Mincon Group plc
2013 Full Year Results

Mincon Group plc *(ESM:MIO AIM:MCON),* the Irish engineering group specialising in the design, manufacture, sale and servicing of rock drilling tools and associated products, announces its full year results for the year ended 31 December 2013.

	31 December 2013	31 December 2012	Percentage change in period
Product revenue:			
Sale of Mincon product (€000)	40,698	42,619	(5%)
Sale of third party product (€000)	11,645	20,524	(43%)
Total revenue (€000)	52,343	63,143	(17%)
Sale of Mincon product as a % of total revenue.......................	*78%*	*67%*	*11%*
Operating profit (excluding exceptional items)[(1)] (€000)	15,012	12,724	18%
Profit after tax (excluding exceptional items)[(1)] (€000)................	11,159	10,323	8%
Profit after tax (€000)..	10,206	10,323	(1%)
Net profit attributable to shareholders of the parent company (excluding exceptional items) (€000)...	10,914	9,970	9%
Earnings per share (before exceptional items) [(1)]	7.02c	6.65c	6%

[(1)] *2013 profit adjusted for once-off employee recognition award funded by the two majority shareholders – Expense of €953,000, net of tax credit of €242,000.*

Kevin Barry, Chief Executive Officer, commenting on the results, said:
"2013 was a landmark year for the company with successful admissions to the ESM market of the Irish Stock Exchange and the AIM market of the London Stock Exchange in November. It was also another successful year in which we furthered our stated aim of increasing Mincon's market share of the global rock-drilling consumables market, which generates a significantly higher margin for the group, compared to the distributorship margin received on the sale of third party product. Demand for Mincon manufactured product remained stable and broadly in line with expectations for the year, with the 5% reduction in revenue due to the weakening of certain key currencies in which we trade, namely the South African Rand and Australian Dollar which devalued on average by 21% and 11% respectively.

The highlights of the past financial year were:

- *18% increase in operating profit before exceptional items;*
- *9% increase in profit before exceptional items attributable to ordinary shareholders of the parent;*
- *6% increase in earnings per share;*
- *Admission to the ESM market of the Irish Stock Exchange and AIM market of the London Stock Exchange*
- *Increase of €7.5 million in net cash provided by operating activities to €12.4 million for the year;*
- *New sales offices opened in Ghana and Peru.*

Markets & products

EMEA continues to be the most significant market for Mincon, representing 61% (2012: 63%) of our revenue. Revenue in this region declined €8.1 million mainly due to the completion of the contract to deliver third party capital equipment in South Africa in 2012. Revenue in this region was also impacted by the weakness of the South African Rand during the year, which devalued by approximately 21% on an average yearly basis. Mincon has continued to expand its presence in this region by opening a new sales office in Ghana, adding to existing EMEA locations in Ireland, Sweden, Poland, South Africa and Senegal.

The Americas represents Mincon's second most significant market, representing 26% (2012: 24%) of our revenue. Revenue in this region declined by €1.7 million primarily due to the closure of a manufacturing facility in Canada. This facility manufactured a legacy product, with a declining market and ceased to be profitable for the Group. During the year, Mincon opened a new sales office in Peru, in addition to our two existing locations in the United States. We believe a physical presence in South America will increase sales in this region.

Revenues in the Australasia region represented 11% (2012: 11%) of our revenue. Revenue in this region declined by €1.1 million due to the effect of the global slowdown in exploration impacting upon sales of our Reverse Circulation (RC) product, as well as the devaluation of the Australian Dollar by approximately 11% on an average yearly basis.

Revenue from our conventional down-the-hole (DTH) product represented 60% (2012: 49%) of Group turnover with sales of RC, Horizontal Directional Drilling (HDD) and other manufactured product representing 18% (2012: 18%) of Group turnover. Demand for our DTH product continues to grow each year due to product improvements and increasing market presence. Demand for RC product is cyclical depending largely on the global prices for precious metals and the corresponding demand for exploration product. Our HDD product range represents a significant growth opportunity in the trenchless utility industry.

Profit growth

The Group's gross profit declined by €1.2 million to €25.7 million in 2013 due to the €10.8 million (17%) decline in revenue. However, the Group's gross margin percentage improved by 6% in the year from 43% to 49%, largely due to a change in product sales mix, and the costs associated with the closure of the Canadian manufacturing facility in 2012. In the current year, Mincon manufactured product represented 78% of Group revenue compared to 67% in the prior year. Management focus is on the growth in sales of Mincon manufactured product, which generates a significantly higher margin compared to the distributorship margin received on the sale of third party product.

Operating profit before exceptional items increased by 18% in the year to €15.0 million due to the impact of significant shareholder payments in the prior year. When these are excluded, general and administrative expenses remained constant at €5.7million, with selling and distribution expenses decreasing 14% to €5.0 million in line with the 17% reduction in revenue.

Net profit before exceptional items increased by 8% to €11.2 million driven by a combination of the above factors. The significant volatility in the currency markets impacted upon the Group's net profitability for the year, resulting in a €1.3 million loss from the settlement and retranslation of monetary assets and liabilities denominated in foreign currencies. The majority of this loss was driven by the devaluation of the South African Rand and Australian Dollar.

Employee recognition award

During 2013, following consultation with and approval from the Board of Mincon the two largest shareholders in the Group provided in aggregate approximately €953,000 from their respective own private funds to be applied in a once off award to employees of the Mincon Group (other than the senior management team) in recognition of their service in bringing Mincon to where it is today and positioning it for the next phase of its development. In accordance with prevailing accounting standards, this payment was reflected in the Group's consolidated financial statements as a capital contribution in equity and as an exceptional non-cash expense in the income statement for the year ended 31 December 2013. There is no net impact on the Group's equity and the payment will not affect any anticipated dividend distributions in the future.

Balance sheet and cash flows

Mincon's balance sheet remains very strong with net assets of €86.3 million. Management continue to focus on inventory levels and debtors days. Both inventory and receivables have reduced by €1.9 million since 31 December 2012. However, when currency impacts are excluded, both are relatively stable year on year, consistent with the stable demand for Mincon manufactured product.

The Group continues to be cash generative at an operating level, with €12.4 million operating cash flows generated in the year, an increase of €7.5 million over 2012, primarily attributable to lower accounts receivable and inventory levels. Capital expenditure at €2.2 million is €2.9 million less than 2012. The €11.1 million spent on additions from 2010 to 2012 has resulted in sufficient capacity for future growth and therefore we expect reduced capital expenditure requirements over the next three years.

The Group has cash of approximately €50.1 million, which includes the net proceeds of Mincon's initial public offering (IPO) in November 2013 (€47.1 million), and cash accumulated since the pre IPO dividend. The funds raised in the IPO continue to be held for corporate purposes such as acquisitions.

In line with the position stated at the time of the IPO, the Board of Mincon Group plc are not proposing a further dividend for 2013.

Outlook

The strong Group performance achieved in 2013 was against a global background of weak demand for mining products driven by the decline in the price of precious metals, which has continued into 2014. Adverse weather in the Americas some at the start of 2014 has resulted in the loss of a couple of weeks trading, and we recognise that the slowdown in the global exploration and mining market is likely to continue to impact upon Mincon RC product sales and 3rd party product sales in 2014. However, margins remains good and the high Mincon manufactured content is mitigating a slow start, and the Board remains confident of achieving further progress in the coming year, especially for our flagship DTH product. The risk posed by the volatility in currency markets remains a concern. We continue to increase our international sales network and maintain a strong emphasis on continued and new product development aimed at improving and expanding the existing product range.

The Board has identified a number of acquisition targets, which offer the opportunity to further extend our existing product range and add new customers and new geographic markets. The Company is at an advanced stage of negotiation on acquisitions that should extend the group into new products and customers, and we are ambitious about securing one or more on satisfactory terms in the current trading period."

ENDS

2 April 2014

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Gerry O'Sullivan

Consolidated Income Statement
For the Year Ended 31 December 2013

	Notes	2013			2012		
		Excluding exceptional items €000	**Exceptional items (Note 8) €000**	**Including exceptional items €000**	Excluding exceptional items €000	Exceptional items (Note 8) €000	Including exceptional items €000
Continuing operations							
Revenue	4	52,343	-	52,343	63,143	-	63,143
Cost of sales	6	(26,621)	-	(26,621)	(36,252)	-	(36,252)
Gross profit		**25,722**	**-**	**25,722**	**26,891**		**26,891**
Selling and distribution expenses	6	(5,020)	-	(5,020)	(5,807)	-	(5,807)
General and administrative expenses	6	(5,690)	(1,195)	(6,885)	(8,360)	-	(8,360)
Operating profit	8	**15,012**	**(1,195)**	**13,817**	**12,724**		**12,724**
Finance cost		(107)	-	(107)	(110)	-	(110)
Finance income		159	-	159	198	-	198
Foreign exchange gain/(loss)	21	(1,332)	-	(1,332)	201	-	201
Gain on joint venture investments, net of tax	12	-	-	-	215	-	215
Profit before tax		**13,732**	**(1,195)**	**12,537**	**13,228**	-	**13,228**
Income tax expense	10	(2,573)	242	(2,331)	(2,905)	-	(2,905)
Profit for the year		**11,159**	**(953)**	**10,206**	**10,323**	-	**10,323**

	Notes	2013	2012
Profit attributable to:			
- owners of the Parent		9,961	9,970
- non-controlling interests		245	353
Earnings per Ordinary Share			
Basic earnings per share, €	19	6.41c	6.65c
Diluted earnings per share, €	19	6.41c	6.65c
Weighted average number of ordinary shares in issue ('000)		155,511	150,000

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

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2013

	2013	2012
	€000	€000
Profit for the year	**10,206**	10,323
Other comprehensive income/(loss):		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	(3,874)	11
Other comprehensive income/(loss) for the year	(3,874)	11
Total comprehensive income for the year	**6,332**	10,334
Total comprehensive income attributable to:		
- owners of the Parent	**6,087**	9,981
- non-controlling interests	**245**	353

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

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 €000	2012 €000
Non-Current Assets			
Goodwill	11	1,511	1,948
Property, plant and equipment	13	13,540	14,701
Deferred tax asset	10	264	143
Other non-current assets	12	530	530
Total Non-Current Assets		**15,845**	**17,322**
Current Assets			
Inventory	14	18,485	20,377
Trade and other receivables	15	8,492	10,394
Other current assets	8	2,085	532
Current tax asset		23	81
Short term deposits	21	40,000	-
Cash and cash equivalents	21	10,119	8,715
Total Current Assets		**79,204**	**40,099**
Total Assets		**95,049**	**57,421**
Equity			
Ordinary share capital	18	2,113	2,317
Share premium	18	145,036	-
Other reserve	18	(79,300)	-
Merger reserve	18	(17,393)	-
Capital contribution	18	953	-
Capital redemption reserve	18	-	990
Foreign currency translation reserve		(1,934)	1,940
Retained earnings		35,883	40,922
Equity attributable to owners of Mincon Group plc		**85,358**	**46,169**
Non-controlling interests		979	734
Total Equity		**86,337**	**46,903**
Non-Current Liabilities			
Loans and borrowings	16	788	866
Deferred tax liability	10	872	1,104
Other liabilities	17	124	945
Total Non-Current Liabilities		**1,784**	**2,915**
Current Liabilities			
Loans and borrowings	16	731	453
Trade and other payables		2,189	4,303
Accrued and other liabilities	17	3,334	2,190
Current tax liability	10	674	657
Total Current Liabilities		**6,928**	**7,603**
Total Liabilities		**8,712**	**10,518**
Total Equity and Liabilities		**95,049**	**57,421**

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

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2013

	2013 €000	2012 €000
Operating activities:		
Profit for the period	10,206	10,323
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	1,874	1,708
Share of (profit)/loss of joint venture	-	(215)
Interest cost	107	110
Interest income	(159)	(198)
Income tax expense	2,331	2,905
Other non-cash movements	900	480
	15,259	15,113
Changes in trade and other receivables	1,017	(2,937)
Changes in prepayments and other assets	(546)	(115)
Changes in inventory	(408)	(4,508)
Changes in trade and other payables	(1,804)	175
Changes in accrued and other liabilities	1,352	70
Cash provided by operations	14,870	7,798
Interest received	159	198
Interest paid	(107)	(110)
Income taxes paid	(2,570)	(2,995)
Net cash provided by operating activities	**12,352**	**4,891**
Investing activities		
Purchase of property, plant and equipment	(2,170)	(5,050)
Disposal of property, plant and equipment	100	-
Investment in short term deposit	(40,000)	-
(Investment in)/proceeds from joint venture investments	-	251
Net cash used in investing activities	**(42,070)**	**(4,799)**
Financing activities		
Dividends paid	(15,000)	-
Issuance of shares in public listing, net of expenses	47,110	-
Directors loans	(870)	540
Repayment of loans and finance leases	(783)	(236)
Drawdown of loans	1,100	-
Net cash provided by financing activities	**31,557**	**304**
Effect of foreign exchange rate changes on cash	(435)	43
Net increase in cash and cash equivalents	**1,404**	**439**
Cash and cash equivalents at the beginning of the year	8,715	8,276
Cash and cash equivalents at the end of the year	**10,119**	**8,715**

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2013

	Share capital €000	Share premium €000	Merger reserve €000	Other reserve €000	Capital redemption reserve €000	Capital contribution €000	Foreign currency translation reserve €000	Retained earnings €000	Total €000	Non-controlling interests €000	Total equity €000
Balances at 1 January 2012	**2,317**	**-**	**-**	**-**	**990**	**-**	**1,929**	**30,952**	**36,188**	**381**	**36,569**
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	9,970	**9,970**	353	**10,323**
Other comprehensive income/(loss):											
Foreign currency translation	-	-	-	-	-	-	11	-	**11**	-	**11**
Total comprehensive income							11	9,970	**9,981**	353	**10,334**
Transactions with Shareholders:											
Dividends	-	-	-	-	-	-	-	-	**-**	-	**-**
Balances at 31 December 2012	**2,317**	**-**	**-**	**-**	**990**	**-**	**1,940**	**40,922**	**46,169**	**734**	**46,903**
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	9,961	**9,961**	245	**10,206**
Other comprehensive income/(loss):											
Foreign currency translation	-	-	-	-	-	-	(3,874)	-	**(3,874)**	-	**(3,874)**
Total comprehensive income							(3,874)	9,961	**6,087**	245	**6,332**
Transactions with Shareholders:											
Dividends paid to shareholders of Smithstown Holdings	-	-	-	-	-	-	-	(15,000)	**(15,000)**	-	**(15,000)**
Issue of shares by Mincon Group plc on incorporation	39	-	-	-	-	-	-	-	**39**	-	**39**
Shares issued by Mincon Group plc in share for share exchange for Smithstown Holdings	1,500	98,500	-	(79,300)	-	-	-	-	**20,700**	-	**20,700**
Capital reorganisation	(2,317)	-	(17,393)	-	(990)	-	-	-	**(20,700)**	-	**(20,700)**
Issuance of ordinary shares in initial public offering, net of costs	574	46,536	-	-	-	-	-	-	**47,110**	-	**47,110**
Capital contribution	-	-	-	-	-	953	-	-	**953**	-	**953**
Balances at 31 December 2013	**2,113**	**145,036**	**(17,393)**	**(79,300)**	**-**	**953**	**(1,934)**	**35,883**	**85,358**	**979**	**86,337**

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

Notes to the Consolidated Financial Statements

1. Description of business

The consolidated financial statements of Mincon Group Plc (also referred to as "Mincon" or "the Company") comprises the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in joint ventures.

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.

Mincon Group plc was incorporated on 16 August 2013 as Manrock plc under the laws of the Republic of Ireland. Manrock plc changed its name to Mincon Group plc (the "Company") on 23 September 2013.

In the period to 30 August 2013, the business of Mincon was conducted through Smithstown Holdings and its subsidiaries. On 30 August 2013, pursuant to a reorganisation Mincon Group plc 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. Following that reorganisation, Mincon Group plc is now the holding company of the Mincon Group.

Following that reorganisation the Mincon Group comprises Mincon Group plc and its subsidiaries (including Smithstown Holdings) as outlined in Note 20. The consolidated financial statements of Mincon Group plc are prepared on the basis that the Company is a continuation of the Smithstown Holdings Group, reflecting the substance of the arrangement. Mincon Group plc presents its consolidated financial statements as if the reorganisation had occurred before the start of the earliest period presented. Further details on the reorganisation of the Group is provided in Note 18.

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

2. Basis of Preparation

The consolidated preliminary financial information of the Company for the year ended 31 December 2013 comprises of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures.

The financial information included in this preliminary financial results announcement, has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS) which comprises standards and interpretations approved by the International Accounting Standards Board (IASB). The accounting policies set out in note 3 have been applied consistently in preparing the financial statements for the years ended 31December 2013 and 31 December 2012.

The consolidated preliminary financial information presented herein does not constitute the Company's statutory financial statements for the years ended 31 December 2013, with the meaning of Regulation 40(1) of the European Communities (Companies: Group Accounts) Regulations, 1992 of Ireland, insofar as such Group accounts would have to comply with disclosure and other requirements to those Regulations. The statutory financial statements for the year ended 31 December 2013, together with the independent auditor's report thereon, will be filed with the Irish Registrar of Companies following the Company's Annual General Meeting and will also be available on the Company's website www.mincon.com. The consolidated financial statements were approved by the Board of Directors on 2 March 2014.

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

The preparation of the consolidated financial information 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 information 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 information 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.

Revenue recognition

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

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. The operating results of all operating segments are reviewed regularly by the Board of Directors, the chief operating decision maker, to make decisions about allocation of resources to the segments and also to assess their performance. See note 5 for additional information.

Income taxes

Income taxes include both current and deferred taxes in the consolidated financial statements. Income taxes are reported in profit or loss unless the underlying transaction is reported in other comprehensive income or in equity. In those cases, the related income tax is also reported in other comprehensive income or in equity.

A current tax liability or asset is recognised for the estimated taxes payable or refundable for the current or prior years.

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

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

Foreign currency

Foreign currency transactions

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

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

Exchange rates for major currencies used in the various reporting periods are shown in note 21.

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

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 balance sheet date. Revenues, expenses, gains, and losses are translated at average exchange rates, which approximate the exchange rate for the respective transaction. Foreign exchange differences arising on translation 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.

Earnings per share

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

Dilutive effects arise from stock options that are settled in shares or that at the employees' choice can be settled in shares or cash in the share based incentive programs. Stock options have a dilutive effect when the average share price during the period exceeds the exercise price of the options.

When calculating the dilutive effect, the exercise price is adjusted by the value of future services related to the options. If options for which employees can choose settlement in shares or cash are dilutive, the profit for the year is adjusted for the difference between cash-settled and equity-settled treatment of options and the more dilutive of cash settlement and share settlement is used in calculating earnings per share.

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. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

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. 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 contingent consideration is classified as equity. In that case, there is no remeasurement and the subsequent settlement is accounted for within equity.

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

Goodwill is measured as the excess of the sum 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 amounts 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.

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

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 purchase price, import duties, and any cost directly attributable to bringing the asset to 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
Leasehold improvements	3–10
Machinery and equipment	3–10
Vehicles	3–5
Computer hardware and software	3–5

The 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 balance sheet. 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 balance sheet. In profit or loss, the costs of operating leases are recorded on a straight-line basis over the term of the lease.

Inventories

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

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.

Financial income and expenses

Interest income and interest expense respectively are included in profit or loss using the effective interest method.

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

Employee benefits

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.

Financial assets and liabilities

Recognition and derecognition

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

Effective interest method

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

Borrowing costs

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

Investments in subsidiaries - company

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

Impairment of financial assets

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

Equity

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

Contingent liabilities

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

Exceptional items

The Group has used the term "exceptional" to describe certain items which, in management's view, warrant separate disclosure by virtue of their size or incidence, or due to the fact that certain gains or losses are determined to be non-recurring in nature. Exceptional items may include restructuring, significant impairments, profit or loss on asset disposals, material changes in estimates or once off costs where separate identification is important to gain an understanding of the financial statements.

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

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.

Trade and other receivables

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

Total allowances for estimated losses as of 31 December 2013, were €0.1m for trade and other receivables with a corresponding gross amount of €8.6m.

Inventory

The Group values inventory at the lower of historical cost, based on the first-in, first-out basis, and net realisable value. Historical cost includes the costs of acquiring inventories and the costs of 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.

The calculation of net realisable value involves management's judgement as to over-stocked articles, out-dated articles, damaged goods, and handling and other selling costs. If the estimated net realisable value is lower than cost, a valuation allowance is established for inventory obsolescence.

New standards and interpretations

The following standards, amendments and interpretations are effective for the first time in the current financial year and have been adopted with no significant impact on the Group's results for the period or financial position:
IFRS 1: *Government loans*
IFRS7: *Financial instruments and disclosures*
IFRS 13: *Fair value measurement*
IAS 16: *Property, plant and equipment*
IAS 19: *Employee benefits*
IAS 32: *Financial instruments: Presentation*
IFRIC 20: *Stripping costs in the production phase of a surface mine*.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, which have not been applied in preparing this consolidated financial statements. Those which may be relevant to the group are set out below. The Group does not plan to adopt these standards early, aside from the amendment to IAS 36 Impairment of Assets. The Directors do not expect that the adoption of the standards listed below will have a material impact on the financial statements of the Group in future periods.

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements* (2011)
- IAS 28 *Investments in Associates and Joint Ventures* (2011)
- *Financial Instruments* (2009, and subsequent amendments 2010)*

*Not EU endorsed, so not available for adoption

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

IFRS 10
IFRS 10 establishes a new control-based model for consolidation that replaces the existing requirements of both IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation- Special Purpose Entities.* Under the new requirements an investor controls an investee when (i) it has exposure to variable returns from that investee (ii) it has the power over relevant activities of the investee that affect those returns and (iii) there is a link between that power and those variable returns. IFRS 10 is effective for annual periods beginning on or after 1 January 2014.

IFRS 11
IFRS 11 replaces IAS 31 *Interests in joint ventures* and SIC-13 *Jointly-controlled entities – nonmonetary contributions by venturers*. IFRS 11 focuses on the nature of the rights and obligations of the arrangement. The predecessor standard, IAS 31, focused to a greater extent on the legal form to determine the presence of 'jointly controlled entities' (JCEs) which would then have been equity accounted or proportionately consolidated. IFRS 11 may result in some of these JCEs instead being seen as joint operations which will be subject to (as at present) line-by-line accounting of the underlying assets and liabilities, when additional factors (other than legal form) are taken into account. IFRS 11 is effective for annual periods beginning on or after 1 January 2014.

IFRS 12
IFRS 12 sets out more comprehensive disclosures relating to the nature, risks and financial effects of interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity or operation. IFRS 12 is effective for annual periods beginning on or after 1 January 2014. IFRS 11 is effective for annual periods beginning on or after 1 January 2014.

IAS 27 (2011)
IAS 27 carries forward the existing accounting and disclosure requirements for separate financial statements; the requirements of IAS 28 and IAS 31 for separate financial statements have been incorporated into IAS 27. IAS 27 (2011) is effective for annual periods beginning on or after 1 January 2014.

IAS 28 (2011)
IAS 28 previously discussed how to apply equity accounting to associates in consolidated financial statements. The revised IAS 28 continues to include that guidance but it is now extended to also apply that accounting to entities that qualify as joint ventures under IFRS 11. IAS 28 (2011) is effective for annual periods beginning on or after 1 January 2014.

IFRS 9
In November 2009 the IASB issued the first phase of the IAS 39 replacement project, relating to the classification and measurement of financial assets. The approach depends on a combination of the business model (how the entity manages its financial instruments) and the contractual cash flow characteristics of the financial assets, thus resulting in two basic measurement categories: fair value through profit or loss and amortised cost. However, the requirements also allow, by election, the fair valuation of equities to instead be presented through other comprehensive income. There is no longer an ability to take a 'split' approach and separate out any embedded derivatives from financial assets; financial assets with embedded derivatives are likely to require measurement in full at fair value through profit or loss. There is an ongoing project that proposes the expanded use of the fair value through other comprehensive income for certain basic loan assets.

In 2010, further revisions were added into IFRS 9 as follows:

- The measurement of financial liabilities, with one exception discussed below, remains similar to the current IAS 39 requirements with financial liabilities being measured at amortised cost or fair value; and where a financial liability includes an embedded derivative feature that can be separated and fair valued through profit or the entire instrument can be measured at fair value through profit or loss.
- The main difference in financial liability accounting that arises under the revised standard relates to the accounting for any fair value changes where liabilities are measured at fair value. Unlike IAS 39, the fair value changes attributable to changes in own credit risk will usually be presented in other comprehensive income (OCI) instead of being reflected through profit or loss.
- In addition the new IFRS 9 carries forward without amendment the current IAS 39 requirements in relation to derecognition of financial assets and financial liabilities.

Future amendments to IFRS 9 are expected, in relation to impairment of financial assets and also both general hedging and macro hedging. IAS 39 will at that point be completely replaced.

4. Revenue

	2013	2012
	€000	€000
Product revenue:		
Sale of Mincon product	40,698	42,619
Sale of third party product	11,645	20,524
Total revenue	**52,343**	**63,143**

5. Operating Segments

Operating segments 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.

Having assessed the aggregation criteria contained in IFRS 8 operating segments and considering how the Group manages its business and allocates resources, the Group has determined that it has one reportable segment. In particular 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 2013 of €52.3 million (FY2012: €63.1 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, Australia and the United States and sales offices in six other locations including South Africa, Senegal, Ghana, Sweden, Poland 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):

	2013	2012
	€000	€000
Region:		
Ireland	1,165	1,099
Americas	13,569	15,296
Australasia	5,622	6,676
Europe, Middle East, Africa	31,987	40,072
Total revenue from continuing operations	**52,343**	**63,143**

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

	2013	2012
	€000	€000
Region:		
Ireland	5,730	4,875
Americas	2,492	2,902
Australasia	4,905	6,250
Europe, Middle East, Africa	2,454	3,152
Total non-current assets(1)	**15,581**	**17,179**

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

6. Cost of Sales and operating expenses

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

Cost of sales

	2013	2012
	€000	€000
Raw materials	9,544	12,217
Third party product purchases	8,719	14,967
Employee costs	5,005	5,210
Depreciation	1,487	988
Other	1,866	2,870
Total cost of sales	**26,621**	**36,252**

Other operating expenses

	2013	2012
	€000	€000
Employee costs (including director emoluments)	5,634	8,866
Depreciation	387	720
Other	4,689	4,581
Total other operating costs before exceptional items	**10,710**	**14,167**
Exceptional item: employee recognition award	1,195	-
Total other operating costs	**11,905**	**14,167**

7. Employee information

	2013	2012
	€000	€000
Wages and salaries – excluding directors	9,105	9,830
Wages, salaries & fees – directors	634	3,284
Social security costs	591	528
Pension costs of defined contribution plans	309	434
Total employee costs before exceptional items	**10,639**	**14,076**
Exceptional item: employee recognition award	1,195	-
Total employee costs	**11,834**	**14,076**

The average number of employees was as follows:

	2013	2012
	Number	Number
Sales and distribution	40	42
General and administration	23	28
Manufacturing, service and development	88	93
Average number of persons employed	**151**	**163**

8. Exceptional Item: Employee recognition award

In December 2013, Kingbell Limited (the largest shareholder in the Company) and Ballybell Limited (the second largest shareholder in the Company) agreed to provide, following consultation with and approval from the Board of Mincon, approximately €1.2 million from their respective own private funds to be applied in a once off award to employees of the Mincon Group (other than the senior management team).

This award was for eligible employees across the Group (approximately 140 in total) based on years of service to 31 December 2013, with a payment of €1,000 per staff member per year of service. There has been no cash cost to the Group in respect of this arrangement. There is no net impact on the Group's equity and the payment will not affect any anticipated dividend distributions in the future.

The award has been treated as a short term employee benefit (once committed the employee has no further service to earn the award) of the Mincon Group resulting in a charge (current year employee expense) to the income statement in respect of the year ended 31 December 2013 and a corresponding credit to a capital contribution in equity, net of a tax benefit of €242,000. The charge to the income statement has been treated as an exceptional item in the income statement given the once-off nature of this payment.

Group employees based in Ireland were given the option of receiving the payment either through payroll or by converting the award into shares of Mincon Group plc under an Approved Profit Sharing Scheme ("APSS") being established by the Company for its employees based in Ireland. Employee awards totalling €0.5 million will be converted into an APSS in April 2015. The remainder of the employee recognition award at 31 December 2013 was paid through payroll by March 2014. The obligation of the shareholders to fund the capital contribution of €953,000 was recorded as a receivable at 31 December 2013 and paid to the Company by Kingbell and Ballybell in March 2014.

The table below summarises the impact of the employee recognition award on the consolidated statement of financial position of Mincon Group plc at 31 December 2013:

	2013 €000
Other current assets – amounts owing from shareholders	953[1]
Accrued and other liabilities – amounts owing to employees	(1,195)
Current/deferred tax liability	242
Capital contribution	(953)
Retained earnings (income statement expense in the financial year)	953
Net impact on Group net assets	**-**

[1] This amount is included within the other current assets balance of €2,085,000.

9. Statutory and other required disclosures

Operating profit is stated after charging the following amounts:

	2013 €000	2012 €000
Directors' remuneration		
Fees	31	-
Wages and salaries	603	398
Other emoluments	-	2,886
Pension contributions	22	18
Total directors' remuneration	**656**	**3,302**

Auditor's remuneration:

	2013 €000	2012 €000
Auditor's remuneration – Fees payable to lead audit firm (b)		
Audit of the Group financial statements	85	50
Audit of Company financial statements	10	-
Other assurance services (a)	300	-
Tax advisory services (a)	140	-
Other non-audit services	-	-
	535	50
Auditor's remuneration – Fees payable to other firms in lead audit firm's network		
Audit services	12	-
Other assurance services	-	-
Tax advisory services	-	-
Other non-audit services	-	-
	547	50

(a) These fees were in connection with services provided for the Group's initial public offering.
(b) KPMG was appointed as Group Auditor during 2013. Previously Vaughan & Co. were lead Auditors to the Group. 2012 audit fees relate to Vaughan & Co., they also provided non-audit services to the Group during 2013 and were paid €38,000 for these services.

10. Income Tax

Tax recognised in profit or loss

Current tax expense	**2013 €000**	**2012 €000**
Current year	2,413	2,752
Adjustment for prior years	-	-
Total current tax expense	2,413	2,752
Deferred tax expense		
Origination and reversal of temporary differences	(82)	153
Total deferred tax (credit)/expense	(82)	153
Total income tax expense	2,331	2,905

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:

	2013 €000	**2012 €000**
Profit before tax from continuing operations	12,537	13,228
Irish standard tax rate (12.5%)	*12.5%*	*12.5%*
Taxes at the Irish standard rate	1,567	1,654
Foreign income at rates other than the Irish standard rate	703	1,069
Losses creating no income tax benefit	64	9
Other	(3)	173
Total income tax expense	**2,331**	**2,905**

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

	2013 €000	**2012 €000**
Deferred taxation assets:		
Reserves/provisions, tax credits and capitalised items	120	143
Unrealised foreign exchange losses	144	-
Total deferred taxation assets	264	143
Deferred taxation liabilities:		
Property, plant and equipment	(567)	(508)
Accrued income	(221)	(221)
Unrealised foreign exchange gains	-	(303)
Profit not yet taxable	(84)	(72)
Total deferred taxation liabilities	(872)	(1,104)
Net deferred taxation liability	(608)	(961)

Notes to the Consolidated Financial statements *(continued)*

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

1 January 2013 – 31 December 2013	Balance 1 January €000	Recognised in Profit or Loss €000	Recognised in Equity €000	Balance 31 December €000
Deferred taxation assets:				
Unrealised foreign exchange gains	-	144	-	144
Reserves/provisions, tax credits and capitalised items	143	(23)	-	120
Total deferred taxation asset	143	121	-	264
Deferred taxation liabilities:				
Property, plant and equipment	(508)	(59)	-	(567)
Accrued income	(221)	-	-	(221)
Unrealised foreign exchange gains	(303)	32	271	-
Profit not yet taxable	(72)	(12)	-	(84)
Total deferred taxation liabilities	(1,104)	(39)	271	(872)
Net deferred taxation liability	(961)	82	271	(608)

1 January 2012 – 31 December 2012	Balance 1 January €000	Recognised in Profit or Loss €000	Recognised in Equity €000	Balance 31 December €000
Deferred taxation assets:				
Reserves/provisions, tax credits and capitalised items	121	22	-	143
Net operating losses	175	(175)	-	-
Total deferred taxation asset	296	(153)	-	143
Deferred taxation liabilities:				
Property, plant and equipment	(532)	24	-	(508)
Accrued income	(221)	-	-	(221)
Unrealised foreign exchange gains	(298)	(5)	-	(303)
Profit not yet taxable	(53)	(19)	-	(72)
Total deferred taxation liabilities	(1,104)	-	-	(1,104)
Net deferred taxation liability	(808)	(153)	-	(961)

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

	2013 €000	2012 €000
Net operating losses	1,940	1,876
Total	1,940	1,876

The net current tax liability at year-end was as follows:

	2013 €000	2012 €000
Current tax prepayments	23	81
Current tax payable	(674)	(657)
Total	(651)	(576)

11. Goodwill

	€000
Balance at 1 January 2012	2,075
Translation differences	(127)
Balance at 31 December 2012	1,948
Translation differences	(437)
Balance at 31 December 2013	**1,511**

Goodwill relates to the acquisition of the remaining 60% of DDS-SA Pty Limited in November 2009, at which point the Group obtained control of this business. This business was integrated with other Group operations soon after the acquisition. The Group accounted for this acquisition using the purchase accounting method as outlined in IFRS 3 *Business Combinations*. The recoverable amount of goodwill has been assessed based on estimates of value in use. Calculations of value in use are based on the estimated future cash flows using forecasts covering a five-year period (based on three year plans prepared annually). The most significant assumptions are revenues, operating profits, working capital and capital expenditure. A growth rate of 3% was applied for all periods after the three years budgeted. The pre-tax discount rate in 2013 was assumed to amount to 11% before tax and has been used in discounting the cash flows to determine the recoverable amounts.

Impairment testing (including sensitivity analyses) is performed as at each period end. 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 discount rate increased substantially or the long-term growth was lowered to zero.

12. Other non-current assets

	2013 €000	2012 €000
Other non-current assets:		
Amounts owing from joint venture (1)	97	-
Loan to former joint venture partner (2)	433	530
Total other non-current assets	**530**	**530**

(1) Mincon Equipment Inc. was incorporated on 13 June 2013. This company is owned 50:50 by Mincon and the Gaudet family. Mincon Group plc has advanced €97,000 to this entity as at 31 December 2013. Mincon Equipment Inc. had no material trading in the periods presented.

(2) During prior periods, the Group had investments in two joint venture operations, TJM Inc. LLC ("TJM") and WVC Inc. ("WVC"). The Group invested in TJM, a drilling equipment and supplies company based in Pennsylvania, in September 2008. 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 2013, an amount of €433,000 was outstanding on this loan.

The Group invested in WVC, a rock drills hammer design and manufacture company in October 2008 and disposed of the investment during 2012. The Group's investment in WVC was impaired and written down in 2011 based on management's assessment of the performance of the company and a Board decision not to invest any further capital, other than committed amounts.

The Group had no material investments in joint ventures as at 31 December 2012 or 2013 other than as outlined above. The carrying amount of the investments in joint ventures for the year ended 31 December 2012 consisted of the following:

	TJM €000	WVC €000	Total €000
Balance at 1 January 2012	580	-	580
Distributions	(251)	-	(251)
Receipt of loan note on divestment of joint venture investment	(544)	-	(544)
Gain on disposal of investment in joint venture	211	-	211
Foreign exchange gain/ (loss)	4	-	4
Balance at 31 December 2012 and 31 December 2013	**-**	**-**	**-**

Notes to the Consolidated Financial statements *(continued)*

13. Property, Plant and Equipment

	Land & Buildings[1] €000	Plant & Equipment €000	Total €000
Cost:			
At 1 January 2012	5,763	13,622	19,385
Additions	1,584	3,466	5,050
Disposals	-	(652)	(652)
Foreign exchange differences	(68)	(211)	(279)
At 31 December 2012	7,279	16,225	23,504
Additions	436	1,734	2,170
Disposals	-	(274)	(274)
Foreign exchange differences	(762)	(1,185)	(1,947)
At 31 December 2013	6,953	16,500	23,453
Accumulated depreciation:			
At 1 January 2012	1,294	6,479	7,773
Charged in year	100	1,608	1,708
Disposals	-	(565)	(565)
Foreign exchange differences	(2)	(111)	(113)
At 31 December 2012	1,392	7,411	8,803
Charged in year	178	1,696	1,874
Disposals	-	(173)	(173)
Foreign exchange differences	(86)	(505)	(591)
At 31 December 2013	1,484	8,429	9,913
Carrying amount: 31 December 2013	**5,469**	**8,071**	**13,540**
Carrying amount: 31 December 2012	5,887	8,814	14,701
Carrying amount: 1 January 2012	4,469	7,143	11,612

[1] *Land and buildings include leasehold improvement assets.*

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

	2013 €000	2012 €000
Cost of sales	1,487	988
Selling, and distribution expenses	190	188
General and administrative expenses	197	532
Total depreciation charge for property, plant and equipment	1,874	1,708

Finance leases

The Group leases plant and equipment under a number of finance lease arrangements. The leased equipment secures lease obligations. At 31 December 2013, the net carrying amount of leased plants and equipment was €1.0 million (2012: €1.2 million). During the year, the Group acquired leased assets of €nil (2012: €nil).

14. Inventory

	2013	2012
	€000	€000
Finished goods and work-in-progress	14,600	14,137
Raw materials	3,885	6,240
Total inventory	18,485	20,377

There was no material write-down of inventories to net realisable value during the year ended 31 December 2013 (2012: €1.3 million). The write-downs are included in cost of sales.

15. Trade and other receivables

	2013	2012
	€000	€000
Gross receivable	8,570	10,460
Provision for impairment	(78)	(66)
Net trade and other receivables	8,492	10,394

	2013	2012
	€000	€000
Less than 60 days	5,560	8,220
61 to 90 days	1,731	776
Greater than 90 days	1,201	1,464
Net trade and other receivables	8,492	10,460

At 31 December 2013, €1.2 million (14%) of trade receivables of our total trade and other receivables balance was past due but not impaired (2012: €2.2 million (21%)).

No customer accounted for more than 10% of trade and other receivables balance at any period end.

Notes to the Consolidated Financial statements *(continued)*

16. Loans and borrowings

	Maturity	2013 €000	2012 €000
Bank loans	2014-2018	1,279	695
Finance leases	2014	240	624
Total Loans and borrowings		**1,519**	**1,319**
Current		731	453
Non-current		788	866

The Group has a number of bank loans and finance leases in the United States and Ireland 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. The finance leases are secured over the assets of the Group as outlined in Note 13.

In July 2013, Mincon Rockdrills Pty Limited drew down AUS$1.6 million (circa €1.1million) on a five year fixed interest loan which is secured on assets of that company with a net book value of approximately AUS$3.1 million (circa €2.2 million).

17. Accrued and Other Liabilities

Accrued and other liabilities consisted of the following:

	2013 €000	2012 €000
Non-current liabilities:		
Director's loans	-	870
Other liabilities	124	75
Total non-current liabilities	**124**	**945**

Current liabilities:		
Accrued and other liabilities	3,334	2,190
Total current liabilities	**3,334**	**2,190**

The amounts owing from directors at 31 December 2012 relate to loans advanced by Patrick Purcell and Joseph Purcell (see note 26 for further details). These loans were non interest bearing and repayable on demand. The amounts were fully settled by the Group during the year.

Included in accrued and other liabilities is an amount of €1.2 million relating to the employee recognition award as disclosed in note 8.

18. Share capital and reserves

At 31 December 2013 – Mincon Group plc

Authorised Share Capital	**Number**	**€000**
Ordinary Shares of €0.01 each	496,150,000	4,962
Subscriber Shares of €1.00 each..	38,500	39

Allotted, called-up and fully paid up shares	**Number**	**€000**
Ordinary Shares of €0.01 each	207,471,264	2,074
Subscriber Shares of €1.00 each..	38,500	39
		2,113

At 31 December 2012 – Smithstown Holdings

Authorised Share Capital	**Number**	**€000**
Ordinary Shares of €1.27 each	3,000,000	3,809
Redeemable Preference Shares of €1.27 each.............................	1,000,000	1,270
Cumulative Redeemable Preference Shares of €1.27 each...........	4,000	5

Allotted, called-up and fully paid up shares	**Number**	**€000**
Ordinary shares of €1.27 each...	1,824,456	2,317
Redeemable Preference Share of €1.27 each...............................	-	-
Cumulative Redeemable Preference Shares at €1.27 each...........	-	-
		2,317

Share Issuances

On incorporation of Mincon Group plc (single entity) on August 16, 2013, the issued share capital was 38,500 Ordinary Shares of €1.00 each of which 30,800 Ordinary Shares of €1.00 each were held directly and indirectly by Patrick Purcell and 7,700 Ordinary Shares of €1.00 each were held directly by Kevin Barry. The shares were issued and paid up in full. On 30 August 2013, these shares were redesignated as Subscriber Shares (having the rights attaching to those shares as set out in the Articles).

On 30 August 2013, as part of a reorganisation of the Group ("the Group reorganisation"), Mincon Group plc acquired the entire issued share capital of Smithstown Holdings in consideration of the issue by the Company of 1,500,000 Ordinary Shares of €1.00 each in the capital of the Company to the shareholders of Smithstown Holdings (subsequently subdivided into 150,000,000 Ordinary Shares of €0.01 each) with a share premium arising in the amount of €98.5 million. There was no change to the ultimate shareholders of the Group at that date.

On 26 November 2013, Mincon Group plc was admitted to trading on the Enterprise Securities Market (ESM) of the Irish Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange. On admission, 57,471,264 new ordinary shares were issued representing the new shares being placed by the Company at the time of admission. These shares had a nominal value of €0.01 per share and placed at €0.87 (GBP£0.73) per ordinary share resulting in gross proceeds of €50.0 million. Share premium of €46.6 million was recorded after deduction of IPO costs of €2.9 million.

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. The holders of Subscriber Shares shall not have any of these rights.

Votes at general meetings may be given either personally or by proxy. Subject to the Companies Acts 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.

18. Share capital and reserves *(continued)*

Dividends and other reserve

On 30 August 2013, Smithstown Holdings, the former parent company (and predecessor operations) of the Group, declared a final dividend amounting to €15.0 million to shareholders on the share register of that company as at 30 August 2013, which was paid by year-end.

No dividend has been declared by Mincon Group plc for the year ended 31 December 2013.

Other reserve

As part of the group reorganisation which is described in note 1, 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.

Company only financial statements impact

In accordance with IAS 27 *"Consolidated and Separate Financial Statements"*, the Company elected to account for its acquisition of Smithstown Holdings using cost as its accounting policy. As at the date of the reorganisation the total carrying value of the equity items in Smithstown Holdings was €20.7m. In consideration of the acquisition of Smithstown Holdings and its subsidiaries, which were valued by the directors at €100m, the Company issued 1.5 million Ordinary Shares of €1.00 each (which have subsequently been sub-divided into 150,000,000 Ordinary Shares of €0.01 each) at par value to the former shareholders of Smithstown Holdings. The excess of the fair value of the assets acquired over the nominal value of the shares issued has been recorded as share premium of €98.5m within the Company's Statement of Changes in Equity.

As a consequence of the Company electing to record the investment in Smithstown Holdings at cost a difference of €79.3m arises between this investment and the amount that company law requires to be included in share capital and share premium. This amount has been recorded as an "other reserve" in the Company's Statement of Financial Position.

The Company will shortly apply to the High Court of Ireland to reduce its share premium account by €79.3 million and use the reserve so created to eliminate this other reserve. The members of the Company passed a resolution on 1 November that, subject to the confirmation of the High Court of Ireland, the Company's share capital be reduced by an amount of €79.3 and that the reserve so created would be used to cancel the debit other reserve (or such part thereof as the High Court of Ireland may determine). The Directors believe that this application will be heard by the High Court of Ireland as soon as reasonably practical following release of the 2013 annual report. The Company will be capable, subject to it having distributable reserves, of declaring dividends.

Consolidated financial statements impact

The imposition of Mincon Group Plc as a new holding company of Smithstown Holdings does not meet the definition of a business combination under IFRS 3 "*Business Combinations*", and, as a consequence, the acquired assets and liabilities of Smithstown Holdings and its subsidiaries continue to be carried in the consolidated financial statements at their respective carrying values as at the date of the reorganisation. The consolidated financial statements of Mincon Group plc are prepared on the basis that the Company is a continuation of the Smithstown Holdings group, reflecting the substance of the arrangement.
The share capital, share premium and other reserve balances of the Company, as described above, form part of the consolidated Statement of Financial Position. An additional merger reserve of €17.393m arises in the consolidated Statement of Financial Position. This represents the excess of the carrying value of the net assets of the subsidiaries of Smithstown Holdings over the amount recorded in the parent entity, Mincon Group plc, as the investment in Smithstown Holdings.

19. Earnings per share

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

	2013			2012
	Excluding exceptional items	**Exceptional items**	**Including exceptional items**	
Numerator (amounts in €000):				
Profit attributable to owners of the Parent	10,914	(953)	9,961	9,970
Earnings per Ordinary Share				
Basic and diluted earnings per share, €..................	7.02c	(0.61c)	6.41c	6.65c
Denominator (Number):				
Basic and diluted weighted-average shares outstanding...	155,510,943	155,510,943	155,510,943	150,000,000

There were no dilutive interests in issue at any of the period ends. In accordance with IAS 33 *Earnings per Share*, the EPS disclosed for 2012 and 2013 has been retrospectively adjusted for the shares issued in the reorganisation of the Group in August 2013, as disclosed in Note 1 and Note 18, as if those shares had been issued on 1 January 2012. The weighted average number of shares outstanding for 2013 includes the effect of the 57,471,264 shares issued and placed in the initial public offering on 26 November 2013.

20. Subsidiary and Associate Undertakings

At 31 December 2013, the Group had the following subsidiary undertakings:

Company	Nature of Business	Group Share %	Registered Office & Country of Incorporation
Mincon International Limited	Manufacturer of rock drilling equipment	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Inc	Trading company	100%	603 Centre Avenue, N.W. Roanoke, VA 24016, USA
Mincon Rockdrills USA Inc	Manufacturer of rock drilling equipment	75%*	107 Industrial Park, Benton, IL 62812, USA
Mincon Rockdrills PTY Ltd	Manufacturer of rock drilling equipment	100%	8 Fargo Way, Welshpool, WA 6106, Australia
Mincon Sweden AB	Trading company	100%	Industrivagen 2-4, 61202 Finspang, Sweden
DDS-SA (Proprietary) Ltd	Trading company	100%	1 Northlake, Jetpark 1469, Gauteng, South Africa
Mincon West Africa SARL	Trading company	80%	Villa TF 4635 GRD, Almadies, Dakar B.P. 45534, Senegal
Mincon Poland	Trading company	100%	ul.Mickiewicza 32, 32-050 Skawina, Poland
Mincon Rockdrills Ghana Limited	Trading company	80%	P.O. Box CT5105, Accra Ghana
Mincon S.A.C.	Trading company	100%	Calle La Arboleda 151, Dpto 201, La Planicie, La Molina, Peru
Mincon Mining Equipment Inc	Trading company	100%*	19789-92a Avenue, Langley, British Columbia V1M3B3, Canada
Mincon Finance BV	Group finance company	100%	Claude Debussylaan 24, 1082 MD Amsterdam Holland
Mincon International Shannon	Dormant company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Smithstown Holdings	Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Lotusglade Limited	Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Floralglade Company	Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Microcare Limited	Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Castle Heat Treatment Limited	Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland

* Indirectly held shareholding

21. Financial Risk Management

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

a) Liquidity and Capital

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

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 were as follows:

	2013 €000	2012 €000
Cash and cash equivalents	10,119	8,715
Short term deposits	40,000	-
Shareholders' equity	85,358	46,169

At 31 December 2013, the Group had €40.0 million on deposit with a government backed financial institution in Ireland. These monies can be withdrawn at any time for corporate purposes, but have a nominal maturity date of December 2014. IAS 7 *Statement of Cash Flows* requires any investment with a maturity date of greater than three months to be disclosed other than as cash or cash equivalents.

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

	31 December 2013 €000	31 December 2012 €000
Ireland	42,272	694
Americas	511	399
Australasia	2,773	1,034
Europe, Middle East, Africa	4,563	6,588
Total cash, cash equivalents and short term deposits	50,119	8,715

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 evaluate 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.

21. Financial Risk Management *(continued)*

a) Liquidity and Capital (continued)

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

	Total Carrying Value €000	Total Contractual Cash Flows €000	Less than 1 Year €000	1-3 Years €000	3-5 Years €000	More than 5 Years €000
At 31 December 2013:						
Loans and borrowings	1,279	1,520	560	366	594	-
Finance leases	240	255	255	-	-	-
Trade and other payables	2,189	2,189	2,189	-	-	-
Accrued and other financial liabilities	3,334	3,334	3,334	-	-	-
Total at 31 December 2013	7,042	7,298	6,338	366	594	-
At 31 December 2012:						
Loans and borrowings	695	764	283	238	180	63
Finance leases	624	704	296	408	-	-
Trade and other payables	4,303	4,303	4,303	-	-	-
Accrued and other financial liabilities	3,135	3,135	3,135	-	-	-
Total at 31 December 2012	8,757	8,906	8,017	646	180	63

b) Foreign currency risk

The Group is a multinational business operating in a number of countries and the euro is the primary currency in which the Group conducts its business. The Group, however, does have revenues, costs, assets and liabilities denominated in currencies other than euros. 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 continue 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.

The Group has material subsidiaries with a functional currency other than the euro, such as US dollar, Australian dollar, South African Rand and Swedish Krona.

21. Financial Risk Management *(continued)*

b) Foreign currency risk (continued)

During the years presented average and closing exchange rates for the Group's primary currency exposures were as disclosed in the table below. In 2013, the euro strengthened against all of the major currencies in which Mincon trades. This has had a significant impact on the Group's profitability for the year, with a reduction in revenue as well as incurring a foreign exchange loss of €1.3 million arising on realised and unrealised losses on settlement or retranslation of monetary assets and liabilities, which has been recorded in the consolidated income statement. The strengthening of the euro has also impacted upon equity with a reduction in recognised assets and liabilities of non-Euro reporting subsidiaries of €3.9 million due to foreign exchange movements in the year on the retranslation of the net investment in foreign operations.

	2013		2012	
Euro exchange rates	**Closing**	**Average**	**Closing**	**Average**
US Dollar	1.38	1.33	1.32	1.29
Australian Dollar	1.55	1.38	1.27	1.24
South African Rand	14.44	12.80	11.29	10.54

The table below shows the Group's currency exposure which may impact the income statement. 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

	2013	2012
Monetary Assets/(Liabilities)	**€000**	**€000**
Euro	(3,671)	4,846
US Dollar	8,266	550
Australian Dollar	3,235	2,515
South African Rand	2,212	2,128
Other	57	799
Total	10,099	10,838

A 10% strengthening of the Euro against the Group's primary operating currencies at 31 December 2013 would have increased/(decreased) shareholders' equity and net profit by approximately the amounts shown below. This analysis assumes that all other variables, remain constant.

	2013		2012	
	Equity*	**Net Profit**	**Equity***	**Net Profit**
	€000	**€000**	**€000**	**€000**
US dollar	(1,093)	(143)	(292)	(51)
Australian dollar	(1,314)	(392)	(506)	(232)
South African Rand	(968)	(1,030)	(441)	(161)

* Includes net investment exposure

A 10% weakening of the Euro against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

21. Financial Risk Management *(continued)*

c) Credit Risk

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

	2013 €000	2012 €000
Ireland	129	114
Americas	2,478	2,918
Australasia	1,599	1,090
Europe, Middle East, Africa	4,286	6,338
Total amounts owed	**8,492**	**10,460**

The Group is also exposed to credit risk on its liquid resources (cash and short term deposits), of which €42.3 million was invested with a government backed financial institution in Ireland. The Directors actively monitor the credit risk associated with this exposure.

d) 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.

The carrying amounts and fair value of our financial liabilities, which are all held at amortised cost, were as follows:

	Carrying Amount €000	Fair Value €000
At 31 December 2013:		
Bank loans	1,279	1,290
Finance leases	240	240
At 31 December 2012:		
Bank loans	695	721
Finance leases	624	655

The fair values of our debt instruments were based on credit adjusted variable rate instruments with a similar maturity.

All fair values for assets or liabilities have been based on IFRS Level 2 information.

e) Interest Rate Risk

Interest Rate Risk on Financial Liabilities

As at 31 December 2013, the remaining long term debt was all at fixed rates; therefore we are not exposed to cash flow interest rate risk in relation to our debt.

Interest Rate Risk on cash and cash equivalents

Our exposure to interest rate risk on cash and cash equivalents is actively monitored and managed with an average duration of less than three months. Interest rate risk on cash and cash equivalents is not considered material to the Group.

22. Pension and Other Employee Benefit Plans

The Group operates various defined contribution pension plans. During the year ended 31 December 2013, the Group recorded €0.3 million (2012: €0.4 million) of expense in connection with these plans.

23. Leases

Operating Leases

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

Finance Leases
At 31 December 2013, the net book value of assets acquired under finance leases was €1.0 million (€1.2 million), which included €0.9 million (2012: €0.7 million) of accumulated depreciation. The depreciation expense related to assets under finance leases for 2013 was €0.2 million (2012: €0.2 million).

24. Commitments

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

	31 December 2013 €000	31 December 2012 €000
Contracted for	4,124	-
Not-contracted for	40	48
Total	4,164	48

For information on lease commitments, refer to Note 23.

25. Litigation

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

26. Related Parties

As at 31 December 2013, the share capital of Mincon Group plc was 57.681% owned by Kingbell Company which is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director of the Company. Ballybell Limited, a company controlled by Kevin Barry, holds 14.420% of the equity of the Company.

The Group has a related party relationship with its subsidiary and its joint venture undertakings (see Note 20 for a list of these undertakings), directors and officers. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

26. Related Parties *(continued)*

Key management compensation

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

	2013 €000	2012 €000
Short term employee benefits	634	398
Bonus and other emoluments	-	2,886
Pension contributions	22	18
Total	**656**	**3,302**

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.

On 30 August 2013, Smithstown Holdings, declared a final dividend of €15.0 million to shareholders on the share register of that company as at 30 August 2013, being companies ultimately controlled by Patrick Purcell, members of the Purcell family and Kevin Barry. This dividend was paid by 31 December 2013. No dividend payments were made in 2012.

Transactions with Directors

The Group is owed €991,500 from directors and shareholders at 31 December 2013. The Group has amounts owing to directors of €nil as at 31 December 2013 (31 December 2012: €870,000). The amounts outstanding at 31 December 2012 were fully repaid during the year.

	31 December 2013 €000	31 December 2012 €000
Patrick Purcell	31	(460)
Joseph Purcell	-	(410)
Kevin Barry	8	-
Kingbell Company*	762	-
Ballybell Limited*	191	-
Total	**992**	**(870)**

* Being amounts owing in relation to the employee recognition award as disclosed in Note 8 and included in other current assets in the statement of financial position. These amounts have been fully paid since the balance sheet date

27. Off-balance Sheet Arrangements

As at 31 December 2013 and 2012, the Group had no unconsolidated special purpose financing or partnership entities or other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that are material to investors.

28. Events after the reporting date

Loans and Borrowings

On 15 January 2014, Mincon Rockdrills Pty Limited drew down AUS$2,400,000 (circa €1.5million) on a fifteen year variable interest loan which is secured on assets of that company with a net book value of approximately AUS$3.5 million (circa €2.3 million).

29. Approval of financial statements

The Board of Directors approved the consolidated financial statements on 2 April 2014.