Mincon Group plc
2014 Full Year Financial Results

Mincon Group plc *(ESM:MIO AIM:MCON),* the Irish engineering group specialising in the design, manufacture, sale and servicing of rock drilling tools and associated products, announces its results for the year ended 31 December 2014.

	31 December 2014	31 December 2013 *	Percentage change in period
Product revenue:	**€'000**	**€'000**	
Sale of Mincon product	41,816	40,698	3%
Sale of third party product	12,728	11,645	9%
Total revenue	54,544	52,343	4%
Operating profit	10,350	15,012	-31%
Profit attributable to shareholders of the parent company	9,264	10,914	-15%

** 2013 numbers exclude exceptional items related to once-off employee recognition funded by the two majority shareholders*

Kevin Barry, Chief Executive Officer, commenting on the results, said:

"The Mincon Group has delivered another strong performance in 2014 despite the downturn in the mining industry and the challenges faced by certain markets that we serve. In this difficult environment we grew our revenue by a healthy 4% and achieved a net margin of 17.0%. The decline in the commodity prices of base and precious metals such as gold, iron ore and copper has had a major impact on the global exploration and mining market and has also been a factor in the significant devaluation of certain key currencies in which we trade, particularly the South African Rand and the Australian Dollar.

Given this global macroeconomic environment we are pleased with the robustness of our business model and the strong net margin delivered by the Group. The exploration industry is cyclical in nature and therefore our focus has always been on the production mining and other market sectors such as waterwell, geothermal and construction drilling, which are less cyclical and provide a more stable platform for the long term success and growth of the business. We continued to grow our product range through the acquisition in August 2014 of a 65% stake in Rotacan, which manufactures rotary drill bits and drill pipe, which are complementary to our current range of pneumatic down-the-hole (DTH) hammers and bits. Mincon is an engineering company at heart and our focus is always on the quality of our products. We are confident that the company with the best products will emerge from the current downturn in the mining industry in the strongest position."

Board and Management Changes

The Board announces that Kevin Barry who joined the company in 1984, and became Chief Executive Officer in 1990, is retiring from this role. The Board will now commence a selection process for a new Group CEO. Mr. Barry will continue in his role through the transition until a new CEO is in place.

Speaking on behalf of the Board, Padraig McManus, Chairman, said *"I would like to personally thank Kevin for his efforts and achievements as CEO of the Group. Over the past 25 years, Kevin has done a tremendous job steering the company from a local manufacturer in Shannon to a global supplier of rock drilling products with a direct presence in eleven countries on five continents and with over 200 employees worldwide. He has worked tirelessly to grow the company and deliver world class products to our customers by focusing on the importance of our people to the success of our business."*

Kevin Barry, Chief Executive, commented: "It has been a fantastic privilege to lead Mincon over the past 25 years and to contribute to its development. I am incredibly proud of our achievements and would like to thank all of my colleagues, past and present, for their help, commitment and contribution. Mincon is in excellent shape and I feel that now is the right time to announce my intention to retire. By giving notice of this now, the Board will have ample time to plan and ensure an orderly succession and to select a candidate who will continue to drive this ambitious Company forward."

Financial Performance

Revenue – Mincon Manufactured Products

Demand for Mincon manufactured product has remained relatively stable on a like for like basis. The 3% increase in revenues from Mincon manufactured product was driven by the acquisition of a 65% stake in Rotacan in August 2014, which increases Mincon's product offering with the addition of Rotary drill bits and drill pipe to our product range. Rotary product accounted for €3.3 million of Mincon's manufactured revenue in the five months since acquisition. Offsetting this year-on-year increase in Mincon manufactured product was the €1.6 million impact of currency weakness on our own manufactured revenue and a €0.8m reduction in sales of our exploration focussed Reverse Circulation (RC) product.

Revenue from our conventional down-the-hole (DTH) hammer represented 59% (2013: 60%) of Group turnover with sales of RC, Horizontal Directional Drilling (HDD) and Rotary product representing 18% (2013: 18%) of Group turnover. Demand for our DTH and HDD product was flat year-on-year as growth in market share in Australasia was offset by a loss of some market share in West Africa. The demand for RC product is more cyclical depending largely on the global prices for precious metals and the corresponding demand for exploration product. This market is at an extremely low ebb currently, resulting in a significant reduction in invoiced sales of Mincon RC product

Revenue – Sale of third party products

Sales of non Mincon manufactured product increased overall by 9% year-on-year. This increase was driven by the acquisition of two additional sales entities during 2014 which expanded Mincon's presence into Namibia and the east coast of Australia. These acquisitions added €3.0m of revenue in the 5 months since acquisition. Sales of third party product by existing Mincon sales entities declined by €1.2 million (13%) on a like for like basis due to the loss of market share in West Africa, and currency weakness which accounted for a decline of €0.7 million.

Profit margins

The Group's gross profit declined by €2.2 million to €23.6 million representing a margin of 43% (2013: 49%). The reduction in gross profit is primarily attributable to currency devaluation, along with the impact of a reduction in RC product sales and a pressure on pricing in the second half of 2014 (for both Mincon and non-Mincon manufactured product). Management's primary 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.

Currency

The Group's worldwide presence creates currency volatility when compared year on year. In 2014, there was a significant devaluation in three of the major currencies in which Mincon trades, namely the South African Rand (ZAR), Australian Dollar (AUD) and Swedish Krona (SEK). On an average basis, these currencies devalued by 12% (ZAR), 7% (AUD) and 5% (SEK) in 2014 compared to 2013.

Almost 50% of Mincon's revenue (approx. €26.0 million) is generated in these currencies, compared to less than 10% of the Group's cost of sales. This had a significant translational impact on revenue (€2.3 million reduction) when sales in local currency are converted into euro with a knock-on impact on the Group's gross margin and net margin. The majority of the Group's manufacturing base has a euro or US dollar cost base. While Group management makes every effort to reduce the impact of this currency volatility, it is impossible to eliminate or significantly reduce given the fact that the highest grades of our key raw materials are either not available or not denominated in these markets and currencies. Additionally, the ability to increase prices for our products in these jurisdictions is limited by the current market factors.

Currency also has a significant transactional impact on the Group as outstanding balances in foreign currencies are retranslated at closing rates at each period end. In the current year, this has resulted in a gain of €0.6 million (included as part of financing income), which was mainly due to the strength of the US dollar at year-end.

Operating Costs

Operating costs have increased by €2.5 million (23%) to €13.2 million primarily due to the three acquisitions completed in August 2014, which added €1.7 million in operating expenses including acquisition related costs. On a like for like basis, operating costs increased €0.8 million predominantly due to the establishment of two additional distribution companies in Ghana and Peru, increased promotional and marketing efforts and additional public company overhead as compared to 2013.

Profit attributable to shareholders

Profit attributable to shareholders decreased by €1.9 million due to the factors outlined above. The reduction in the effective rate of tax from 19% in 2013 to 18% in 2014 was due to the change in the geographic spread of profits of the Group entities, reflective of (i) the impact on margins of the weakening of currencies in non-euro jurisdictions, and (ii) the reduction in sales of third party product in 2014 as compared to the same period in the prior year.

Balance sheet and cash flows

Mincon's balance sheet remains very strong with attributable net assets of €95.0 million and net cash of approximately €41.6 million at 31 December 2014 (December 2013: €48.5 million) available for investment.

The increase in net working capital in the period of €10.8 million was largely due to two specific investments in the period: (i) acquisitions, which added €3.6 million in receivables and inventory to the Group, and (ii) an additional investment in drill rigs for resale of €3.2 million to €4.2 million.

Excluding these investments, net working capital has increased by €4.0 million. This increase was due to a €1.7 million increase in inventory, a €1.1 million increase in receivables and a €1.2 million impact of currency and other movements. The increase in inventory is primarily due to stocking in Peru and Ghana and an increase in Australia due to demand increases. While receivables have increased by €1.1 million since December 2013, 75% of the outstanding balance at 31 December 2014 is current (less than 60 days) compared to 65% at the end of 2013.

The Group generated €4.8 million cash from operations in 2014 compared to an operating profit of €10.4 million, with the difference being primarily due to the investment in drill rigs for resale and increases in inventory and receivables outlined above. Management continue to focus on working capital management and have an objective of generating consistent free cash flow from operations in future.

Dividend

The Board of Mincon Group plc is recommending the payment of a final dividend for the year ended 31 December 2014 in the amount of €0.01 (1 cent) per ordinary share, which will be subject to approval at the Annual General Meeting of the Company in May 2015. This final dividend, when added to the interim dividend of 1 cent paid on 26 September 2014, makes a total distribution for the year of 2 cent per share. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 26 June 2015 to Shareholders on the register at the close of business on 29 May 2015.

Business Outlook

We take a medium to long term outlook of our Company and the markets that we serve. The fundamentals of profits and cash flow are healthy in Mincon. Industry cycles are a fact of life and it is the objective of the management team to ensure the effects of the troughs of these cycles are controlled and minimised. In this context, availing of opportunities in the best long-term interest of the Company and shareholders is the key objective of the Company and the Board.

In Q4 2014, we saw a marginal improvement in invoiced sales compared to Q3 2014 and Q4 2013. However, this improved trading was against a background of increased pressure on prices. We expect the primary factors driving revenue and margins to remain broadly consistent with levels experienced in 2014. The risk posed by the volatility in currency markets and the weakness in metal prices remains a concern.

In the past 12 months we have significantly increased our investment in the Group's operations and people. We have done so in order to be well positioned to take advantage of expected improvements in our key markets. Although we still face challenges in several markets and sectors arising from economic uncertainty and continuing competitive and customer pressures, our strong financial position will provide us with the resources to capitalise on growth opportunities as they arise. The acquisitions announced in August 2014 will be profit enhancing in H1 2015. Management continue to pursue a number of additional acquisitions which offer the opportunity to further extend our existing product range and add new customers and new geographic markets. We continue to increase our international sales network on a selective basis and maintain a strong emphasis on continued and new product development aimed at improving and expanding the existing product range.

ENDS

9 MARCH 2015

For further information, please contact:

Mincon Group plc
Kevin Barry, Chief Executive Officer **Tel: + 353 (61) 361 099**
Brian Lenihan, Chief Financial Officer

Davy Corporate Finance (Nominated Adviser and ESM Adviser) **Tel: +353 (1) 679 6363**
Eugenée Mulhern
Daragh O'Reilly

Q4 Public Relations (PR Advisers) **Tel: +353 (1) 475 1444**
Gerry O'Sullivan

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

	Notes	2014 €'000	2013 Excluding exceptional items €'000	2013 Exceptional items (Note 21) €'000	2013 Including exceptional items €'000
Continuing operations					
Revenue	4	54,544	52,343	-	52,343
Cost of sales	6	(30,992)	(26,621)	-	(26,621)
Gross profit		**23,552**	**25,722**	**-**	**25,722**
General, selling and distribution expenses	6	(13,202)	(10,710)	(1,195)	(11,905)
Operating profit...	9	**10,350**	**15,012**	**(1,195)**	**13,817**
Finance cost...		(204)	(107)	-	(107)
Finance income		739	159	-	159
Foreign exchange gain/(loss).................................		580	(1,332)	-	(1,332)
Fair value movement on contingent consideration ..	20(e)	(216)	-	-	-
Profit before tax		**11,249**	**13,732**	**(1,195)**	**12,537**
Income tax expense...	10	(1,985)	(2,573)	242	(2,331)
Profit for the year		**9,264**	**11,159**	**(953)**	**10,206**

	Notes	2014	2013
Profit attributable to:			
- owners of the Parent		9,134	9,961
- non-controlling interests...		130	245
Earnings per Ordinary Share			
Basic earnings per share, €	18	4.40c	6.41c
Diluted earnings per share, €....................................	18	4.40c	6.41c
Weighted average number of ordinary shares in issue ('000) …………………………………..………		207,581	155,511

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

On behalf of the Board:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2014

	2014	2013
	€'000	€'000
Profit for the year	**9,264**	**10,206**
Other comprehensive income/(loss):		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	1,818	(3,874)
Other comprehensive income/(loss) for the year	1,818	(3,874)
Total comprehensive income for the year	**11,082**	**6,332**
Total comprehensive income attributable to:		
- owners of the Parent	**10,952**	**6,087**
- non-controlling interests	**130**	**245**

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

On behalf of the Board:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	2014 €'000	2013 €'000
Non-Current Assets			
Goodwill	11	9,870	1,511
Property, plant and equipment	13	16,399	13,540
Deferred tax asset	10	278	264
Other non-current assets	12	573	530
Total Non-Current Assets		**27,120**	**15,845**
Current Assets			
Inventory	14	28,365	18,485
Trade and other receivables	15	11,822	8,492
Other current assets		116	2,085
Current tax asset		408	23
Short term deposits	20	30,630	40,000
Cash and cash equivalents	20	14,082	10,119
Total Current Assets		**85,423**	**79,204**
Total Assets		**112,543**	**95,049**
Equity			
Ordinary share capital	17	2,105	2,113
Share premium	17	67,647	145,036
Other reserve	17	-	(79,300)
Merger reserve		(17,393)	(17,393)
Capital contribution	17	-	953
Capital redemption reserve	17	39	-
Share based payment reserve	19	16	-
Foreign currency translation reserve		(116)	(1,934)
Retained earnings		42,715	35,883
Equity attributable to owners of Mincon Group plc		**95,013**	**85,358**
Non-controlling interests		417	979
Total Equity		**95,430**	**86,337**
Non-Current Liabilities			
Loans and borrowings	16	2,065	788
Deferred tax liability	10	757	872
Deferred contingent consideration	8	6,717	-
Other liabilities		140	124
Total Non-Current Liabilities		**9,679**	**1,784**
Current Liabilities			
Loans and borrowings	16	893	731
Trade and other payables		3,804	2,189
Accrued and other liabilities		2,320	3,334
Current tax liability		417	674
Total Current Liabilities		**7,434**	**6,928**
Total Liabilities		**17,113**	**8,712**
Total Equity and Liabilities		**112,543**	**95,049**

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

On behalf of the Board:

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 31 December

	2014 €'000	2013 €'000
Operating activities:		
Profit for the period	9,264	10,206
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	2,053	1,874
Fair value movement on deferred contingent consideration	216	-
Finance cost	204	107
Finance income	(739)	(159)
Income tax expense	1,985	2,331
Other non-cash movements	291	900
	13,274	15,259
Changes in trade and other receivables	(1,121)	1,017
Changes in prepayments and other assets	185	447
Changes in inventory	(1,684)	(408)
Changes in capital equipment inventory	(3,239)	(993)
Changes in trade and other payables	(644)	(452)
Cash provided by operations	6,771	14,870
Interest received	739	159
Interest paid	(204)	(107)
Income taxes paid	(2,512)	(2,570)
Net cash provided by operating activities	**4,794**	**12,352**
Investing activities		
Purchase of property, plant and equipment	(2,365)	(2,170)
Disposal of property, plant and equipment	615	100
Acquisitions	(6,198)	-
Redemption of/(investment in) short term deposit	9,370	(40,000)
(Investment in)/proceeds from joint venture investments	24	-
Net cash used in investing activities	**1,446**	**(42,070)**
Financing activities		
Dividends paid	(2,074)	(15,000)
Issuance of shares in public listing, net of expenses	-	47,110
Directors loans	-	(870)
Repayment of loans and finance leases	(2,105)	(783)
Drawdown of loans	1,900	1,100
Net cash provided by/(used in) financing activities	**(2,279)**	**31,557**
Effect of foreign exchange rate changes on cash	2	(435)
Net increase/(decrease) in cash and cash equivalents	**3,963**	**1,404**
Cash and cash equivalents at the beginning of the year	10,119	8,715
Cash and cash equivalents at the end of the year	**14,082**	**10,119**

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Share capital €'000	Share premium €'000	Merger reserve €'000	Other reserve €'000	Capital redemption reserve €'000	Capital contribution €'000	Share based payment reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balances at 1 January 2013......................	**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**
Comprehensive income:												
Profit for the year	-	-	-	-	-	-	-	-	9,134	**9,134**	130	**9,264**
Other comprehensive income/(loss):												
Foreign currency translation.........................	-	-	-	-	-	-	-	1,818	-	**1,818**	-	**1,818**
Total comprehensive income....................	-	-	-	-	-	-	-	1,818	9,134	**10,952**	130	**11,082**
Transactions with Shareholders:												
Share based payments	-	-	-	-	-	-	16	-	-	**16**	-	**16**
Dividends	-	-	-	-	-	-	-	-	(2,074)	**(2,074)**	-	**(2,074)**
Acquisition of non-controlling interests..........	31	1,911	-	-	-	-	-	-	(1,142)	**800**	(800)	**-**
Redemption of subscriber shares	(39)	-	-	-	39	-	-	-	(39)	**(39)**	-	**(39)**
Recognition of non-controlling interest on acquisition..	-	-	-	-	-	-	-	-	-	**-**	108	**108**
Reduction of share premium........................	-	(79,300)	-	79,300	-	-	-	-	-	**-**	-	**-**
Recycle of capital contribution to retained earnings	-	-	-	-	-	(953)	-	-	953	**-**	-	**-**
Balances at 31 December 2014.................	**2,105**	**67,647**	**(17,393)**	**-**	**39**	**-**	**16**	**(116)**	**42,715**	**95,013**	**417**	**95,430**

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.

The Mincon Group comprises Mincon Group plc and its subsidiaries (including Smithstown Holdings) as outlined in Note 22. 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 the Enterprise Securities Market (ESM) of the Irish Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange.

2. Basis of Preparation

The consolidated preliminary financial information of the Company for the year ended 31 December 2014 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 2014 and 31 December 2013.

The consolidated preliminary financial information presented herein does not constitute the Company's statutory financial statements for the years ended 31 December 2014, 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 2014, 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 6 March 2015.

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 statements on a going concern basis.

2. Basis of Preparation *(continued)*

New standards and interpretations
The accounting policies applied in the preparation of these consolidated financial statements have been applied consistently during the year and prior year, except as highlighted below in 'Recent accounting pronouncements'.

Recent accounting pronouncements
The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 31 December 2014:

- IFRS 10, 'Consolidated Financial Statements'
- IFRS 11, 'Joint Arrangements'
- IFRS 12, 'Disclosure of Interests in Other Entities'
- IAS 27 (2011), 'Separate Financial Statements'
- IAS 28 (2011), 'Investments in Associates'
- IFRIC 21, 'Levies'

The adoption of the above new standards and interpretations did not have a significant impact on the Group's consolidated financial statements.

Amendments to existing standards
During the period, a number of amendments to existing accounting standards became effective. These have been considered by the directors and have not had a significant impact on the Group's consolidated financial statements.

New IFRSs not yet adopted
The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs which are not yet effective and have not been adopted early in these consolidated financial statements.

- IFRS 15, 'Revenue from Contracts with Customers' (effective for the Group's 2017 consolidated financial statements)
- IFRS 9, 'Financial Instruments' (effective for the Group's 2018 consolidated financial statements)

The directors do not believe that either of the above standards will have a significant impact on Group reporting. There are other amendments which have been considered but are not likely to have a significant impact on the Group's accounting policies.

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.

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

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

Income taxes

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

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

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

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

Inventories

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

Foreign currency

Foreign currency transactions

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 20.

Translation of accounts of foreign entities

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

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

Business combinations and consolidation

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

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

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

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

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

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

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

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

Property, plant and equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost of an item of property, plant and equipment comprises the purchase price, import duties, and any cost directly attributable to bringing the asset to 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.

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

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.

Financial assets and liabilities

Recognition and derecognition

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

Effective interest method

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

Borrowing costs

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

Investments in subsidiaries - Company

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

Impairment of financial assets

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

Equity

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

Contingent liabilities

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

Financial instruments carried at fair value: Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial income and expenses

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

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

Provisions

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

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

Exceptional items

The Group has 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.

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.

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 2014, were €0.3m for trade and other receivables with a corresponding gross amount of €12.8m.

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.

4. Revenue

	2014 €'000	2013 €'000
Product revenue:		
Sale of Mincon product	41,816	40,698
Sale of third party product	12,728	11,645
Total revenue	**54,544**	**52,343**

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 2014 of €54.5 million (FY2013: €52.3 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, Western Australia, the United States and Canada and sales offices in eight other locations including Eastern Australia, South Africa, Senegal, Ghana, Namibia, 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):

	2014 €'000	2013 €'000
Region:		
Ireland	580	1,165
Americas	15,753	13,569
Australasia	9,510	5,622
Europe, Middle East, Africa	28,701	31,987
Total revenue from continuing operations	**54,544**	**52,343**

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

	2014 €'000	2013 €'000
Region:		
Ireland	5,871	5,730
Americas	12,852	2,492
Australasia	5,645	4,905
Europe, Middle East, Africa	2,474	2,454
Total non-current assets(1)	**26,842**	**15,581**

(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

	2014 €'000	2013 €'000
Raw materials	11,035	9,544
Third party product purchases	10,010	8,719
Employee costs	4,951	5,005
Depreciation	1,574	1,487
Other	3,422	1,866
Total cost of sales	**30,992**	**26,621**

General, selling and distribution expenses

	2014 €'000	2013 €'000
Employee costs (including director emoluments)	6,868	5,634
Depreciation	479	387
Acquisition costs	361	-
Other	5,494	4,689
Total other operating costs before exceptional items	**13,202**	**10,710**
Exceptional item: employee recognition award	-	1,195
Total other operating costs	**13,202**	**11,905**

7. Employee information

	2014 €'000	2013 €'000
Wages and salaries – excluding directors	10,022	9,105
Wages, salaries & fees – directors	632	634
Social security costs	748	591
Pension costs of defined contribution plans	417	309
Total employee costs before exceptional items	**11,819**	**10,639**
Exceptional item: employee recognition award	-	1,195
Total employee costs	**11,819**	**11,834**

The average number of employees was as follows:

	2014 Number	2013 Number
Sales and distribution	57	40
General and administration	33	23
Manufacturing, service and development	97	88
Average number of persons employed	**187**	**151**

Pension and Other Employee Benefit Plans

The Group operates various defined contribution pension plans. During the year ended 31 December 2014, the Group recorded €0.4 million (2013: €0.3 million) of expense in connection with these plans.

8. Acquisitions

A key strategy of the Group is to increase and diversify its product portfolio and to extend its distribution network through acquisitions. In line with this strategy, the principal acquisitions completed by the Group during the year, together with percentages acquired were as follows:

- the acquisition of 65% of Rotacan*, a Canadian based business which specialises in the design, manufacture and sale of rotary blast hole drill bits, drill pipe and other ancillary products used primarily in the open pit mining industry, completed in August 2014;
- the acquisition of 65% of ABC Products*, a sales and distribution company in Rockhampton, Australia, completed in August 2014; and
- the acquisition of 60% of Omina Supplies*, also a sales and distribution company based in Windhoek, Namibia, completed in August 2014.

  ** Full legal names disclosed in Note 20.*

In the five months to December 2014, these acquisitions contributed revenue of €6.54 million and €Nil net profit the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that revenues from these acquisitions would have been €15.7 million (consolidated revenue would have been €9.16 million higher). Consolidated profit for the year would not have changed materially. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

A. Consideration transferred

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

	Rotacan €'000	Other €'000	Total €'000
Cash…………………………………………..	7,144	945	**8,089**
Deferred contingent consideration	5,587	904	**6,491**
Total consideration transferred……………	**12,731**	**1,849**	**14,580**

Deferred contingent consideration

Rotacan

Mincon has an option to purchase the remaining 35% of Rotacan in five years (for consideration based on an EBITDA multiple). The 35% shareholder will also have put options beginning in three years' time.

Other entities

There are also similar put and call options in place to purchase 30% of ABC Products and the remaining 40% of Omina which will be exercisable in three to five years.

In accordance with IFRS 3 *Business Combinations,* the Group has accounted for the put and call option arrangements under the anticipated acquisition method and accordingly the financial liability arising from the arrangement is included in the cost fair value of the consideration transferred as deferred contingent consideration of €6.5m in the table above. No material non-controlling interests are presented for these entities on the basis that the Group has treated the put option as a financial liability that is outside our control. At 31 December 2014, the fair value of the deferred contingent consideration had increased to €6.7 million.

8. Acquisitions *(continued)*

B. Identifiable assets acquired and liabilities assumed

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

	Rotacan €'000	Other €'000	Total €'000
Property, plant and equipment………………..	2,070	460	**2,530**
Inventories………………………………………	1,787	1,699	**3,486**
Trade Receivables ……………………………..	1,042	961	**2,003**
Cash and cash equivalents……..……………..	1,825	66	**1,891**
Loans and borrowings	(1,303)	(193)	**(1,496)**
Deferred tax assets ..…………………………..	-	84	**84**
Other assets/(liabilities)……………………….	95	89	**184**
Trade and other payables...............................	(597)	(1,659)	**(2,256)**
Total identifiable net assets acquired……..	**4,919**	**1,507**	**6,426**

Measurement of fair values

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

Property, plant and equipment Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Inventories: Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.
There were no adjustments processed during the year to the fair value of business combinations completed during the year ended 31 December 2014 where those fair values were not readily determinable as at 31 December 2014.

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

8. Acquisitions *(continued)*

C. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	Rotacan €'000	Other €'000	Total €'000
Consideration transferred	12,731	1,849	**14,580**
Fair value of identifiable net assets	(4,919)	(1,507)	**(6,426)**
Non-controlling interests	-	108	**108**
Goodwill	**7,812**	**450**	**8,262**

The goodwill created on acquisition of the above three companies is primarily related to the synergies expected to be achieved from integrating these companies into the Group's existing structure. Manufactured rotary product will be sold through the Group's existing sales & distribution network and the new sales offices will increase Mincon's market share and sale of own manufactured product.

D. Acquisition-related costs

Acquisition related costs amounted to approximately €360,000 and were included in "operating expenses" in the income statement for 2014.

E. Purchase of non-controlling interest

Mincon Rockdrills USA Inc. owns and operates Mincon's manufacturing facility in Benton, Illinois, USA. This facility manufactures Down-the-Hole (DTH) Bits and Horizontal Directional Drilling (HDD) Bits for the Group. The facility is exclusively dedicated to the production of high quality Bits.

On 19 December 2014 Mincon Group plc announced the purchase of the remaining 25% non-controlling interest in Mincon Rockdrills USA Inc. from Jones FT, LLC. Mincon purchased 50% of this business in 2003, and increased its shareholding to 75% in 2004. As a result of this transaction, Mincon Rockdrills USA Inc. will become a wholly-owned subsidiary of the Group.

Consideration payable of US$2.42 million was satisfied by the issue of 3,069,838 new ordinary shares of nominal value €0.01 each ("Ordinary Shares") and share premium of €0.63 per share. The excess of the consideration payable over the book value of the net assets acquired was €1.1 million and has been recorded as a charge to retained earnings. Jones FT, LLC is beneficially owned by the Jones family, which includes Mike Jones the Managing Director of Mincon Rockdrills USA Inc.

For the year ended 31 December 2013 and 2014 Mincon consolidated 100% of Mincon Rockdrills USA Inc. with the 25% non-controlling interest presented as income not attributable to shareholders of the Group. With effect from 19 December 2014, 100% of the income from Mincon Rockdrills USA, Inc. is attributable to shareholders of the Group.

9. Statutory and other required disclosures

Operating profit is stated after charging the following amounts:

	2014 €'000	2013 €'000
Directors' remuneration		
Fees	105	31
Wages and salaries	527	603
Other emoluments	-	-
Pension contributions	73	22
Total directors' remuneration	**705**	**656**

Auditor's remuneration:	2014 €'000	2013 €'000
Auditor's remuneration – Fees payable to lead audit firm (a)		
Audit of the Group financial statements	110	85
Audit of the Company financial statements	10	10
Other assurance services (b)	9	300
Tax advisory services (b)	45	140
Other non-audit services	47	-
	221	**535**
Auditor's remuneration – Fees payable to other firms in lead audit firm's network		
Audit services	16	12
Tax advisory services	28	-
	265	**547**

(a) KPMG was appointed as Group Auditor during 2013
(b) The 2013 fees were in connection with services provided for the Group's initial public offering

10. Income Tax

Tax recognised in profit or loss:

Current tax expense	2014 €'000	2013 €'000
Current year	2,030	2,413
Adjustment for prior years	-	-
Total current tax expense	2,030	2,413
Deferred tax expense		
Origination and reversal of temporary differences	(45)	(82)
Total deferred tax (credit)/expense	(45)	(82)
Total income tax expense	**1,985**	**2,331**

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:

	2014 €'000	2013 €'000
Profit before tax from continuing operations	11,249	12,537
Irish standard tax rate (12.5%)	*12.5%*	*12.5%*
Taxes at the Irish standard rate	1,406	1,567
Foreign income at rates other than the Irish standard rate	417	703
Losses creating no income tax benefit	91	64
Other	71	(3)
Total income tax expense	**1,985**	**2,331**

10. Income Tax *(continued)*

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

	2014 €'000	2013 €'000
Deferred taxation assets:		
Reserves/provisions, tax credits and capitalised items	95	120
Tax losses / unrealised FX gains	183	144
Total deferred taxation assets	278	264
Deferred taxation liabilities:		
Property, plant and equipment	(570)	(567)
Accrued income	(108)	(221)
Profit not yet taxable	(79)	(84)
Total deferred taxation liabilities	(757)	(872)
Net deferred taxation liability	(479)	(608)

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

1 January 2014 – 31 December 2014	Balance 1 January €'000	Recognised in Profit or Loss €'000	Recognised on acquisition €'000	Balance 31 December €'000
Deferred taxation assets:				
Reserves/provisions, tax credits and capitalised items	144	(49)	-	95
Tax losses	120	(21)	84	183
Total deferred taxation asset	264	(70)	84	278
Deferred taxation liabilities:				
Property, plant and equipment	(567)	(3)	-	(570)
Accrued income and other	(221)	113	-	(108)
Profit not yet taxable	(84)	5	-	(79)
Total deferred taxation liabilities	(872)	115	-	(757)
Net deferred taxation liability	(608)	45	84	(479)

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:				
Reserves/provisions, tax credits and capitalised items	-	144	-	144
Tax losses	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)

10. Income Tax *(continued)*

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

	2014 €'000	2013 €'000
Tax losses	2,185	1,940
Total	2,185	1,940

11. Goodwill

	€'000
Balance at 1 January 2013	**1,948**
Translation differences	(437)
Balance at 31 December 2013	**1,511**
Acquisitions	8,262
Translation differences	97
Balance at 31 December 2014	**9,870**

Goodwill relates to the acquisition of the remaining 60% of DDS-SA Pty Limited in November 2009, the 60% acquisition of Omina Supplies in August 2014 and the 65% acquisition of Rotacan and ABC products in August 2014 being the dates that the Group obtained control of these businesses. The Group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 *Business Combinations*.

The businesses acquired were integrated with other Group operations soon after acquisition. Impairment testing (including sensitivity analyses) is performed at each period end. Group management has determined that the Group has a single cash generating unit and therefore all goodwill is tested for impairment at Group level.

The recoverable amount of goodwill has been assessed based on estimates of value in use. Calculations of value in use are based on the estimated future cash flows using forecasts covering a five-year period (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 2014 was assumed to amount to 11% (2013: 11%) after tax (approximately 14% before tax) and has been used in discounting the cash flows to determine the recoverable amounts. Goodwill impairment testing did not indicate any impairment during any of the periods being reported. Sensitivity in all calculations implies that the goodwill would not be impaired even if discount rate increased substantially or the long-term growth was lowered to zero.

12. Other non-current assets

	2014 €'000	2013 €'000
Other non-current assets:		
Amounts owing from joint venture (1)	171	97
Loan to former joint venture partner (2)	402	433
Total other non-current assets	**573**	**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 €171,000 to this entity as at 31 December 2014.

(2) In September 2008, the Group invested in TJM, a drilling equipment and supplies company based in Pennsylvania. 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 2014, an amount of $489,000 was outstanding on this loan.

13. Property, Plant and Equipment

	Land &[1] Buildings €'000	Plant & Equipment €'000	Total €'000
Cost:			
At 1 January 2013	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
Acquisitions	-	2,530	2,530
Additions	1,070	1,295	2,365
Disposals	(4)	(757)	(761)
Foreign exchange differences	261	624	885
At 31 December 2014	8,280	20,192	28,472
Accumulated depreciation:			
At 1 January 2013	(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)
Charged in year	(200)	(1,853)	(2,053)
Disposals	-	299	299
Foreign exchange differences	(43)	(363)	(406)
At 31 December 2014	(1,727)	(10,346)	(12,073)
Carrying amount: 31 December 2014	**6,553**	**9,846**	**16,399**
Carrying amount: 31 December 2013	5,469	8,071	13,540
Carrying amount: 1 January 2013	5,887	8,814	14,701

[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:

	2014 €'000	2013 €'000
Cost of sales	1,574	1,487
General, selling and distribution expenses	479	387
Total depreciation charge for property, plant and equipment	2,053	1,874

Finance leases

The Group leases plant and equipment under a number of finance lease arrangements. The leased equipment secures lease obligations. At 31 December 2014, the net carrying amount of leased plant and equipment was €1.1 million (2013: €1.0 million). During the year, the Group acquired leased assets of €nil through existing operations and €0.8 million through acquisitions.

14. Inventory

	2014 €'000	2013 €'000
Finished goods and work-in-progress	18,454	14,600
Capital equipment	4,232	-
Raw materials	5,679	3,885
Total inventory	28,365	18,485

There was no material write-down of inventories to net realisable value during the year ended 31 December 2014 (2013: €nil). Write-downs are included in cost of sales. Included in capital equipment inventory are third party rigs held for resale in Southern Africa. At 31 December 2013, the Group had paid deposits on this capital equipment totalling €1.0m, which was included in other current assets.

15. Trade and other receivables

	2014 €'000	2013 €'000
Gross receivable	12,110	8,570
Provision for impairment	(288)	(78)
Net trade and other receivables	11,822	8,492

	2014 €'000	2013 €'000
Less than 60 days	8,846	5,560
61 to 90 days	1,570	1,731
Greater than 90 days	1,406	1,201
Net trade and other receivables	11,822	8,492

At 31 December 2014, €1.4 million (12%) of trade receivables of our total trade and other receivables balance was past due but not impaired (2013: €1.2 million (14%)).

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

16. Loans and borrowings

	Maturity	2014 €'000	2013 €'000
Bank loans	2015-2021	1,398	1,279
Finance leases	2015	1,560	240
Total Loans and borrowings		**2,958**	**1,519**
Current		893	731
Non-current		2,065	788

The Group has a number of bank loans and finance leases in the United States and Australia with a mixture of variable and fixed interest rates. The Group has not been in default on any of these debt agreements during any of the periods presented. None of the debt agreements carry restrictive financial covenants.

In January 2014, Mincon Rockdrills Pty Limited drew down AUS$2,400,000 (circa €1.6million) on a fifteen year variable interest loan which is secured on land & buildings of that company with a net book value of approximately AUS$3,500,000 (circa €2.3 million).

In December 2014, Mincon Inc. drew down US$338,000 (circa €0.3m) on a 10 year variable interest loan which is secured on land and buildings of that company with a net book value of approximately USD$528,000 (circa €0.4 million).

17. Share capital and reserves

At 31 December 2014 – 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	-	-

Allotted, called-up and fully paid up shares	Number	€000
Ordinary Shares of €0.01 each	210,541,102	2,105
Subscriber Shares of €1.00 each	-	-
		2,105

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

Share Issuances

On incorporation of Mincon Group plc (single entity) on 16 August 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 22 August 2014, the shareholders of Mincon Group plc passed a resolution at the company's AGM authorising the redemption at nominal value and subsequent cancellation of these subscriber shares. These shares were cancelled on 22 December 2014.

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.

On 19 December 2014, Mincon Group plc acquired the remaining 25% non-controlling interest in Mincon Rockdrills USA Inc. satisfied by the issue of 3,069,838 new ordinary shares at nominal value €0.01 each. These shares were admitted to trading on ESM and AIM on 24 December 2014.

17. Share capital and reserves *(continued)*

Voting rights

The holders of Ordinary Shares have the right to receive notice of and attend and vote at all general meetings of the Company and they are entitled, on a poll or a show of hands, to one vote for every Ordinary Share they hold.

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

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.

On 26 September 2014, Mincon Group plc paid an interim dividend in the amount of €0.01 (1 cent) per ordinary share, which was paid to shareholders on the register at the close of business on 29 August 2014. The directors are recommending a final dividend of €0.01 (1 cent) per ordinary share for 2014 which will be subject to approval at the company's AGM on 29 May 2015.

Share premium and other reserve

As part of the Group reorganisation which is described in note 1 of the 2013 Annual Report, 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.

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

The members of the Company passed a resolution on 1 November 2013 that, subject to the confirmation of the High Court of Ireland, the Company's share capital be reduced by an amount of €79.3 million and that the reserve so created would be used to cancel the other reserve (or such part thereof as the High Court of Ireland may determine). The application to the High Court was heard on 1 May 2014 and, by order of the High Court, the Company reduced its share premium account by €79.3 million and used the reserve so created to eliminate its "other reserve". As a result, the Company is capable, subject to it having distributable reserves, of declaring dividends.

Capital contribution

In December 2013, Kingbell Company (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 €953,000, net of a tax benefit of €242,000, 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).

The award was 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.

On payment of the employee recognition award in early 2014, the company credited retained earnings with the entire amount of the capital contribution, thereby reflecting the position that this recognition award had no impact on the net assets or retained earnings of the Group

18. 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:

	2014	2013		
	€'000	Excluding exceptional items €'000	Exceptional items €'000	Including exceptional items €'000
Numerator (amounts in €'000):				
Profit attributable to owners of the Parent ..	**9,134**	10,914	(953)	9,961
Earnings per Ordinary Share				
Basic and diluted earnings per share, €......	**4.40c**	7.02c	(0.61c)	6.41c
Denominator (Number):				
Basic and diluted weighted-average shares outstanding..	**207,580,607**	155,510,943	155,510,943	155,510,943

There were a number of outstanding restricted share awards (RSAs) in issue at 31 December 2014 (Note 19). None of the RSAs were dilutive at 31 December 2014 for the purposes of the EPS calculations. In accordance with IAS 33 *Earnings per Share*, the EPS disclosed for 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 17, 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.

19. Share based payment

During the year ended 31 December 2014, the Remuneration Committee of the Board of Directors made its first grant of approximately 193,000 Restricted Share Awards (RSAs) to members of the senior management team, excluding executive directors. The terms and conditions of the Group's Long Term Incentive Plan are disclosed in section 10 of Part IV of the Group's Admission Document dated 20 November 2014. The fair value of services received in return for RSAs granted are measured by reference to the fair value of RSAs granted. The charge of €16,000 for the period is the fair value of RSAs granted, which are being recognised within the income statement as part of employee costs in accordance with employee services rendered.

20. Financial Risk Management

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

a) Liquidity and Capital

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

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 2014 were as follows:

	2014	**2013**
	€'000	**€'000**
Cash and cash equivalents	14,082	10,119
Short term deposits	30,630	40,000
Shareholders' equity	95,013	85,358

At 31 December 2014, the Group had €30.6 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 2015. 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 2014	**31 December 2013**
	€'000	**€'000**
Ireland	39,084	42,272
Americas	1,115	511
Australasia	1,910	2,773
Europe, Middle East, Africa	2,603	4,563
Total cash, cash equivalents and short term deposits	44,712	50,119

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.

20. 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 2014:						
Deferred contingent consideration	6,717	9,169	-	-	9,169	-
Loans and borrowings	1,398	1,514	261	472	293	488
Finance leases	1,560	1,634	563	949	122	-
Trade and other payables	3,804	3,804	3,804	-	-	-
Accrued and other financial liabilities	2,320	2,320	2,320	-	-	-
Total at 31 December 2014	15,799	18,441	6,948	1,421	9,584	488
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	-

b) Foreign currency risk

The Group is a multinational business operating in a number of countries and the euro is the presentation currency. The Group, however, does have revenues, costs, assets and liabilities denominated in currencies other than 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 and Swedish Krona.

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

20. Financial Risk Management *(continued)*

b) Foreign currency risk (continued)

The Group's worldwide presence creates currency volatility when compared year on year. In 2014, there was a significant devaluation in three of the major currencies in which Mincon trades, namely the South African Rand (ZAR), Australian Dollar (AUD) and Swedish Krona (SEK). On an average basis, these currencies devalued by 12.3% (ZAR), 6.5% (AUD) and 5.2% (SEK) in 2014 compared to 2013.

Almost 50% of Mincon's revenue (approx. €26.0 million) is generated in these currencies, compared to less than 10% of the Group's cost of sales. This had a significant translational impact on revenue when sales in local currency are converted into euro (€2.3 million reduction) with a knock-on impact on the Group's gross margin and net margin. The majority of the group's manufacturing base has a euro or US dollar cost base. While Group management makes every effort to reduce the impact of this currency volatility, it is impossible to eliminate or significantly reduce given the fact that the highest grades of our key raw materials are either not available or not denominated in these markets and currencies. Additionally, the ability to increase prices for our products in these jurisdictions is limited by the current market factors.

Currency also has a significant transactional impact on the group as outstanding balances in foreign currencies are retranslated at closing rates at each period end. In the current year, this has resulted in a gain of €0.6 million (included as part of financing income), which was mainly due to the strength of the US dollar at year-end. This strengthening of the US Dollar has also impacted upon equity with an increase in recognised assets and liabilities of non-Euro reporting subsidiaries of €1.8 million due to foreign exchange movements in the year on the retranslation of the net investment in foreign operations.

	2014		2013	
Euro exchange rates	**Closing**	**Average**	**Closing**	**Average**
US Dollar	1.22	1.33	1.38	1.33
Australian Dollar	1.49	1.47	1.55	1.38
South African Rand	14.10	14.4	14.44	12.80
Swedish Krona	9.4	9.1	8.9	8.7

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

Net Foreign Currency

	2014	2013
Monetary Assets/(Liabilities)	**€'000**	**€'000**
Euro	(903)	(3,671)
US Dollar	193	8,266
Australian Dollar	1,320	3,235
South African Rand	2,735	2,212
Other	211	57
Total	3,556	10,099

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.

	2014		2013	
	Equity*	**Net Profit**	**Equity***	**Net Profit**
	€'000	**€'000**	**€'000**	**€'000**
US dollar	(1,167)	(253)	(1,093)	(143)
Australian dollar	(1,181)	(696)	(1,314)	(392)
South African Rand	(615)	(1,200)	(968)	(1,030)

* 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.

20. 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:

	2014	2013
	€'000	€'000
Ireland	39	129
Americas	4,243	2,478
Australasia	2,020	1,599
Europe, Middle East, Africa	5,520	4,286
Total amounts owed	**11,822**	**8,492**

The Group is also exposed to credit risk on its liquid resources (cash and short term deposits), of which €30.6 million was invested with a government backed financial institution in Ireland. The Directors actively monitor the credit risk associated with this exposure.

d) Interest Rate Risk

Interest Rate Risk on financial liabilities
The Group is primarily equity and cash funded and has drawn down small amounts of debt for natural hedging purposes. Movements in interest rates had no significant impact on our financial liabilities or finance cost recognised in either 2013 or 2014.

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.

e) Fair values

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

There are no material differences between the carrying amounts and fair value of our financial liabilities as at 31 December 2013 or 2014.

20. Financial Risk Management *(continued)*

e) Fair values (continued)

Financial instruments carried at fair value

The deferred contingent consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential pay-out scenarios. The fair value of deferred contingent consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof. An increase and decrease of 10% in management's expectation as to the amounts that will be paid out would increase or decrease the value of contingent deferred contingent consideration at 31 December 2014 by €0.7 million.

The significant unobservable inputs are the performance of the acquired businesses and the timing of the pay-out.

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

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

	Deferred contingent consideration
	€'000
Balance at 1 January 2014	-
Arising on acquisition (Note 8)	6,491
Fair value movement	216
Foreign currency translation adjustment	10
Balance at 31 December 2014	**6,717**

21. Exceptional Item: 2013 Employee recognition award

In December 2013, Kingbell Company (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 €953,000, net of a tax benefit of €242,000, 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).

The award was treated as a short term employee benefit (once committed the employee had 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.

On payment of the employee recognition award in early 2014, the company credited retained earnings with the entire amount of the capital contribution, thereby reflecting the position that this recognition award had no impact on the net assets or retained earnings of the Group.

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. There was no net impact on the income statement or statement of financial position of the Group for the year ended 31 December 2014.

	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 at 31 December 2013.

22. Subsidiary and Associate Undertakings

At 31 December 2014, 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 Rockdrills USA Inc.	Manufacturer of rock drilling equipment	100%*	107 Industrial Park, Benton, IL 62812, USA
Mincon Rockdrills PTY Ltd	Manufacturer of rock drilling equipment	100%	8 Fargo Way, Welshpool, WA 6106, Australia
1676427 Ontario Inc. (Operating as Rotacan)	Manufacturer of rock drilling equipment	65%*	400B Kirkpatrick Steet, North Bay, Ontario, P1B 8G5, Canada
Mincon Inc.	Sales company	100%	603 Centre Avenue, N.W. Roanoke, VA 24016, USA
Mincon Sweden AB	Sales company	100%	Industrivagen 2-4, 61202 Finspang, Sweden
DDS-SA (Proprietary) Ltd	Sales company	100%	1 Northlake, Jetpark 1469, Gauteng, South Africa
ABC Products (Rocky) Pty Ltd	Sales company	65%	2/57 Alexandra Street, North Rockhampton, Queesland, 4701 Australia
Mincon West Africa SARL	Sales company	80%	Villa TF 4635 GRD, Almadies, Dakar B.P. 45534, Senegal
Mincon Poland	Sales company	100%	ul.Mickiewicza 32, 32-050 Skawina, Poland
Mincon Rockdrills Ghana Limited	Sales company	80%	P.O. Box CT5105, Accra Ghana
Mincon S.A.C.	Sales company	100%	Calle La Arboleda 151, Dpto 201, La Planicie, La Molina, Peru
Mincon Namibia Pty Ltd	Sales company	60%	Ausspannplatz, Windhoek, Namibia
Mincon Mining Equipment Inc.	Sales 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 Exports USA Inc.	Group finance company	100%	603 Centre Ave, Roanoke VA 24016, USA
Mincon International Shannon	Dormant company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Smithstown Holdings	Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Canada Drilling Products Inc.	Holding company	100%	Suite 1800-355 Burrard Street, Vancouver, BC V6C 268, Canada
Lotusglade Limited	Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Floralglade Company	Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
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

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 2014, the net book value of assets acquired under finance leases was €0.9 million (€1.0 million), which included €0.1 million (2013: €0.9 million) of accumulated depreciation. The depreciation expense related to assets under finance leases for 2014 was €0.1 million (2013: €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 2014 €'000	31 December 2013 €'000
Contracted for	740	4,124
Not-contracted for	-	40
Total	740	4,164

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 2014, the share capital of Mincon Group plc was 56.84% (2013 : 57.68%) 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 14.21% (2013 : 14.42%) of the equity of the Company.

In September 2014, the Group paid an interim dividend of €0.01 to all shareholders on the register at 29 August 2014. The total dividend paid to Kingbell Company and Ballybell Limited was €1,196,712 and €299,178, respectively.

On 22 August 2014, the shareholders of Mincon Group plc passed a resolution at the company's AGM authorising the redemption at nominal value and subsequent cancellation of the Company's 38,500 subscriber shares, 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. These shares were cancelled on 22 December 2014.

The Group has a related party relationship with its subsidiary and its joint venture undertakings (see Note 22 for a list of these undertakings), directors and officers. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

26. Related Parties *(continued)*

Transactions with Directors

The Group is owed €Nil from directors and shareholders at 31 December 2014. The Group has amounts owing to directors of €Nil as at 31 December 2014 (31 December 2013: €Nil). The amounts outstanding at 31 December 2013 were fully repaid during the year.

	31 December 2014 €'000	31 December 2013 €'000
Patrick Purcell	-	31
Kevin Barry	-	8
Kingbell Company*	-	762
Ballybell Limited*	-	191
Total	**-**	**992**

* Being amounts owing in relation to the employee recognition award as disclosed in Note 21 and included in other current assets in the statement of financial position. These amounts were fully paid during 2014.

Key management compensation

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

	2014 €'000	2013 €'000
Short term employee benefits	1,095	634
Bonus and other emoluments	39	-
Pension contributions	86	22
Total	**1,220**	**656**

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group, which comprises the Board of Directors and executive management.

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.

28. Events after the reporting date

In January 2015, Mincon Group plc acquired 100% of the share capital of Ozmine International Pty Limited. Ozmine will extend Mincon's distribution network in Western Australia, Indonesia and Papua New Guinea in line with the Mincon stated strategy to supply product directly to the end user where possible.

The Board of Mincon Group plc is recommending the payment of a final dividend for the year ended 31 December 2014 in the amount of €0.01 (1 cent) per ordinary share, which will be subject to approval at the Annual General Meeting of the Company in May 2015. This final dividend, when added to the interim dividend of 1 cent paid on 26 September 2014, makes a total distribution for the year of 2 cent per share. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 26 June 2015 to Shareholders on the register at the close of business on 29 May 2015.

29. Approval of financial statements

The Board of Directors approved the consolidated financial statements on 6 March 2015.