Age 54) (Non-Executive Director)

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.

EXECUTIVE DIRECTORS

Joseph Purcell
(Age 52) (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 47) (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.

COMPANY SECRETARY

Jonathan Clancy
(Age 33) (Company Secretary)

Jonathan's primary degree is in Accounting & Finance and his professional qualification as a Certified Public Accountant ("CPA") was awarded in 2013. He began working with Mincon as Financial Controller of Mincon International Ltd. in March 2014. He moved into the position of Operations Manager for the Shannon plant in February 2018. Jonathan currently holds the position of Deputy General Manager for Mincon International Ltd.

KEY MANAGEMENT

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 61) (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 & Investment.

Stephen Atkinson
(Age 57) (CEO of Mincon Australia)

Stephen joined Mincon in 2016 after the acquisition of OZmine, where he was the CEO. He has over 35 years' experience in manufacturing and servicing the oil, gas and mining sectors. Stephen has formed many successful start-up businesses throughout his carrier, one such business began in 1991, where Stephen together with his business partner and 700 employees, traded through their company Oilmin Tools, a company specialising in manufacturing drilling consumables and selling direct to the end user of those products, Oilmin Tools had five manufacturing facilities across Australia, Indonesia and Singapore securing contracts with blue chip companies throughout those regions. Stephen completed his Boilermaker First Class Welding Apprenticeship In 1980.

Robert Fassl
(Age 57) (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. Robert 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. Robert has a degree in business administration from Ekliden College, Nacka, Sweden.

Mark McNamara
(Age 38) (Chief Financial Officer)

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 also held the position of company secretary for Mincon Group plc between March 2017 and March 2019

DIRECTORS' REPORT

The Directors present the directors' report and the consolidated financial statements of Mincon Group plc ("Mincon") for the year ended 31 December 2018.

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

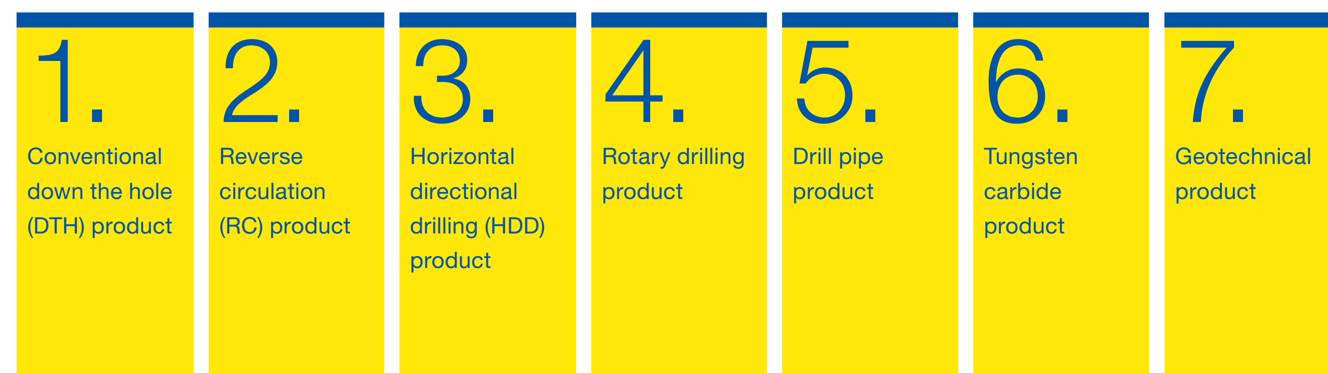
Mincon also maintains a network of sales and distribution companies in a number of international markets to provide after sales support and service to customers. Products, comprising both Mincon manufactured products and third party products that are complementary to Mincon's own products, are sold directly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

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 Mincon Carbide Limited, manufactures tungsten carbide inserts, its core markets being mining, construction and the oil & gas industry.

DTH, RC & 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 pipes 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 & 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).

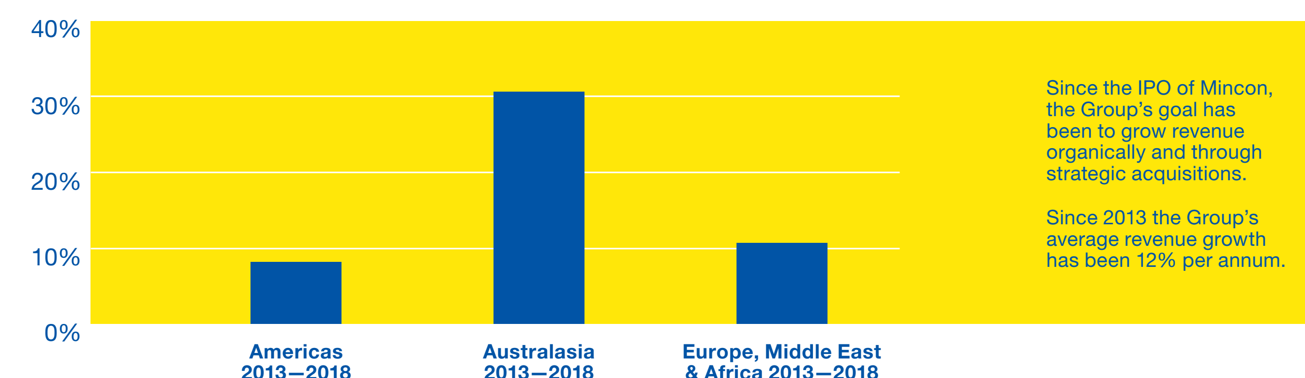
Mincon manufactured product can be broken down into seven distinct product lines:

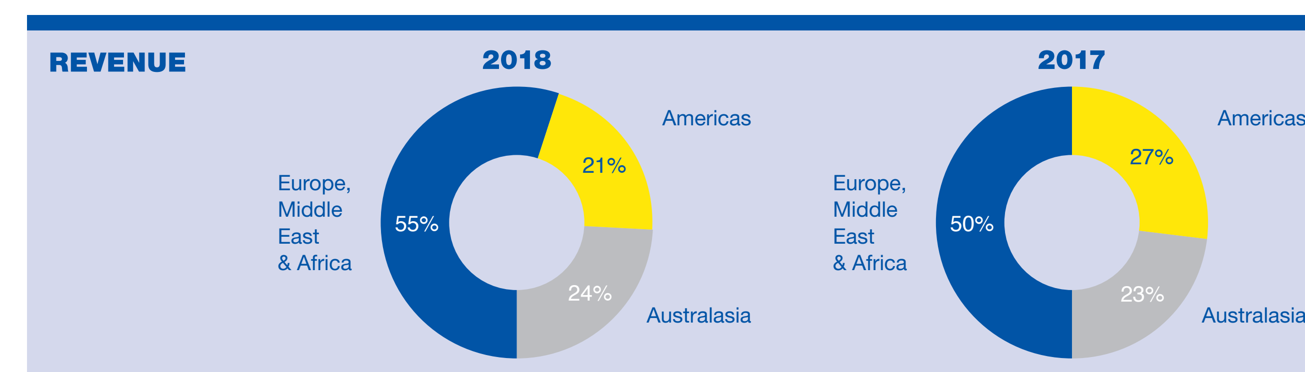


Business review

Commentaries on performance in the year ended 31 December 2018, 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





DIRECTORS' REPORT
CONTINUED

Dividend

In September 2018, Mincon Group plc paid an interim dividend in the amount of €0.0105 (1.05 cent) per ordinary share (€2.2 million total payment), which was paid to shareholders on the register at the close of business on 31 August 2018. The Directors recommend the payment of a final dividend of €0.0105 (1.05 cent) per share for the year ended 31 December 2018 (31st December 2017: 1 cent per share).

Directors and secretary

The current serving directors and secretary of the Company are set out on pages 22–23. The dates of appointments and resignations of the Company's directors and secretary are set out in the table below:

Director	Date of appointment	Date of resignation
Patrick Purcell	16 Aug 2013	
Kevin Barry	16 Aug 2013	17 Aug 2018
John Doris	16 Feb 2017	
Hugh McCullough	13 Dec 2016	
Joseph Purcell	23 Sep 2013	
Thomas Purcell	23 Sep 2013	
Jussi Rautiainen	29 May 2018	
Company Secretary		
Mark McNamara	14 Mar 2017	13 Mar 2019
Jonathan Clancy	13 Mar 2019	

Substantial shareholders

As at close of business on 18 March 2019, 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 Issued Ordinary Share Capital
Kingbell Company	119,671,200	56.84%
Setanta Asset Management	29,508,428	14.02%
Investmentaktiengesellschaft fur langfrist TGV	17,683,140	8.40%
FMR LLC	10,959,643	5.21%
Ballybell Limited	10,117,800	4.81%

None of the Group's major shareholders, as listed previously, have different voting rights attaching to ordinary shares held by them in the Group. The Purcell family vehicle, Kingbell Company, 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 24 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 €2.7 million on research and development in 2018 (2017: €1.7 million), €1.7 million of which has been capitalised (2017: €1.2 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 30 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

Joseph Purcell
Chief Executive Officer

18 March 2019

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE

The board of Mincon is committed to maintaining high standards of corporate governance and has adopted the principles of 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.

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 Board is responsible for reviewing the effectiveness of the systems of risk management and internal control. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually, progress is reported on as systems and procedures are developed, and explanations are requested from management on such matters as may come or be brought to the attention of the committee.

The Audit sub-committee meet with the auditors both separately and with invited executive management attendance, to consider such matters as may be reported on formally and regularly, but also to discuss the business compliance with, and development of, systems, risk mitigation and commercial procedures.

The directors have outlined in the Principal Risks and Uncertainties section the key risks facing the Group and strategies to manage these risks.

A comprehensive budgeting process is completed once a year for the coming year, and this sits within an updated rolling three-year plan. It is reviewed and approved by the Board. The Group's results, compared with the budget and the prior year, together with any foreseen risk and other matters, are reported in detail to the Board on a monthly basis.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

The compliance, audit, risk and policy matters are reported to the executive as they occur, are discussed among the executive and reported on to the board and to the Chair together with the actions taken and proposed to respond appropriately to the matter flagged.

Corporate communication and investor relations

The Group recognises the importance of shareholder communications. The Group seeks to maintain a regular dialogue with both existing and potential new shareholders in order to communicate the Group's strategy and progress and to understand the needs and expectations of shareholders.

Beyond the Annual General Meeting, the Chief Executive Officer and such other key executive members as may be relevant to the matter, meet regularly with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.

This follows on from the half year and full year announcements of the results for the Group when the CEO and certain other key executives travel to meet existing and prospective shareholders and analysts/commentators on an individual and collective basis. It also occurs during any particular year on an ad hoc basis with the announcements of key events around contracts, products, and corporate transactions.

We provide further updates as required on acquisitions, performance of key elements, products and markets as may be necessary and which may be important to the understanding of the strategy, the market position, the business, the products and the team. In addition, though there is no regulatory requirement for it, the Group has decided to provide a detailed quarterly updates over recent years to provide more timely insight for stakeholders, and to provide a platform for more informed decision making and questioning by stakeholders. Attention is drawn to these announcements on the corporate website.

The Mincon Group plc has decided to deliver considerable detail on the operations and trading on a quarterly basis to the shareholders and market, beyond what is required just for compliance, and at a level of detail committed to providing insight on the thinking, the strategy, and the allocation of the assets and people. In addition to this, shareholders are actively encouraged to visit key sites, meet key people and discuss the business of the Group.

The Company is also a regular presenter at invited investor events, providing an opportunity for those investors to meet with representatives from the Group in a more informal setting. The contact numbers for the relevant executives are provided with company announcements.

The Board

The Company is controlled through its board of directors. The board comprises four non-executive directors and two executive directors. Biographical details on the board members are set out in the section entitled "Board of Directors".

All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and seek re-election at least once every three years. When a Director retires or resigns the Board seat is filled through the nominations committee of the Board and the individual is also subject to regulatory approval by the Stock Exchange, and the support of our Nomad.

The Board is responsible to the shareholders for the proper management of the Group and the directors hold board meetings at least six times per annum and at other times as and when required to review the operational and financial performance of the business, and to be updated on strategic, commercial, product and service matters. All key capital investment decisions, acquisitions, (new activities, distribution points) are subject to approval by the Board at a level equivalent to one tenth of one per cent of the turnover or balance sheet.

The Remuneration Committee approves the salaries and packages of board members, the CEO and the senior management team. The Nomination Committee reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any changes and it considers succession planning for directors and senior executives.

The committees will also enquire on any matter relevant to its brief, as will the Board on any matter at all, and request such explanations as it considers necessary, retaining such external advisors as it considers necessary to advise on specific or general matters.

The Board considers itself to be sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-executive Directors. Of the four non-executive directors the Chairman is the founder and majority shareholder through a trust. None of the rest of the Board is a significant shareholder, save through that trust for certain executive members. The Senior Non-Executive Director is Mr. Hugh McCullough, who is also the Chairman of the Nominations Committee.

Non-Executive Directors receive their fees only in the form of cash emoluments fully taxed in compliance with the income tax regime of the Irish residence of the Mincon Group plc. Certain receipted travel expenses are also paid to accommodate the attendance at Board meetings.

The board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. 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.

Necessary up-to-date experience, skills and capabilities

The Board considers that all of the Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities, and bring considerable experience in our industry, and in the general operational and financial development of our companies. This may be direct experience of corporate finance and investment, the mining industry in general from hands on experience or, and the recent operational experience in leading a successful competitor company in the sector.

The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE CONTINUED

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, and on its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year.

Evaluation of Board performance

During the year the board carried out a review of its effectiveness covering its performance, the performance of the chairman, executive directors, non-executive directors and board committees. A number of actions were agreed as a result of the process, and these are now being implemented.

Directors' independence

The board has determined that Hugh McCullough, John Doris and Jussi Rautiainen are independent within the meaning of the QCA Guidelines. Patrick Purcell is not considered independent within the requirements of the QCA Guidelines by virtue of his shareholding in the Company. The two executives on the Board are Joseph Purcell and Thomas Purcell.

Governance structures and processes

The Board has overall responsibility for promoting the success of the Group through the management team. The Executive Directors and the executive team have day-to-day responsibility for the operational management of the Group's activities. The Non-Executive Directors are responsible for bringing independent and objective judgment to Board decisions.

There is a clear separation of the roles of Chief Executive Officer and Non-Executive Chairman. Having said that, the Chairman is the co-founder and the majority shareholder through a trust in which the CEO and another director are beneficiaries. The Chairman co-founded the Group over forty years ago, and built and managed the business with other individuals who are no longer with the company. The current CEO is the chief engineer and is the principal designer of the current range of products. The other executive director is the President of Mincon Inc. the USA distribution arm which he has built up over the last fifteen years with the team he assembled in that market.

The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and that the non-executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group.

The Chief Executive Officer has the responsibility for implementing the strategy approved by the Board and managing the day-to-day business activities of the Group. In addition the CEO has primary responsibility for engagement with the shareholders and other stakeholder groups. The Company Secretary is responsible for ensuring that Board procedures are followed and that the Group complies with applicable rules and regulations.

The Board, through the CEO, has recruited a very senior executive team experienced in the industries we served and the products we supplied, and with public company compliance, stock market and corporate finance experience. Some key people in the executive team that report to the CEO have significant operational experience of companies considerably larger than the Group, and they bring and are building higher standards of management control and systems to the Group.

The Board has established an Audit Committee, a Remuneration Committee and a Nominations Committee with formally delegated duties and responsibilities. Mr. John Doris, a former president of ACCA Ireland, chairs the Audit Committee. The Chairman chairs the Remuneration Committee, and the Senior Independent Director chairs the Nominations Committee.

The Audit Committee has responsibility for, amongst other things, planning and reviewing the annual report and accounts and interim statements involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures the auditors' independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal control is maintained.

The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board. The Audit Committee works with the executive team to obtain such explanations and information as it requires, and may, supported by the external auditors, ask that the executive amend, adjust or provide explanations to the Board, through the Board to the Stock Market, on our website, or in the annual or other reports as it may see fit.

The Remuneration Committee, which meets as required, but at least once a year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors and the executive management team. It also supervises the Company's share incentive schemes and sets performance conditions for share warrants or options granted under the schemes.

The Nominations Committee has responsibility for reviewing the size and composition of the Board, the appointment of replacement or additional Directors, the monitoring of compliance with applicable laws, regulations and corporate governance guidance and making appropriate recommendations to the Board.

The terms of reference of the above Committees are set out in the Company's Corporate Governance Memorandum, which is regularly updated and can be found on our website.

The Corporate Governance Memorandum also contains a schedule of matters specifically reserved for Board decision or approval and sets out the Company's share dealing code and its public interest disclosure ("whistle-blowing") policy and procedures.

Communication on how the Group is governed

The Group places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. We communicate on such matters on how the Group is governed through our annual report, and we may also give updates through announcements and presentations to shareholders on an individual or group basis.

The Group's website is regularly updated and users can register to be alerted when announcements or details of presentations and events are posted onto the website. The Group's financial reports, notices of General Meetings of the Company can be found on our website.

The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received.

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; Hugh McCullough and Patrick Purcell. On 27 September 2018, Patrick Purcell joined the audit subcommittee, and Kevin Barry stepped down on date of his resignation from the board of directors. The chairman of the board of directors, chief executive officer and chief financial officer 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 twice per 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 the findings of the audit with them. It meets with the auditors at least once a year 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 2018, 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), John Doris and Jussi Rautiainen, who replaced Hugh McCullough on the 27 September 2018.

It meets at least once per year and, 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.

During 2018, the committee met on six occasions and all members were present at these meetings.

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Nomination Committee

The nomination committee consists of three non-executive Directors; Patrick Purcell, Hugh McCullough and Jussi Rautiainen. Hugh McCullough is chairman of the committee. Jussi Rautiainen joined the committee on 27 September 2018. 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.

During 2018, the committee met on four occasions and all members were present at these meetings

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' Remuneration

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

		31 December 2018				31 December 2017			
Name	Title	Salary €'000	Fees €'000	Pension €'000	Total €'000	Salary €'000	Fees €'000	Pension €'000	Total €'000
Patrick Purcell	Non-Executive Chairman	-	49	-	49	-	34	-	34
Padraig McManus	Non-Executive Chairman	-	-	-	-	-	15	-	15
Kevin Barry	Non-Executive Director	-	-	-	-	-	-	-	-
Hugh McCullough	Non-Executive Director	-	44	-	44	-	-	-	-
John Doris	Non-Executive Director	-	44	-	44	-	40	-	40
Jussi Rautiainen	Non-Executive Director	-	24	-	24	-	40	-	40
Joseph Purcell	Chief Executive Officer	300	-	32	332	268	-	31	299
Thomas Purcell	Sales Director	246	-	26	272	201	-	29	230
Total executive and non-executive remuneration		**546**	**161**	**58**	**765**	**469**	**129**	**60**	**658**

Kevin Barry waived FY2018 and FY 2017 board fees available to him in the amount of €26,000 in 2018 and €40,000 in 2017.

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 2018 (2017: €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 2018 in the share capital of the Company was as follows:

Name	Ordinary Shares held	Percentage of Issued Ordinary Share Capital
Kingbell Company Purcell	119,671,200	56.84%
Jussi Rautiainen	152,251	0.07%

Kingbell Company, is a company controlled by Patrick Purcell and members of the Purcell family (including Joseph Purcell and Thomas Purcell.

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 2018 (2017: €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 29 to the financial statements. Jussi Rautiainen had held shares in the company prior to his appointment as a director, there have been no changes in the interests of the other Directors and the Company Secretary in the period to 14 March 2019.

Other transactions with the directors are set out in note 30 to the consolidated financial statements.

Stakeholder's and social responsibilities and their implications for long-term success

The Group understands that a number of different stakeholders have an interest and are impacted by the activities of the Group. Amongst those stakeholders are the direct owners and employees of the Group, their investors and dependents, and our suppliers and customers. There are also the regulatory authorities in the jurisdictions in which we have activities, employees and customers, and the legal and environmental frameworks with which our businesses are required to comply.

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, partners, suppliers, regulatory authorities and the customers involved in the Group's activities. The Group's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole.

The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer term strategy.

The Group takes seriously the well-being of its employees consistent with the guidelines in the various jurisdictions and industries within which it works.

The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group works to ensure full compliance with health and safety and environmental legislation relevant to its activities. The Group review's its environmental footprint, across our manufacturing sites, with goals being set and targets to be achieved.

The objectives are to reduce our footprint, to reduce the energy and waste costs of our business, and to achieve a higher rating for environmental considerations while also reducing the cost associated with our production.

Mincon Group plc's energy management policy aims to:

- avoid unnecessary energy costs
- monitor overall electricity, gas, gas-oil, process gases and lubricant oils usage on a regular basis
- monitor electricity usage of the significant energy using equipment
- report energy performance indicators (EnPIs) at monthly, quarterly and annual management review meetings
- improve the cost effectiveness of producing a comfortable working environment
- comply with current energy & environmental legislation, protect the environment by minimising CO2 emissions, and thus help in prolonging the life expectancy of fossil fuel reserves

Corporate culture

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are preserved in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. The Executive Committee regularly monitors the Group's cultural environment and seeks to address any concerns that may arise, escalating these to Board level as necessary.

The Group seeks to act with fairness towards its stakeholders, and with its competitors, in the conduct of its business, and expects that this would be reciprocated.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Executive operates a Health and Safety Committee in each of the manufacturing facilities which meets monthly to monitor, review and make decisions concerning health and safety matters. The Group's health and safety policies and procedures are enshrined in the Group's documented quality systems, which encompass all aspects of the Group's day-to-day operations. The Board asks for a quarterly report on health and safety matters encompassing the compliance, audit, risk and policy development of the Group and the subsidiaries.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' Responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. As required by the AIM Rules, they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU. The directors have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014.

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 applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position of the Group and Company and the profit and loss of the Group and which enable them to ensure that the financial statements of the Group and Company comply with the provision of the Companies Act 2014. The directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014. They are responsible for such internal controls as

they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of 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 jurisdictions

On behalf of the Board

Patrick Purcell
Director

Joseph Purcell
Director

18 March 2019

CORPORATE RESPONSIBILITY

Energy Management

The principle objective of Mincon Group's energy management policy is to minimise its environmental footprint. We are dedicated to building a sustainable, long-term business and this is reinforced as one of the pillars of our mission statement. We are acutely aware that a solid commitment to a responsible energy and environmental policy will have a positive effect on the environment as well as a financial benefit to our Group. The group is committed to reducing carbon emissions, energy consumption and waste in all aspects of the business.

Mincon has made significant progress in increasing the sustainability of the business. The company has developed and implemented new business strategies which will measure and provide a transparency to all stakeholders on the environmental impact of the company's processes.

In 2018, we established a Carbon Disclosure Project (CDP) team at its Shannon facility under the guidance of a leading energy consultant. In 2019, we will make a disclosure of the findings of its CDP. We envisage a material savings in both electrical and thermal energy usage for the coming year and thus, a reduction in our carbon footprint. At our Shannon site, this saving will arise as a direct result of investment in leading-edge energy management technology. This investment will provide a platform for Mincon to operate as an energy efficient company and actively contribute to the reduction of worldwide climate change for many years to come.

Mincon Energy Management Policy is providing the framework for implementing processes that will monitor the electricity, oil and gas usage in all our production facilities. The Group aspires to reduce or, where possible, eliminate unnecessary energy usage and costs. The energy usage of production equipment will be analysed on a regular basis. Energy Performance Indicators (EnPI's) are currently being established. Reports on these EnPI's will be prepared for monthly, quarterly and annual management review meetings.

The Group is committed to full compliance with current energy and environmental protection legislation. We endeavour to protect the environment by minimising CO2 emissions. The Group is striving to provide an ergonomic working environment while concurrently reducing its carbon footprint. The short-term investment in these two projects will result in long-term energy and cost savings for the company. We will achieve these objectives by purchasing energy economically without compromising security of supply. We will utilise energy resources in the most cost effective and sustainable manner and work to reduce pollution levels caused by our energy usage.

We will reduce our dependence on fossil fuels, through investment into best available design and practice. These investments will align with current production patterns and production output will be positively impacted. Raising awareness of energy efficiency for the staff of Mincon facilities is imperative for the success of Mincon's energy management strategies. Energy awareness training will be provided to employees. Training will be specific to employee's departments and this training will result in energy saving in daily work practices.

We will increase awareness of its energy management strategies among suppliers and sub-contractors. We will ensure that visitors to its facilities comply with its energy management strategy regarding goods and services provided, processes and waste generated.

In 2018, we made significant investments in our global heat treatment capability and capacity in North America, Europe and Australia. By placing manufacturing facilities geographically closer to our customer base, we can increase environmental efficiencies in our supply chain and reduce our overall carbon footprint. This will give Mincon the ability to manufacture products in the regions where they are required. The company continues to streamline the ERP system to facilitate further reductions in lead-times and increase on-time delivery. We expect to see a significant reduction in the use of airfreight as a logistical requirement and a resulting positive impact on the environment.

Respect for Human Rights Policy

The Board of Directors of Mincon Group plc (Mincon), together with Mincon's Chief Executive Officer and Mincon's senior management teams are committed to ensuring all Mincon businesses domiciled in their territory and/or jurisdiction respect human rights throughout their operations.

We are committed to operating our businesses in compliance with all applicable laws to respect human rights and to conducting our business in an honest, open and ethical manner. We expect our employees to comply with all relevant laws relating to human rights wherever we operate and to abide with Mincon's human rights policy. Trust and respect in all business dealings are core values that the Group upholds.

Mincon has based its Human Rights Policy on the UN Guiding Principles on Business and Human Rights. The company provides all the basic needs to its employees as set out in the afore mentioned guidelines.

The company's commitment to Human Rights extends to dealings with our suppliers, who are critical to the success of our business. We endeavour to ensure that products and services provided by our suppliers are ethically sourced and do not breach human rights laws in the countries in which they originate. We will achieve this through intense scrutiny of the ethical and moral values of potential new suppliers.

We have entrusted the responsibility to our country managers to ensure our presence in the countries in which we operate respect the local community and its values. Each manager will ensure that the company is not in breach of local or national regulations and laws. Those employees found to be to in breach of these regulations and laws will face disciplinary action.

Employees

Mincon realises the value of honest and trustworthy employees. Creating a safe and positive work environment for our employees is a high priority across the Mincon group. Employees are treated with dignity and respect. The resulting employee morale and work ethic is evident in the important business metrics that we use to report on the success of the Group.

Mincon is committed to developing the skills of our employees for their continual improvement within our business. Many of our manufacturing facilities engage in co-operative learning programs with universities and colleges. Mincon invests time and finances in developing undergraduates and postgraduates that result in huge benefits for the participants and the Group.

As the Group grows, we strive to communicate efficiently with our employees on an international level. In 2018, an electronic company newsletter was launched, and is published each quarter. This newsletter provides updates for our employees on all aspects of the business. Regular communication meetings are also used to update our employee's on important developments within the Group.

Mincon is committed to complying with all labour laws in the countries that it operates.

CORPORATE RESPONSIBILITY CONTINUED

Employees Continued

Policies have been developed to include:

- Induction programs for new employees
- Working conditions
- Hours of work & overtime
- Breaks and rest periods
- Health and safety policies
- Accident reporting & first aid
- Use of personal protective equipment
- Smoke-free workplace
- Alcohol and drug free workplaces

We committed to equality of opportunity for existing and potential employees and to creating a workplace which provides for:

- Equal opportunities for all staff and potential staff and where their dignity is protected and respected at all times.
- All persons regardless of gender, civil status, family status, race, religious beliefs, sexual orientation, disability, age, or ethnic minorities will be provided with equality of access to employment. All persons will be encouraged and assisted to achieve their full potential. We will continue with a culture of equality right through our businesses.

We aim to ensure that no job applicant or employee receives less favourable treatment on any grounds which cannot be shown to be justified. This applies to recruitment & selection, training, promotion, pay & employee benefits, employee grievances, discipline procedures and all terms & conditions of employment.

We select those suitable for employment solely based on merit. Any job advertisements, application forms and publicity material will encourage applications from all suitable candidates and will not discriminate against any group or individual on any unjustifiable grounds. The objective is to ensure that all candidates have equality of access to all job vacancies.

We place considerable emphasis on Health and Safety matters. The company undertakes its business in a manner that will ensure the safety, health and welfare of all its employees, visitors and the general public. This commitment is in accordance with applicable Environmental Health and Safety legislation.

We are committed to providing a safe and secure working environment that is free from all forms of harassment and bullying. We have set a standard for all members of staff to be treated with the utmost levels of dignity and respect. Mincon is committed to the implementation of all necessary measures required to protect the dignity of employees and to encourage respect in the workplace. We achieve this by implementing effective procedures to deal with any complaints of such conduct as it may arise.

Corruption and bribery issues

We are committed to continually operating our business with integrity and being accountable for our actions. We maintain a strict stance against bribery and corruption across all our businesses. Our internal control structures are designed to mitigate reputational risk and to assist in preventing any potential corruption and bribery. We consistently review and assess the robustness of our internal controls to further strengthen our business.

Corruption is dishonest and illegal behaviour by those in a position of trust in order to gain an undue advantage. The risks of corruption are not always obvious, therefore we inform our employees how corruption and bribery may occur through our corruption and bribery policy.

Corruption and bribery issues are the responsibility of our executive management team. Once a claim is made, the executive management team will respond to the allegation within a reasonable length of time and an investigation will begin. Such an investigation may include internal reviews or reviews by external lawyers, accountants or an appropriate external body. If the claim of malpractice or misconduct is substantiated, appropriate disciplinary action will be taken against the responsible individuals.

Our whistleblowing policy exists to enable all staff across our group to feel confident that they can expose wrong doing without any risk to themselves. Mincon will not tolerate malpractice and attaches extreme importance to identifying and remedying any issues in relation to corruption or bribery.

GROUP FINANCIAL STATEMENTS

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The operating profit **stepped up to €16 million** from €14 million last year.

INDEPENDENT AUDITOR'S REPORT

1. Opinion: our opinion is unmodified

We have audited the Group and Company financial statements of Mincon Group plc ('the Company') for the year ended 31 December 2018 set out on pages 38 to 81, 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 summary of significant accounting policies set out in note 3. 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.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- 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 under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements 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 sufficient and appropriate to provide a 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, there was one key audit matters as follows:

Revenue recognised (2018: €117.7 million; 2017: €97.4 million):

Refer to note 4 to the financial statements.

The risk

- The Group recognised Revenue of €117.7 million for the year ended 31 December 2018 (FY17: €97.4 million). Revenue recognition has been identified as a risk primarily relating to the judgement required to determine the performance obligations have been met and the timing of revenue recognition is appropriate.

Our response

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

- Obtaining and documenting our understanding of the process around the transition to IFRS 15 and the determination of revenue to be recognised in line with the new standard.
- Assessing the design of the control environment in relation to revenue recognition.
- Agreeing a sample of deliveries occurring near 31 December 2018 to supporting documentation to ensure transactions were recorded in the correct period.
- Agreeing a sample of sales transactions to proof of delivery documentation to ensure that they were complete and accurate.
- Discussing with management the basis for determining the point of sale for material deliveries near year-end.
- 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 considered that the policies applied to revenue recognition are reasonable.

There were no key audit matters identified in the audit of the parent company financial statements.

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 €0.8 million (2017: €0.6 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 Group in assessing financial performance. Materiality for the parent company financial statements as a whole was set at €0.8 million (2017: €0.6 million), determined with reference to a benchmark of total assets, of which it represents 1% (2017: 1%).

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €40,000 (2017: €30,000), in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

Of the Group's 29 (2017:21) reporting components, we subjected 17 (2016: 13) to full scope audits for Group purposes. We conducted reviews of financial information (including enquiry) at a further 3 (2017: 4) 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 €25,000 to €410,000, 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. Other information

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, Board of Directors, Key Management, Directors' Report, Directors' Statement on Corporate Governance, Corporate Responsibility 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 report that, in those parts of the directors' report specified for our review:

- 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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 and profit and loss account is in agreement with the accounting records.

7. Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 30, 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 and Parent Company or to cease operations, or have no realistic alternative but to do so.

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

A 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_responsiblities_for_audit.pdf

8. 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 this report, or for the opinions we have formed.

Caroline Flynn

for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place, St Stephen's Green, Dublin, Ireland

18 March 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

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

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

On behalf of the Board

Patrick Purcell
Chairman

Joseph Purcell
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

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

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Description of business

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

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

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

2. Basis of preparation

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

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

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

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

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

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

3. Significant accounting principles, accounting estimates and judgements

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

Impact of the adoption of IFRS 9 and IFRS 15

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

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

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

IFRS 15 Revenue from contracts with customers ("IFRS 15")

Transition methodology

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

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

Transition impact

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

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

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

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

IFRS 9 Financial Instruments ("IFRS 9")

Transitional methodology

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

Financial instruments – Policy applicable after 1 January 2018

Financial assets and financial liabilities

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

Transition impact

Impairment of Financial Assets

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

Financial instruments – Policy applicable before 1 January 2018

Financial assets and financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

Cash and cash equivalents

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

Trade and other receivables

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

Accrued and other liabilities

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

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

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

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

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

Estimated impact of the adoption of IFRS 16

The impact of this new standard and interpretation has been considered as follows:

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

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

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

Leases in which the Group is a lessee

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

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

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

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

Transition

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

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

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

Earnings per share

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

Taxation

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

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

Deferred tax

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

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

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

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

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

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

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

Inventories and capital equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

Intangible Assets and Goodwill

Goodwill

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

Intangible assets

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

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

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

Foreign Currency

Foreign currency transactions

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

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

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

Translation of accounts of foreign entities

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

Business combinations and consolidation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

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.

Exceptional Items

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

Defined contribution plans

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

Share-based payment transactions

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

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

Critical accounting estimates and judgements

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

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

Deferred contingent consideration

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

Trade and other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. Revenue

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

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

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

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

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

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

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

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

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

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

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

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

No adjustment was required on transition in the Group.

5. Operating Segment

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

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

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

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

Entity-wide disclosures

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

Revenue by region (by location of customers):

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

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

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

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

[1] Non-current assets exclude deferred tax assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Cost of Sales and operating expenses

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

Cost of sales

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

Operating costs

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

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

7. Employee information

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

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

The average number of employees was as follows:

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

Retirement benefit and Other Employee Benefit Plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. Exceptional Items

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

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

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

9. Acquisitions

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

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

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

A. Consideration transferred

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

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

B. Identifiable assets acquired and liabilities assumed

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

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

Measurement of fair values

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

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

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Statutory and other required disclosures

Operating profit is stated after charging the following amounts:

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

Auditor's remuneration:

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

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

11. Income tax

Tax recognised in income statement:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. Income tax (continued)

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

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

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

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

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

12. Intangible assets and goodwill

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. Other non-current assets

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

[(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 2018 this loan had been repaid in full.

14. Property, plant and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. Inventory and capital equipment

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

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

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

16. Trade and other receivables and the current assets

a) Trade and other receivables

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

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

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

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

b) Prepayments and other current assets

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

17. Trade creditors, accruals and other liabilities

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

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

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

18. Share capital and reserves

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. Loans and borrowings

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

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

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

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

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

20. Non-controlling interest

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

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

21. Share capital and reserves

At 31 December 2017 and 2018

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

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

Share issuances

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

Voting rights

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

Dividends

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

Share premium and other reserve

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

Restricted equity reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Earnings per share

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

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

23. Share based payment

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

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

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

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

24. Financial risk management

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

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

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

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

a) Liquidity and capital

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Financial risk management (continued)

a) Liquidity and capital (continued)

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

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

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

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

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

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

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

b) Foreign currency risk

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Financial risk management (continued)

b) Foreign currency risk (continued)

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

c) Credit risk

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

Expected credit loss assessment

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

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

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

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

d) Interest rate risk

Interest Rate Risk on financial liabilities

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

Interest Rate Risk on cash and cash equivalents

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

e) Fair values

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

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

Financial instruments carried at fair value

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

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

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

	Deferred contingent consideration €'000
Balance at 1 January 2018	6,931
Arising on acquisition	-
Cash payment	(1,445)
Settlement gain	-
Foreign currency translation adjustment	(3)
Other	(13)
Balance at 31 December 2017	**5,470**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Subsidiary undertakings

At 31 December 2018, 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 SA (Pty) Ltd Manufacturer of rock drilling equipment	100%	P.O. Box 30094, Kyalami, 1684, Gauteng, South Africa
Mincon Sweden AB Sales company	100%	Industrivagen 2-4, 61202 Finspang, Sweden
Mincon Nordic OY Sales company	100%	Hulikanmutka 6, 37570 Lempäälä, Finland
Mincon Holdings Southern Africa (Pty) Sales company	100%	1 Northlake, Jetpark 1469, Gauteng, South Africa
ABC Products (Rocky) Pty Ltd Sales company	95%	2/57 Alexandra Street, North Rockhampton, Queensland, 4701 Australia
Mincon West Africa SARL Dormant company	80%	Villa TF 4635 GRD, Almadies, Dakar B.P. 45534, Senegal
Mincon West Africa SL Sales company	80%	Calle Adolfo Alonso Fernández, s/n, Parcela P-16, Planta 2, Oficina 23, Zona Franca de Gran Canaria, Puerto de la Luz, Código Postal 35008, Las Palmas de Gran Canari
Mincon Poland Dormant company	100%	ul.Mickiewicza 32, 32-050 Skawina, Poland
Mincon Rockdrills Ghana Limited Dormant company	80%	P.O. Box CT5105, Accra, Ghana
Mincon S.A.C. Sales company	100%	Calle La Arboleda 151, Dpto 201, La Planicie, La Molina, Peru
Ozmine International Pty Limited Sales company	100%	Gidgegannup, WA 6083, Australia
Mincon Chile Sales company	100%	Av. La Dehesa #1201, Torre Norte, Lo Barnechea, Santiago, Chile
Mincon Tanzania Sales company	100%	Plot 1/3 Nyakato Road, Mwanza, Tanzania
Mincon Namibia Pty Ltd Sales company	100%	Ausspannplatz, Windhoek, Namibia
Mincon Russia Sales company	100%	4,4 Lesnoy In, 125047 Moscow, Russia

Company	Group Share %	Registered Office and Country of Incorporation
Mincon International UK Ltd Sales company	100%	Windsor St, Sheffield S4 7WB, United Kingdom
Mincon Mining Equipment Inc Sales company	100%*	19789-92a Avenue, Langley, British Columbia V1M3B3, Canada
Pirkanmaan Poraveikot OY PPV Engineering company	100%*	Hulikanmutka 6, 37570 Lempäälä, Finland
Mincon Exports USA Inc. Group finance company	100%	603 Centre Ave, Roanoke VA 24016, USA
Mincon International Shannon Dormant company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Smithstown Holdings Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Canada Drilling Products Inc. Holding company	100%	Suite 1800-355 Burrard Street, Vancouver, BC V6C 268, Canada
Lotusglade Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Floralglade Company Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Castle Heat Treatment Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Mincon Microcare Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Cebeko Elast AB Holding company	100%*	Svarvarevagen 1, SE-686 33 Sunne, Sweden
Gunnarsby Fastighets AB Holding company	100%*	Svarvarevagen 1, SE-686 33 Sunne, Sweden
Driconeq AB Holding company	100%	Svarvarevagen 4, 686 33 Sunne, Sweden
Driconeq Production AB Manufacturing facility	100%	Svarvarevagen 4, 686 33 Sunne, Sweden
Driconeq Fastighet AB Property holding company	100%	Svarvarevagen 4, 686 33 Sunne, Sweden
Härdtekno i Kristinehamn AB Manufacturing facility	100%	Hantverkaregatan 6, 681 42 Kristinehamn, Sweden
Driconeq Do Brazil Sales company	100%	Rua Dr. Ramiro De Araujo Filho, 348, Jundai, SP, Brazil
Driconeq Africa Ltd Sales company	100%	Cnr of Harriet and James Bright Avenue, Driehoek. Germiston 1400
Driconeq Australia Holdings Pty Ltd Holding company	100%	47 Greenwich Parade, AU-6031 Neerabup, WA, Australia
Driconeq Australia Pty Ltd Manufacturing facility	100%	47 Greenwich Parade, AU-6031 Neerabup, WA, Australia
Mincon Drill String AB (former Goldcup) Holding company	100%	Svetsarevägen 4, 686 33, Sunne, Sweden

*Indirectly held shareholding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. Leases

Operating leases

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

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

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

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

Finance leases

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

27. Commitments

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

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

28. Litigation

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

29. Related parties

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

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

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

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

Transactions with Directors

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

Key management compensation

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

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

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

30. Events after the reporting date

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

Acquisitions of the Pacific Bit of Canada

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

31. Approval of financial statements

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

SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

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The unadjusted operating profit is **up 16%.**

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 €'000	2017 €'000
Non-Current Assets			
Investments in subsidiary undertakings	2	48,877	40,139
Total Non-Current Assets		**48,877**	**40,139**
Current Assets			
Loan amounts owing from subsidiary companies	3	26,243	17,817
Other assets		1,432	91
Cash and cash equivalents	4	878	15,348
Total Current Assets		**28,553**	**33,256**
Total Assets		**77,430**	**73,395**
Equity			
Ordinary share capital	1	2,105	2,105
Share premium		67,647	67,647
Undenominated capital		39	39
Share based payment reserve		1,274	512
Retained earnings		5,770	2,760
Total Equity		**76,835**	**73,063**
Current Liabilities			
Accrued and other liabilities		437	174
Amounts owed to subsidiary companies	3	158	158
Total Current Liabilities		**595**	**332**
Total Liabilities		**595**	**332**
Total Equity and Liabilities		**77,430**	**73,395**

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 2018

	2018 €'000	2017 €'000
Operating activities:		
Profit for the year	7,431	3,435
Share based payments	762	423
Loans to subsidiaries	(8,426)	(10,003)
Movement in other current assets	(1,341)	(29)
Movement in accruals and intercompany creditors	263	94
Net cash used in by operating activities	**(1,311)**	**(6,080)**
Investing activities		
Redemption of/(investment in) short term deposits	-	-
Investment in subsidiary undertakings	(8,738)	(2,074)
Net cash provided by/(used in) investing activities	**(10,049)**	**(8,154)**
Financing activities		
Dividends	(4,421)	(4,210)
Net cash provided by/(used in) financing activities	**(4,421)**	**(4,210)**
Effect of foreign exchange rate changes on cash	-	-
Net decrease in cash and cash equivalents	**(14,470)**	**(12,364)**
Cash and cash equivalents at the beginning of the year	15,348	27,712
Cash and cash equivalents at the end of the year	**878**	**15,348**

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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital €'000	Share premium €'000	Other reserve €'000	Unde-nominated Capital €'000	Share based payment reserve €'000	Capital contri-bution €'000	Retained earnings €'000	Total equity €'000
Balance at 31 December 2016	**2,105**	**67,647**	**-**	**39**	**89**	**-**	**3,535**	**73,415**
Comprehensive income:								
Profit for the year	-	-	-	-	-	-	3,435	**3,435**
Total comprehensive income							3,435	**3,435**
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**
Comprehensive income:								
Profit for the year							7,431	**7,431**
Total comprehensive income							7,431	**7,431**
Transactions with Shareholders:								
Share based payments					762			**762**
Dividends							(4,421)	**(4,421)**
Balances at 31 December 2018	**2,105**	**67,647**	**-**	**39**	**1,274**	**-**	**5,770**	**76,835**

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Share capital

See note 21 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 2018, Mincon Group plc subscribed for equity in the following subsidiaries as follows:

	Investments in subsidiary €'000
Balance at 1 January 2018	40,139
Driconeq Group	7,783
Investment in Mincon Namibia	208
Investment in Mincon Tanzania	187
Investment in Mincon Chile	555
Mincon Drill String AB	5
Balance at 31 December 2018	**48,877**

3. Transactions with subsidiary companies

At 31 December 2018, the Company had advanced €26.2 million (2017: €17.8 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 2018, the Company owed €158,000 (2017: €158,000) to subsidiary companies in relation to costs incurred on its behalf.

4. Short term deposits

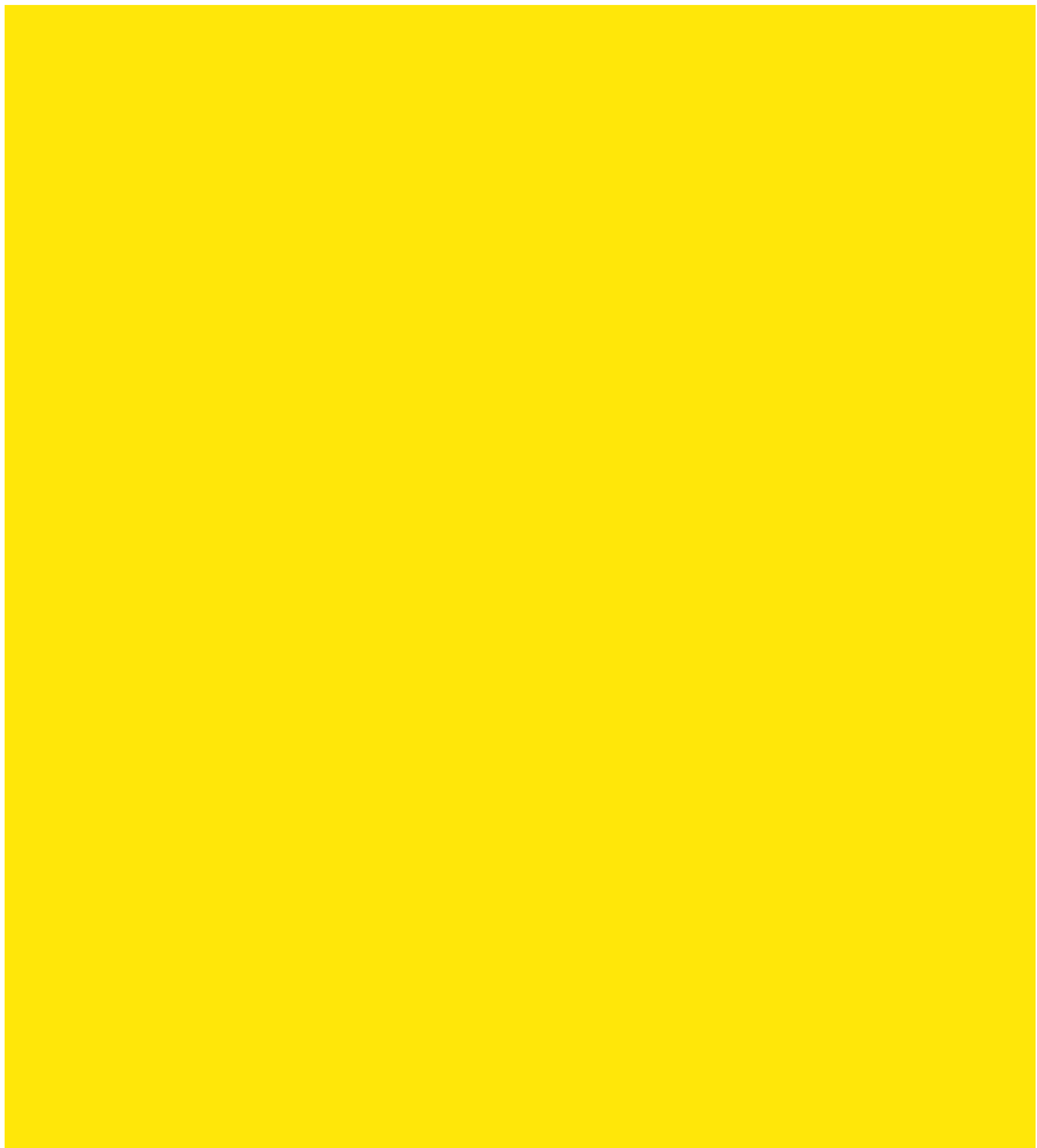
At 31 December 2018, the Company had €0.8 million cash readily available (2017: €15.3 million).

5. Approval of financial statements

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

6. Exemption to disclose separate financial statement

Under Section 304 of the Companies Act 2014, the company has availed of an exemption not to disclose the Statement of Comprehensive Income for the single entity and note that for the year-ended 31 December 2018, made a loss of €7.4 million.



The Driller's Choice Worldwide

MINCON GROUP PLC
Smithstown Industrial Estate, Shannon, Co. Clare, Ireland.
T. +353 (61) 361 099 **E.** sales@mincon.com **W.** mincon.com