Mincon Group plc
(“Mincon” or the “Group”)
2019 Full Year Financial Results

Mincon Group plc (Euronext: 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 2019.

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

2019: A year of consolidation and diversification

I am pleased to report that Mincon’s 2019 financial results represented a significant step forward in Group’s long-term strategy to diversify our customer base. At a glance, these financials paint a picture of flattening growth, but when viewed in the context of our overall consolidation, we believe the results reflect a more stable, focused future for the Group.

The table below shows the results excluding exceptional items and excluding non-exceptional write-downs in 2019 in inventory of €1.7 million and trade receivables of €0.8 million. When these are included, the profit numbers for 2019 are as follows:

- Gross profit €40.5 million
- Operating profit €11.8 million
- Profit for the year €9.5 million

Income Statement, Excluding Exceptional Items and Impairments

Continuing operations	2019 €'000	2018 €'000	Variance %
Revenue from Mincon product	100,786	100,319	0.47%
Revenue from third party product	19,885	17,369	14.49%
Total revenue	**120,671**	**117,688**	**2.53%**
Gross profit excluding impairments	**42,205**	**44,626**	**(5.43%)**
As a % of revenue	34.98%	37.92%	
Operating profit excluding impairments	**14,301**	**16,352**	**(12.54%)**
As a % of revenue	11.85%	13.89%	
Profit for the year excluding impairments	**12,040**	**13,266**	**(9.24%)**

During 2019 Mincon grew its turnover by 2.5%, from continuing operations, to €120.7 million from €117.7 million in 2018. However the mix of products sold resulted in lower gross profit and lower operating profit for the Group. Notwithstanding the headline figures, there were a number of very significant positive developments during the year including:

- Cash generated from operations increased from €3.1 million in 2018 to €12.5 million in 2019, due to profitable trading and stronger working capital management systems;
- Products supplied to the large scale construction and geotechnical industry more than doubled in 2019 and the recent acquisition of Lehti Group will enable the Group to capture a greater portion of the margin generated from such sales;
- The business was streamlined under four regional managers, with refocused factory and sales operations leading to annualised reduction in operating costs;
- Growth in revenues in the America’s market was 57% reflecting the award of a number of significant construction and mining contracts across that region and;
- Progress was made in flagship Greenhammer project with the 12’’ system poised to commence commercial drilling operations and a new 10’’ system to start drilling in Q2 2020 using a Mincon owned drill rig.

At the beginning of the year, the Group made the strategic decision to concentrate its efforts on growing the business through products that it considers relevant to its challenger model. As a result, the Group disposed of its heat-treatment business in Sweden, and a business in South Africa that manufactures coring products which it sold through Mincon distribution channels in Southern Africa. The revenue streams from these companies accounted for 5% of total revenue in 2018 and zero in the continuing operational results for 2019.

Although these annual results overall show only minor revenue growth at a headline level, this was not the case in all markets and industry segments in which we operate. Last year marked a concerted push into the construction industry for the Group, and a strong performance in the Americas grew our market share in that region. Our work on filling out our product range and expanding our geographic support also saw Mincon win several large, direct-supply mining contracts. These contracts are for comprehensive drilling consumables supply, and the ability to supply the full range, together with the required service support levels to maintain them, enables us to undertake a programme of continuous improvement to increase our value-add to Mincon and to the end user. The Group's manufactured conventional DTH product, that provides the Group its highest profit margin endured a decline of 16% in revenue during 2019 compared with 2018. This decline was experienced in Australia, Africa and the European regions (excluding Scandinavia) during 2019. This revenue decline was partly due to delays in commissioning heat treatment facilities in the USA and Australia as planned. Both facilities have now been commissioned, and as result we have seen improved DTH revenue during the first quarter of 2020.

We also greatly increased the sales revenue on our geotechnical and foundation drilling product range, thereby successfully diversifying our revenue stream away from on our traditional mining market, in line with our long-term strategy. In 2019 revenue generated in this market accounted for 12% of the Group's revenue within continuing operations, while in 2018 the corresponding figure was 6%. This increase in geotechnical revenue was achieved due to customers responding favourably to the unique and predominantly patented features of the Mincon product range, which ensures minimal ground disturbance. The revenue growth was further supported by the productivity and efficiency of our large hammer range, which we have now complemented with the acquisition of the Lehti Group in January 2020. The acquisition of the Lehti Group enables us to capture the substantial manufacturing margin which exists for many of our products in this sector. Our geotechnical offering also fits our desire and strategy to reduce our environmental impact of our products in this important and growing market for us.

Actions undertaken following operational reviews

At the start of 2019, in response to profits trending lower than our expectations, management undertook a review of the Group's operations. As a result, several actions were undertaken during the year.

We decided to move to a regional management structure and created four regions, namely, the Americas; Europe and Middle East; Africa; and Asia-Pacific. Each region, and all the activities in that region, is the responsibility of the Regional VP reporting to Group. Each Regional VP is a proven leader at Mincon. They each have a history of working effectively and collaboratively within the Group, sharing our vision, culture, and ambition.

One of the first tasks within the regions was to look at personnel numbers, which were reduced in line with each region's strategy. These reductions were at all levels and areas of operations. At Mincon, people remain one of the cornerstones and key stakeholders of the business, but these measures were necessary to ensure that our business was in the right shape for long-term development.

We also undertook a major review of our factory operations in 2019, resulting in a change in the mix of products manufactured at some plants. In part this was done to achieve greater economies of scale. In other cases, production was moved closer to the end market, to shorten lead times; to yield net savings in logistics costs; and to reduce the amount of working capital invested in finished goods. This restructuring of operations at our factories is ongoing and expected to be completed by the end of the first half of 2020. Once complete, our factories will be more efficient and should earn a healthier margin, and the Group will be in a better position to respond to spikes in demand and changing customer requirements.

We also divested two businesses with operations that were not core to the rest of the Group's focus, which contributed an exceptional profit, HardTekno in Sweden and Premier Drilling in South Africa. Additionally, two distribution centres in Russia and Tanzania were closed. We still have access to those markets through third party distributors and nearby Mincon service centres.

Finally, excellent progress was made on our IT and reporting systems during 2019. This brought increased transparency to our inventory, effectively furthering our goal of improving working capital efficiency. This vital work will continue into 2020 and beyond.

Innovative engineering is the key to our future

We have a strong history, with more than 40 years of expertise in design, manufacture, delivery, and service of high-quality surface drilling consumables. Over the last six years we have strategically grown our product offering to now include a comprehensive range of products for the whole drill string and for multiple applications. Innovative and superior engineering has always been at the core of what we do and just as this engineering is the reason for our past success, innovation will be the key to the next 40 years of success and growth for the company.

Our clients are embracing continuous improvement to remain competitive, improve safety, and reduce the effect of their operations on the environment, which includes using less energy. We share these objectives, with a strategy, an ambition and an ability to deliver on them. Indeed, the next generation of drilling tools that we are developing is aimed at energy-efficient drilling, with a reduced impact on the environment and, in some cases, a transformational effect on Mincon and our customers.

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

Product development

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

1. **Product maintenance** – ongoing product development and continuous improvement to existing product line-ups to ensure that remain at industry highest standard, as well as identifying areas for optimisation within customer operations. Most of this development is a result of direct customer feedback.

2. **New product design and development** – new designs and generations of existing technologies. Over the coming years, this development will include work on:
   - New DTH hammer and bit developments with a focus on speed and efficiency;
   - Continuous improvement for our range of open, and sealed-bearing, rotary drill bits, to deliver market-leading performance in terms of life and penetration rates;
   - Optimising drill-rod performance and durability;
   - Further development to the performance and range of cushion subs; and,
   - Carbide grade developments.

3. **New technology development** – spearheaded by Mincon's Technology Steering Group, which is exploring several new technologies and concepts for development, including:
   - Greenhammer (working name) – Mincon's flagship technology for single-pass, hard-rock blasthole drilling, using a high-performance DTH hydraulic percussion system;
   - Drilled foundation product developments particularly for sensitive ground conditions; and,
   - Plans for advancing hammer technology to encompass larger hole size capabilities than ever, while maintaining the focus on efficiency and productivity.

Along with the Technology Steering Group, a dedicated Research and Development prototype manufacturing facility was commissioned during 2019. Based near the Group headquarters in Shannon, Ireland, but in a separate building from the main factory, we have allocated the necessary manufacturing capabilities and capacity to ensure our engineer's designs are machined into reality in a timely fashion. Results from field testing are then incorporated into improved design so that new revisions can be rapidly manufactured and sent back for field testing, without interrupting day-to-day production.

The Hydraulic systems

During 2019 we made excellent progress in moving towards commercial release of our 12" Greenhammer hydraulic system. Since the beginning of 2020 we have been working on a schedule of commercialising the system on the customer owned rig by the end of Q1 2020. This has been delayed due to a serious mechanical issue arising on the customer owned rig, prior to its handover to us, which has necessitated an extensive rig overhaul, making the rig unavailable to us until Q2 2020.

On a positive note, we are due to commence running our new Greenhammer 10" system on a commercial basis in Q2 2020 using a Mincon-owned rig at the same mine. A 10" system was requested by the mine in response to drilling results achieved using the larger system. This is a standard drilling size for us, and the system will be compatible with the same drill bits already supplied to the mine in large quantities. These bits are used in our market leading DTH hammers on six other mine-owned rigs. The benefit of this approach is twofold: Mincon's testing will not be restricted by rig availability and the mine will have an extra rig drilling production holes.

We remain excited about the transformational benefits of this system for Mincon and the hard-rock mining industry and we look forward to commercial release once we can get back drilling.

New Products to market

In addition to the Greenhammer technology development project, 2020 will see the Group release new products, as it does every year, as well as other new technologies. Our investment in new technologies has been significant over the last several years. Predicting the timing for commercialisation of new technologies is not an exact science, with the research and development path naturally having many twists. The Group has taken a prudent stance by not prematurely releasing new technologies to market until vigorous and thorough field testing has proven the concept to be not only a technical success but also ready for commercial rollout across our markets. This approach should also be viewed in the context of our ambition, expertise, and capability to deliver on these exciting opportunities that increasingly present themselves through our extensive and growing market reach.

Acquisitions

Over the last five years the Group's acquisitions have brought in good products, people and management. Acquisitions have also extended our reach into the markets that we strategically target.

We continue to look for acquisitions that are complementary to our operations and will help achieve the Group's strategic objectives. For example, in January 2020 we were delighted to add the Lehti Group to Mincon, bringing a strategically valuable production process and the associated margins in-house. This will support the ambition to grow our footprint in the geotechnical and foundation drilling market, which remains a large, exciting, and lucrative opportunity for Mincon.

Concluding comments

While 2019 revenue was flat, it was encouraging that we grew in some markets and built on new revenue streams – which was in line with our strategy. When we found ourselves with overheads and factory capacity beyond our needs a plan was formulated to reorganise and right-size the business, ensuring that we started 2020 in good shape for future growth.

The build-out in the three core factories in Shannon, Ireland; Benton, USA; and Perth, Australia was completed in 2019. We can now deliver efficiently to our Group distribution points and to our end customers, with spare capacity for growth. Equally as important, these factory investments have also been about improving quality throughout our production, with critical parts of the manufacturing process now taking place in-house.

I am delighted with the progress of the Technology Steering Group in 2019. Through the work of this team and our other colleagues at Mincon, we have great opportunities to deliver new products in the coming year. We have the manufacturing capacity, talent, and technical innovation that will drive growth. I hope to report continuing growth throughout this year, in both traditional and new markets. This, along with shrewd management of costs, should see a stronger result for 2020.

We have seen good growth in the first quarter of 2020 to the date of this report, with accompanying profit figures as a result of the Group reorganisation that took place during 2019. During the first quarter of 2020 we have won additional geotechnical contracts in the Americas region, and our DTH product line has seen an improved order intake, with other product lines following suit. The Mincon Group is monitoring the Covid-19 global pandemic and is taking the advice of local governments in locations where we have a physical presence. The Group has implemented an international travel ban within the Group to all employees for their own safety. Our sales departments have been in regular contact with our customers and are working with our factories to give more flexibility on shipping products. We are conscious of the potential impact the Covid-19 virus might have on future cashflow requirements. We will continue to monitor and evaluate its impact on the business, and where necessary, we will take appropriate steps to limit any personnel and business risks if that might arise.

Joseph Purcell
Chief Executive Officer

Consolidated Income Statement for the year ended 31 December 2019

		2019			2018		
	Notes	**Pre-exceptional items €'000**	**Exceptional items (Note 8) €'000**	**Total €'000**	**Pre-exceptional items €'000**	**Exceptional items (Note 8) €'000**	**Total €'000**
Revenue	4	120,671	3,074	123,745	117,688	-	117,688
Cost of sales including impairments	6	(80,158)	(2,489)	(82,647)	(73,062)	747	(72,315)
Gross profit		**40,513**	**585**	**41,098**	**44,626**	**747**	**45,373**
Operating costs including impairments...	6	(28,703)	(5,113)	(33,816)	(28,274)	(166)	(28,440)
Operating profit		**11,810**	**(4,528)**	**7,282**	**16,352**	**581**	**16,933**
Finance cost		(582)	-	(582)	(122)	-	(122)
Finance income		107	-	107	91	-	91
Foreign exchange loss		(130)	-	(130)	(634)	-	(634)
FV movement on consideration............	23	10	-	10	16	-	16
Profit on disposal of operations		-	7,489	7,489	-	-	-
Profit before tax		**11,215**	**2,961**	**14,176**	**15,703**	**581**	**16,284**
Income tax expense	11	(1,666)	(127)	(1,793)	(2,437)	-	(2,437)
Profit for the year		**9,549**	**2,834**	**12,383**	**13,266**	**581**	**13,847**
Profit attributable to:							
- owners of the Parent				12,329			13,573
- non-controlling interests	19			54			274
Earnings per Ordinary Share							
Basic earnings per share, €	21			5.84c			6.45c
Diluted earnings per share, €	21			5.80c			6.37c

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

Consolidated Statement of Consolidated Income for the year ended 31 December 2019

	2019 €'000	2018 €'000
Profit for the year	**12,383**	**13,847**
Other comprehensive loss:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	2,153	(3,081)
Other comprehensive loss for the year	2,153	(3,081)
Total comprehensive income for the year	**14,536**	**10,766**
Total comprehensive income attributable to:		
- owners of the Parent	**14,482**	**10,492**
- non-controlling interests	**54**	**274**

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

Consolidated Statement of Financial Position as at 31 December 2019

	Notes	2019 €'000	2018 €'000
Non-Current Assets			
Intangible assets and goodwill	12	31,937	30,753
Property, plant and equipment	13	41,172	34,930
Deferred tax asset	11	616	278
Total Non-Current Assets		**73,725**	**65,961**
Current Assets			
Inventory and capital equipment	14	48,590	49,357
Trade and other receivables	15a	20,346	20,711
Prepayments and other current assets	15b	6,098	6,578
Current tax asset		589	252
Cash and cash equivalents	23	16,368	8,042
Total Current Assets		**91,991**	**84,940**
Total Assets		**165,716**	**150,901**
Equity			
Ordinary share capital	20	2,110	2,105
Share premium	20	67,647	67,647
Undenominated capital		39	39
Merger reserve	20	(17,393)	(17,393)
Restricted equity reserve	20	419	1,511
Share based payment reserve	22	1,629	1,274
Foreign currency translation reserve		(3,868)	(6,021)
Retained earnings		74,446	66,543
Equity attributable to owners of Mincon Group plc		**125,029**	**115,705**
Non-controlling interests		1,115	1,061
Total Equity		**126,144**	**116,766**
Non-Current Liabilities			
Loans and borrowings	18	10,879	4,461
Deferred tax liability	11	1,794	1,222
Deferred contingent consideration	23	4,962	5,470
Other liabilities		153	151
Total Non-Current Liabilities		**17,788**	**11,304**
Current Liabilities			
Loans and borrowings	18	4,043	2,735
Trade and other payables	16	10,853	12,027
Accrued and other liabilities	16	5,827	6,996
Current tax liability		1,061	1,073
Total Current Liabilities		**21,784**	**22,831**
Total Liabilities		**39,572**	**34,135**
Total Equity and Liabilities		**165,716**	**150,901**

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

On behalf of the Board:

Hugh McCullough
Chairman

Joseph Purcell
Chief Executive Officer

Consolidated Statement of Cash Flows for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Operating activities:			
Profit for the period		**12,383**	**13,847**
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation	12	5,242	3,896
Fair value movement on deferred contingent consideration		(10)	(16)
Gain on sale of operations, net of tax		(7,489)	122
Finance cost		582	-
Finance income		(107)	(91)
Income tax expense		1,793	2,437
Other non-cash movements		209	(849)
		12,603	19,346
Changes in trade and other receivables		1,037	(292)
Changes in prepayments and other assets		1,873	(1,456)
Changes in inventory		1,050	(14,551)
Changes in trade and other payables		(1,865)	1,429
Cash provided by operations		14,698	4,476
Interest received		107	91
Interest paid		(582)	(122)
Income taxes paid		(1,713)	(1,296)
Net cash provided by operating activities		**12,510**	**3,149**
Investing activities			
Purchase of property, plant and equipment		(7,930)	(12,552)
Investment in intangible assets		(1,405)	(1,715)
Proceeds from the issuance of share capital		5	-
Acquisitions of subsidiary, net of cash acquired		(770)	(7,923)
Payment of deferred contingent consideration		(1,600)	(1,445)
Proceeds from the sale of subsidiaries		8,517	-
Proceeds from former joint venture investments		-	104
Net cash used in by investing activities		**(3,183)**	**(23,531)**
Financing activities			
Dividends paid		(4,426)	(4,421)
Repayment of loans and finance leases	18	(2,778)	(1,141)
Drawdown of loans	18	6,182	6,264
Net cash provided by/(used in) financing activities		**(1,022)**	**702**
Effect of foreign exchange rate changes on cash		21	(493)
Net increase(decrease) in cash and cash equivalents		**8,326**	**(20,173)**
Cash and cash equivalents at the beginning of the year		8,042	28,215
Cash and cash equivalents at the end of the year		**16,368**	**8,042**

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Share capital €'000	Share premium €'000	Merger reserve €'000	Restricted equity reserve €'000	Un-denominated capital €'000	Share based payment reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balances at 1 January 2018	**2,105**	**67,647**	**(17,393)**	**-**	**39**	**512**	**(2,940)**	**57,391**	**107,361**	**787**	**108,148**
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	13,573	**13,573**	274	**13,847**
Other comprehensive income/(loss):											
Foreign currency translation	-	-	-	-	-	-	(3,081)	-	**(3,081)**	-	**(3,081)**
Total comprehensive income							**(3,081)**	**13,573**	**10,492**	**274**	**10,766**
Non Taxable income	-	-	-	1,511	-	-			**1,511**		**1,511**
Transactions with Shareholders:											
Share based payments	-	-	-	-	-	762	-	-	**762**	-	**762**
Dividends	-	-	-	-	-	-	-	(4,421)	**(4,421)**	-	**(4,421)**
Balances at 31 December 2018	**2,105**	**67,647**	**(17,393)**	**1,511**	**39**	**1,274**	**(6,021)**	**66,543**	**115,705**	**1,061**	**116,766**
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	12,329	**12,329**	54	**12,383**
Other comprehensive income/(loss):											
Foreign currency translation	-	-	-	-	-	-	2,153	-	**2,153**	-	**2,153**
Total comprehensive income							**2,153**	**12,329**	**14,482**	**54**	**14,436**
Non-taxable income	-	-	-	(1,092)	**-**	**-**	**-**	**-**	**(1,092)**	**-**	**(1,092)**
Transactions with Shareholders:											
Equity-settled share-based payments	5	-	-	-	-	-	-	-	**5**	-	**5**
Share-based payments	-	-	-	-	-	355	-	-	**355**	-	**355**
Dividends	-	-	-	-	-	-	-	(4,426)	**(4,426)**	-	**(4,426)**
Balances at 31 December 2019	**2,110**	**67,647**	**(17,393)**	**419**	**39**	**1,629**	**(3,868)**	**74,446**	**125,029**	**1,115**	**126,144**

The accompanying notes are an integral part of these financial statements. See note 20 for explanation of movements in reserve balances.

1. Description of business

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

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

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

2. Basis of preparation

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

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

The accounting policies set out in note 3 have been applied consistently in preparing the Group and Company financial statements for the years ended 31 December 2019 and 31 December 2018.

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

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

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

3. Significant accounting principles, accounting estimates and judgements

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

Impact of the adoption of IFRS 16
The following new and amended standard is effective for the Group for the first time for the financial year beginning 1 January 2019:

- IFRS 16: Leases

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

Impact of the adoption of IFRS 16(continued)

The Group initially applied IFRS 16 Leases effective 1 January 2019
The Group opted to adopt the modified retrospective approach and applied the practical expedients, recording the lease liability equal to the right of use asset at 1 January 2019, therefore there is no opening adjustment to retained earnings. Comparative information presented for 2018 is not restated-i.e. it is presented as previously reported under IAS 17 and related interpretations.

Definition of a lease
IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Control over the leased asset requires accounting for it as an asset and liability on the balance sheet under IFRS.

As a lessee
The Group recognises assets and liabilities for its operating leases of land and buildings, plant and machinery and motor vehicles. The nature of expenses related to those leases has changed because the Group recognises a depreciation charge for 'ROU' assets and interest expense on lease liabilities.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability showing its obligation to make lease payments. For leases previously classified as operating leases (under IAS 17) Mincon chose the option to measure the ROU asset equal to the lease liability (adjusted for prepaid/accrued lease payments). Where applying the modified retrospective approach to leases previously classified as operating leases (under IAS 17) the Group used a number of the following practical expedients available under the new standard;

a. Discount rates: A company may apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
b. Leases with a short remaining term: A company may account for leases when the lease term ends within 12 months of the date of initial application as short term leases.
c. Leases of low value assets : Leases of assets such as Printers, office furniture etc. with a value less than €4,497.
d. Use of hindsight: A company may use hindsight e.g. in determining the lease term if the contract contains options to extend or terminate the lease.

As a lessor
The Group leases company owned property to tenants in the USA under various agreements. The group recognises these leases as operating leases from a lessor perspective due to the fact they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The Group entered into the sublease of a property which has been recognised as a finance lease.

Impact on financial statements
Impact on transition

On transition to IFRS 16, the Group recognised additional right of use assets and corresponding additional lease liabilities.
The impact on transition is summarised below.

	1 January 2019 **€'000**
Right of use assets-property, plant and equipment	4,683
Lease Liabilities..	4,683

Further disclosures on the financial impact after inception of this standard can be seen in note 25.

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

Standards, interpretations and amendments to published standards but not yet effective
A number of new Standards, Amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has chosen not to introduce early adoption of the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS17 Insurance Contracts

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

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)*

Taxation

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

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

Deferred tax

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

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

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Inventories and capital equipment

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

Intangible Assets and Goodwill

Goodwill

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

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

Intangible assets
Expenditure on research activities is recognised in profit or loss as incurred.
Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Foreign Currency

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

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

Exchange rates for major currencies used in the various reporting periods are shown in note 23.

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

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

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

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

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

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

Business combinations and consolidation (continued)

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

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

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

Property, plant and equipment

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

Depreciation

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

The following useful lives are used for depreciation:

	Years
Buildings	20–30
Plant and equipment	3–10

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

Right of use assets are depreciated using the straight-line method over the estimated useful life of the asset being the remaining duration of the lease from inception date of the asset. The depreciation methods, useful lives and residual values are reassessed annually.

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

Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

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

Exceptional Items

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

Defined contribution plans

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

Share-based payment transactions

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

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

Critical accounting estimates and judgements

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

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

Deferred contingent consideration

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

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

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

4. Revenue

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

	2019 €'000	2018 €'000
Product revenue:		
Sale of Mincon product	103,797	100,319
Sale of third party product	19,948	17,369
Total revenue	**123,745**	**117,688**

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

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

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

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

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

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

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

5. Operating Segment

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

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

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

The CODM assesses operating segment performance based on a measure of operating profit. Segment revenue for the year ended 31 December 2019 of €123.7 million (2018: €117.7 million) is wholly derived from sales to external customers.

Entity-wide disclosures

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

Revenue by region (by location of customers):

	2019 €'000	2018 €'000
Region:		
Ireland	772	915
Americas	39,410	24,732
Australasia	27,351	28,256
Europe, Middle East, Africa	56,212	63,785
Total revenue from continuing operations	**123,745**	**117,688**

During 2019 Mincon had sales in the USA of €20.8 million (2018: €11.5 million), Australia of €18.5 million (2018: €20.8 million) and Sweden of €12.8 million (2018: €14.5 million), these separately contributed to more than 10% of the entire Group's sales for 2019.

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

	2019 €'000	2018 €'000
Region:		
Ireland	17,064	15,255
Americas	21,846	17,271
Australasia	11,144	8,795
Europe, Middle East, Africa	23,055	24,362
Total non-current assets(1)	**73,109**	**65,683**

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

During 2019 Mincon held non-current assets (excluding deferred tax assets) in Sweden of €17 million and in the USA of €10.8 million, these separately contributed to more than 10% of the entire Group's non-current assets (excluding deferred tax assets) for 2019.

6. Cost of Sales and operating expenses

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

Cost of sales

	2019 €'000	2018 €'000
Raw materials	39,190	33,221
Third party product purchases	14,204	13,625
Employee costs	14,045	14,728
Depreciation	3,312	3,214
Distribution costs	2,380	2,988
Energy costs	1,450	1,648
Maintenance of machinery	1,363	1,302
Impairment of capital inventory (note 8)	-	(747)
Impairment of finished goods inventory (note 8)	1,692	-
Cost of sales of disposed operations	2,489	-
Other	2,522	2,336
Total cost of sales	**82,647**	**72,315**

Operating costs

	2019 €'000	2018 €'000
Employee costs (including director emoluments)	15,899	18,373
Depreciation	1,930	683
Rent	865	1,287
Travel	2,375	2,309
Professional costs	1,938	2,138
Administration	2,247	1,978
Marketing	886	698
Acquisition and related costs (note 8)	-	166
Salary and termination payments for redundant employees (note 8)	2,754	-
Impairment of trade receivable (note 8)	799	-
Operating costs of disposed operations	2,359	-
Other	1,764	808
Total other operating costs	**33,816**	**28,440**

The Group invested approximately €3.2 million on research and development projects in 2019 (2018: €2.7 million). €1.8 million of this has been expensed in the period (2018: €1.0 million), with the balance of €1.4 million capitalised (2018: €1.7 million) (note 12).

7. Employee information

	2019 €'000	2018 €'000
Wages and salaries – excluding directors	25,088	26,997
Wages, salaries, fees and pensions – directors	760	765
Salary and termination payments for redundant employees	2,754	17
Social security costs	2,677	3,070
Retirement benefit costs of defined contribution plans	1,064	1,551
Share based payment expense (note 22)	355	701
Total employee costs	**32,698**	**33,101**

The Group capitalised payroll costs of €0.5million in 2019 (2018: €0.1 million) in relation to research and development.

The average number of employees was as follows:

	2019 Number	2018 Number
Sales and distribution	124	126
General and administration	56	56
Manufacturing, service and development	290	332
Average number of persons employed	**470**	**514**

Retirement benefit and Other Employee Benefit Plans

The Group operates various defined contribution pension plans. During the year ended 31 December 2019, the Group recorded €1.1 million (2018: €1.6 million) of expense in connection with these plans.

8. Exceptional Items

	2019 €'000	2018 €'000
Revenue		
Revenue from disposed operations	3,074	-
Total Revenue	**3,074**	-
Cost of sales		
Impairment of capital equipment inventory	-	747
Cost of sales of disposed operations	(2,489)	-
Total cost of sales	**(2,489)**	**747**
Operating costs		
Salary and termination payments for redundant employees	(2,754)	-
Acquisition related costs	-	(166)
Operating costs of disposed operations	(2,359)	-
Total operating costs	**(5,113)**	**(166)**
Tax on disposals and discontinued operations	**(127)**	**-**
Profit on Disposal (note 10)	**7,489**	**-**
Total exceptional profit after tax	**2,834**	**581**

8. Exceptional Items *(continued)*

At 31 December 2018 the Group reversed €0.7 million of previously recognised impairment due to information obtained during the year on the valuation of capital equipment inventory.

The Group has undertaken a reorganisation of its activities across all regions during 2019, including relocation of activities; closing of regional offices; and redundancies where necessary.

The Group has also disposed of operations in two distribution centres, Mincon Tanzania and Mincon Russia, following a strategic decision to place greater focus and emphasis on the Group's key competencies while focusing on the profitability of the core business activities and growth areas where there are synergies and tangible growth opportunities.

The Group has chosen to present exceptional items separately from the reorganisation.

9. Acquisitions & Disposals

In January 2019, Mincon acquired 100% shareholding in Pacific Bit, a Canadian-based mining and construction product distributor, for a consideration of €1.8 million. Cash transferred at the date of acquisition was €0.8 million with a deferred consideration of €1.0m.

A. Consideration transferred

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

	Pacific Bit of Canada €'000	Total €'000
Cash	770	770
Deferred contingent consideration	1,032	1,032
Total consideration transferred	**1,802**	**1,802**

B. Identifiable assets acquired and liabilities assumed

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

	Total €'000
Property, plant and equipment	75
Inventories	1,009
Trade receivables	650
Other assets	123
Trade and other payables	(626)
Other accruals and liabilities	(315)
Fair value of identifiable net assets acquired	**916**

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

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

9. Acquisitions & Disposals *(continued)*

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	Pacific Bit of Canada	Total
Consideration transferred	1,802	1,802
Fair value of identifiable net assets	(916)	(916)
Goodwill	**886**	**886**

The goodwill created in the acquisition in the period is primarily related to the synergies expected to be achieved from integrating these companies into the Group's existing structure. Mincon will sell it's product range of hammers, bits and drill pipe through Pacific Bit of Canada to the end user of our products in Western Canada.

C. Profit on Disposal

During the year the Group disposed of two subsidiaries in Sweden (Hardtekno and Cebeko) and a distribution subsidiary in South Africa (Premier Drilling Solutions).

	Total
Consideration received	8,997
Cash and cash equivalents disposed of	(480)
Net assets	(1,028)
Profit on Disposal	7,489

	Total
Profit on disposal of Hardtekno	7,551
Profit on disposal of Cebeko	106
Profit on disposal of Premier Drilling Solutions	98
Cost on disposal	(266)
Profit on Disposal	7,489

10. Statutory and other required disclosures

Operating profit is stated after charging the following amounts:

	2019	**2018**
	€'000	**€'000**
Directors' remuneration		
Fees	192	161
Wages and salaries	477	546
Other emoluments	-	-
Retirement benefit contributions	57	58
Total directors' remuneration	**726**	**765**

10. Statutory and other required disclosures *(continued)*

Auditor's remuneration:

	2019 €'000	2018 €'000
Auditor's remuneration – Fees payable to lead audit firm		
Audit of the Group financial statements	195	186
Audit of the Company financial statements	15	14
Other assurance services	20	10
Tax advisory services (a)	-	28
Other non-audit services	2	3
	232	**241**
Auditor's remuneration – Fees payable to other firms in lead audit firm's network		
Audit services	158	150
Other assurance services	2	3
Tax advisory services	63	3
Total auditor's remuneration	**223**	**156**

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

11. Income tax

Tax recognised in income statement:

	2019 €'000	2018 €'000
Current tax expense		
Current year	1,648	2,594
Adjustment for prior years	(89)	(412)
Total current tax expense	1,559	2,182
Deferred tax expense		
Origination and reversal of temporary differences	231	287
Adjustment for prior years	3	(32)
Total deferred tax (credit)/expense	234	255
Total income tax expense	**1,793**	**2,437**

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:

	2019 €'000	2018 €'000
Profit before tax from continuing operations	14,176	16,284
Irish standard tax rate (12.5%)	*12.5%*	*12.5%*
Taxes at the Irish standard rate	1,772	2,036
Foreign income at rates other than the Irish standard rate	957	446
Losses creating no income tax benefit	288	559
Other	(1,224)	(604)
Total income tax expense	**1,793**	**2,437**

11. Income tax *(continued)*

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

	2019 €'000	2018 €'000
Deferred taxation assets:		
Reserves, provisions and tax credits	610	278
Tax losses and unrealised FX gains	6	-
Total deferred taxation asset	616	278
Deferred taxation liabilities:		
Property, plant and equipment	(1,742)	(1,154)
Accrued income	-	-
Profit not yet taxable	(52)	(68)
Total deferred taxation liabilities	(1,794)	(1,222)
Net deferred taxation liability	(1,178)	(944)

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

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

11. Income tax *(continued)*

1 January 2019 – 31 December 2019	Balance 1 January €'000	Recognised in Profit or Loss €'000	Acquired in a Business combination €'000	Balance 31 December €'000
Deferred taxation assets:				
Reserves, provisions and tax credits	278	332	-	610
Tax losses	-	6	-	6
Total deferred taxation asset	278	338	-	616
Deferred taxation liabilities:				
Property, plant and equipment	(1,154)	(588)	-	(1,742)
Accrued income	-	-	-	-
Profit not yet taxable	(68)	16	-	(52)
Total deferred taxation liabilities	(1,222)	(572)	-	(1,794)
Net deferred taxation liability.........................	(944)	(234)	-	(1,178)

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

	2019 €'000	2018 €'000
Tax losses	4,112	3,824
Total	4,112	3,824

12. Intangible assets and goodwill

	Product development	Goodwill	Total
	€'000	€'000	€'000
Balance at 1 January 2018	**1,662**	**23,432**	**25,094**
Internally developed	1,715	-	1,715
Acquisitions	-	4,491	4,491
Translation differences	-	(547)	(547)
Balance at 31 December 2018	**3,377**	**27,376**	**30,753**
Internally developed	1,405	-	1,405
Acquisitions (note 9)	-	886	886
Disposal (note 9)	-	(1,529)	(1,529)
Translation differences	-	422	422
Balance at 31 December 2019	**4,782**	**27,155**	**31,937**

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

- The remaining 60% of DDS-SA Pty Limited in November 2009.
- The 60% acquisition of Omina Supplies in August 2014.
- The 65% acquisition of Rotacan in August 2014.
- The acquisition of ABC products in August 2014.
- The acquisition of Ozmine in January 2015.
- The acquisition of Mincon Chile in March 2015.
- The acquisition of and Mincon Tanzania in March 2015.
- The acquisition of Premier in November 2016.
- The acquisition of Rockdrill Engineering in November 2016.
- The acquisition of PPV in April 2017.
- The acquisition of Viqing July 2017.
- The acquisition of Driconeq in March 2018.
- The acquisition of Pacific Bit of Canada in January 2019

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 analysis) is performed at each period end. Group management has determined that the Group has multiple cash generating units, which are aggregated into one operating segment and therefore all goodwill is tested for impairment at Group level.

The recoverable amount of goodwill has been assessed based on estimates of value in use. Calculations of value in use are based on the estimated future cash flows using forecasts covering a three-year period and terminal value (based on three year plans prepared annually). The most significant assumptions are revenues, operating profits, working capital and capital expenditure. A growth rate of 3% was applied for all periods after the three year budget. The discount rate in 2019 was assumed to amount to 7% (2018: 13%) after tax and has been used in discounting the cash flows to determine the recoverable amounts. Goodwill impairment testing did not indicate any impairment during any of the periods being reported. Sensitivity in all calculations implies that the goodwill would not be impaired even if the discount rate increased or decreased by 5% or the long-term or short-term growth was substantially increased or decreased.

Investment expenditure of €1.4 million, which has been capitalised, is in relation to ongoing product development within the Group. Amortisation will begin at the stage of commercialisation and charged to the income statement over a period of three to five years, or the capitalised amount will be written off if the project is deemed no longer viable by management.

13. Property, plant and equipment

	Land & Buildings €'000	Plant & Equipment €'000	ROU Assets €'000	Total €'000
Cost:				
At 1 January 2018	10,846	29,659	-	40,505
Acquisitions through business combinations	501	3,511	-	4,012
Additions	4,353	8,199	-	12,552
Disposals	-	(601)	-	(601)
Foreign exchange differences	(50)	(421)	-	(471)
At 31 December 2018	15,650	40,347	-	55,997
Acquisitions through business combinations	-	75	-	75
Right of use asset on inception	-	-	4,683	4,683
Additions	1,223	6,707	490	8,420
Disposals and derecognition of ROU assets	(482)	(2,913)	(455)	(3,850)
Foreign exchange differences	(163)	1,613	114	1,564
At 31 December 2019	**16,228**	**45,829**	**4,832**	**66,889**
Accumulated depreciation:				
At 1 January 2018	(2,419)	(15,510)	-	(17,929)
Charged in year	(448)	(3,448)	-	(3,896)
Disposals	-	598	-	598
Foreign exchange differences	12	148	-	160
At 31 December 2018	(2,855)	(18,212)	-	(21,067)
Charged in year	(442)	(3,456)	(1,344)	(5,242)
Disposals	279	1,582	-	1,861
Foreign exchange differences	(9)	(1,260)	-	(1,269)
At 31 December 2019	**(3,027)**	**(21,346)**	**(1,344)**	**(25,717)**
Carrying amount: 31 December 2019	**13,201**	**24,483**	**3,488**	**41,172**
Carrying amount: 31 December 2018	**12,795**	**22,135**	**-**	**34,930**
Carrying amount: 1 January 2018	8,427	14,149	-	22,576

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

	2019 €'000	2018 €'000
Cost of sales	3,312	3,214
General, selling and distribution expenses	586	682
General, selling and distribution expenses ROU asset	1,344	-
Total depreciation charge for property, plant and equipment	5,242	3,896

14. Inventory and capital equipment

	2019 €'000	2018 €'000
Finished goods and work-in-progress	38,212	36,158
Capital equipment	962	2,365
Raw materials	9,416	10,834
Total inventory	48,590	49,357

The Group recorded an impairment of €1.7 million against inventory to take account of net realisable value during the year ended 31 December 2019 (2017: €0.1 million). Write-downs are included in cost of sales.

At 31 December 2019 and 31 December 2018, capital equipment are rigs held in South Africa for resale.

15. Trade and other receivables and other current assets

a) Trade and other receivables

	2019 €'000	2018 €'000
Gross receivable	21,424	21,519
Provision for impairment	(1,078)	(808)
Net trade and other receivables	20,346	20,711

	Provision for impairment €'000
Balance at 1 January 2019	(808)
Additions	(270)
Balance at 31 December 2019	(1,078)

	2019 €'000	2018 €'000
Less than 60 days	17,112	14,451
61 to 90 days	1,659	3,437
Greater than 90 days	1,575	2,823
Net trade and other receivables	20,346	20,711

At 31 December 2019, €3.2 million of trade receivables balances (16%) were past due but not impaired (2018: €5.6 million (27%)).

b) Prepayments and other current assets

	2019 €'000	2018 €'000
Plant and machinery prepaid	3,302	4,943
Prepayments and other current assets	2,766	1,635
Prepayments and other current assets	6,098	6,578

16. Trade creditors, accruals and other liabilities

	2019 €'000	2018 €'000
Trade creditors	10,853	12,027
Total creditors and other payables	**10,853**	**12,027**

	2019 €'000	2018 €'000
VAT	207	476
Social security costs	674	3,048
Other accruals and liabilities	4,946	3,472
Total accruals and other liabilities	**5,827**	**6,996**

17. Capital management

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

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

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

	2019 €'000	2018 €'000
Total liabilities	(39,784)	(34,135)
Less: cash and cash equivalents	16,368	8,042
Net debt	**(23,416)**	**(26,093)**
Total equity	**126,144**	**116,766**
Net debt to equity ratio	**0.18**	**0.22**

18. Loans and borrowings

	Maturity	2019 €'000	2018 €'000
Bank loans	2020-2027	4,879	4,576
Finance leases	2020-2023	5,903	2,620
Right of Use leases	2020-2028	4,140	-
Total loans and borrowings		**14,922**	**7,196**
Current		4,043	2,735
Non-current		10,879	4,461

The Group has a number of bank loans and finance leases in Sweden, the UK, the United States and Australia with a mixture of variable and fixed interest rates. The Group has not been in default on any of these debt agreements during any of the periods presented. None of the debt agreements carry restrictive financial covenants. Interest rates on current borrowings are at an average rate of 6.8%

During 2019, the Group availed of the option to enter into overdraft facilities and to draw down loans of €1.7 million with interest rate between 2% and 13.8%.

18. Loans and borrowings *(continued)*

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

	Loans and borrowings €'000	Finance leases €'000	Right of Use leases €'000	Retained earnings €'000	Total €'000
At 1 January 2019:	**4,576**	**2,620**	**-**	**-**	**7,196**
Proceeds from loans and borrowings..........................	1,709	-	-	-	1,709
Inception of finance leases..	-	4,473	-	-	4,473
Inception of right of use liability	-	-	4,589	-	4,589
Repayment of borrowings	(1,290)	-	-	-	(1,290)
Repayment of finance lease liabilities	-	(1,039)	-	-	(1,039)
Repayment of right of use leases................................	-	-	(449)	-	(449)
Dividend paid	-	-	-	(4,426)	(4,426)
Foreign exchange differences	(116)	(151)	-	-	(267)
Total at 31 December 2019	**4,879**	**5,903**	**4,140**	**(4,426)**	**10,496**

19. Non-controlling interest

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

Non-controlling Interest 20%	**2019 €'000**	**2018 €'000**
Non-current assets	97	106
Current assets	4,253	3,762
Non-current liabilities	-	-
Current liabilities	(874)	(664)
Net assets	3,476	3,204
Net assets attributable to NCI	**695**	**641**
Revenue	6,176	6,978
Profit	273	1,368
OCI	-	-
Total comprehensive income	272	1,368
Profit allocated to NCI..	**54**	**274**

20. Share capital and reserves

At 31 December 2019

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

Allotted, called-up and fully paid up shares	**Number**	**€000**
Ordinary Shares of €0.01 each	210,973,102	2,110

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

20. Share capital and reserves *(continued)*

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

Dividends
In September 2019, Mincon Group plc paid an interim dividend for 2019 of €0.0105 (1.05 cent) per ordinary share. In June 2019, Mincon Group plc paid a final dividend for 2018 of €0.0105 (1.05 cent) per ordinary share. In September 2018, Mincon Group plc paid an interim dividend for 2018 of €0.01 (1 cent) per ordinary share. The directors are recommending a final dividend of €0.0105 (1.05 cent) per ordinary share for 2019 which will be subject to approval at the company's AGM in May 2020.

Share premium and other reserves
As part of a Group reorganisation of 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, thereby creating a merger reserve.

Restricted equity reserve
Restricted equity reserve arises on the acquisition of the Driconeq Group, representing the local requirement to allocate reserves between the equity and deferred taxes.

21. 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:

	2019	**2018**
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	12,329	13,573
Denominator (Number):		
Basic shares outstanding	210,973,102	210,541,102
Restricted share awards	1,546,189	2,469,176
Diluted weighted average shares outstanding	212,519,291	213,010,278
Earnings per Ordinary Share		
Basic earnings per share, €	5.84	6.45c
Diluted earnings per share, €	5.80	6.37c

22. Share based payment

During the year ended 31 December 2019, the Remuneration Committee did not grant any Restricted Share Awards (RSAs) to key management or to members of the senior management team.

The vesting conditions of the scheme state that the minimum growth in EPS shall be CPI plus 5% per annum, compounded annually, over the relevant three accounting years up to the share award of 100% of the participants basic salary. Where awards have been granted to a participant in excess of 100% of their basic salary, the performance condition for the element that is in excess of 100% of basic salary is that the minimum growth in EPS shall be CPI plus 10% per annum, compounded annually, over the three accounting years.

Reconciliation of outstanding share options	**Number of Options in thousands**
Outstanding on 1 January 2019	2,469
Forfeited during the year	(491)
Exercised during the year	(432)
Granted during the year	-
Outstanding at 31 December 2019	**1,546**

23. Financial risk management

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

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

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

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

23. Financial risk management *(continued)*

a) Liquidity and capital

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

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

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

Liquid and capital resources are monitored on the basis of the total amount of such resources available and the Group's anticipated requirements for the foreseeable future. The Group's liquid resources and shareholders' equity at 31 December 2019 and 31 December 2018 were as follows:

	2019 €'000	2018 €'000
Cash and cash equivalents	16,368	8,042
Loans and borrowings	14,922	7,196
Shareholders' equity	125,029	115,705

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

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

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

The Group is also exposed to credit risk on its liquid resources (cash), of which the euro equivalent of €3.4 million was held in US Dollar (USD 3.8 million), €2 million was held in Swedish krona (SEK 21 million) and the euro equivalent of €1.7 million was held Australian Dollar (AUD 2.8 million). The Directors actively monitor the credit risk associated with this exposure.

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

	31 December 2019 €'000	31 December 2018 €'000
Ireland	5,759	1,068
Americas	2,339	1,558
Australasia	1,625	266
Europe, Middle East, Africa	6,645	5,150
Total cash, cash equivalents and short term deposits	16,368	8,042

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

23. 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 at 31 December were as follows:

	Total Fair Value of Cash Flows €'000	Less than 1 Year €'000	1-3 Years €'000	3-5 Years €'000	More than 5 Years €'000
At 31 December 2018:					
Deferred contingent consideration	5,470	1,596	3,874	-	-
Loans and borrowings	4,677	2,246	479	416	1,536
Finance leases	2,630	655	1,025	950	-
Trade and other payables	12,027	12,027	-	-	-
Accrued and other financial liabilities...........	6,996	6,996	-	-	-
Total at 31 December 2018	31,800	23,520	5,378	1,366	1,536
At 31 December 2019:					
Deferred contingent consideration	4,962	2,452	2,510	-	-
Loans and borrowings	4,879	1,441	847	782	1,809
Finance leases	5,903	1,244	2,895	1,764	-
Right of use leases......................................	4,140	1,360	1,807	735	238
Trade and other payables	10,853	10,853	-	-	-
Accrued and other financial liabilities...........	5,827	5,827	-	-	-
Total at 31 December 2019	36,564	23,177	8,059	3,281	2,047

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

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

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

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

23. Financial risk management *(continued)*

b) Foreign currency risk (continued)

The Group's worldwide presence creates currency volatility when compared year on year. During 2019, there were positive movements in US Dollar, however all the major currencies in which Mincon operates through, except for Swedish Krona, finished the year stronger than the previous year. Strong economic growth in the USA, and a weakening Euro are a key driver for increases in the US Dollar versus the Euro. The Australian dollar had a weaker performance during 2019 due to the economic tensions between the USA and China, however easing tensions towards the end of the year had a positive effect on the currency. The movements in the South African Rand were not significant in comparison to previous years. There were also very slight movements in the valuation of the Swedish Krona against the Euro due to the Swedish economy's close links with the economic area of the Euro. In particular we note the following:

- The US Dollar increased by 2% against the closing 2018 Euro rate (2018 decrease of 2% against 2017).
- The Australian Dollar has increased 2% against the closing 2018 Euro rated (2018 decrease of 6% against 2017).
- The South African Rand has increased 4% against the closing 2018 Euro rated (2018 decrease of 11% against 2017).
- The Swedish Krona has decreased 3% against the closing 2018 Euro rated (2018 decrease of 4% against 2017).

In 2019, 60% (2018: 53%) of Mincon's revenue €124 million (2018: €118 million) was generated in AUD, SEK and USD. The majority of the group's manufacturing base has a Euro, US dollar or Swedish Krona cost base. While Group management makes every effort to reduce the impact of this currency volatility, it is impossible to eliminate or significantly reduce given the fact that the highest grades of our key raw materials are either not available or not denominated in these markets and currencies. Additionally, the ability to increase prices for our products in these jurisdictions is limited by the current market factors.

	2019		**2018**	
Euro exchange rates	**Closing**	**Average**	**Closing**	**Average**
US Dollar	1.12	1.11	1.14	1.18
Australian Dollar	1.59	1.61	1.62	1.58
South African Rand	15.72	15.93	16.46	15.60
Swedish Krona	10.51	10.53	10.21	10.25

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

23. Financial risk management *(continued)*

c) Credit risk

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

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

The maximum exposure to credit risk for trade and other receivables at 31 December 2019 and 31 December 2018 by geographic region was as follows:

	2019	**2018**
	€'000	**€'000**
Ireland	88	122
Americas	6,141	5,154
Australasia	4,495	4,772
Europe, Middle East, Africa	9,622	10,663
Total amounts owed	**20,346**	**20,711**

The Group is also exposed to credit risk on its liquid resources (cash), of which the euro equivalent of €3.4 million was held in US Dollars ($3.8 million), the euro equivalent of €2 million was held in Swedish krona (SEK 21 million) and the euro equivalent of €1.7 million was held in Australian Dollars ($2.7 million). The Directors actively monitor the credit risk associated with this exposure, cash and cash equivalents are held by major Irish, European, United States and Australian institutions with credit rating of A3 or better.

d) Interest rate risk

Interest Rate Risk on financial liabilities
Movements in interest rates had no significant impact on our financial liabilities or finance cost recognised in either 2018 or 2019.

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

e) Fair values

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

There are no material differences between the carrying amounts and fair value of our financial liabilities as at 31 December 2018 or 2019.

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.

23. Financial risk management *(continued)*

e) Fair values *(continued)*

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

The movements in respect of the financial assets and liabilities carried at fair value in the year to 31 December 2019 are as follows:

	Deferred contingent consideration
	€'000
Balance at 1 January 2019	5,470
Arising on acquisition	1,032
Cash payment	(1,600)
Foreign currency translation adjustment	70
Fair value movement on deferred contingent consideration	(10)
Balance at 31 December 2019	**4,962**

24. Subsidiary undertakings

At 31 December 2019, the Group had the following subsidiary undertakings:

Company	Group Share %	Registered Office & Country of Incorporation
Mincon International Limited Manufacturer of rock drilling equipment	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Rockdrills USA Inc. Manufacturer of rock drilling equipment	100%*	107 Industrial Park, Benton, IL 62812, USA
Mincon Rockdrills PTY Ltd Manufacturer of rock drilling equipment	100%	8 Fargo Way, Welshpool, WA 6106, Australia
1676427 Ontario Inc. (Operating as Rotacan) Manufacturer of rock drilling equipment	100%	400B Kirkpatrick Street, North Bay, Ontario, P1B 8G5, Canada
Mincon Carbide Ltd Manufacturer of tungsten carbide	100%	Windsor St, Sheffield S4 7WB, United Kingdom
Viqing Drilling Equipment AB Manufacturer of drill pipe equipment	100%*	Svarvarevagen 1, SE-686 33 Sunne, Sweden
Mincon Inc. Sales company	100%	603 Centre Avenue, N.W. Roanoke, VA 24016, USA
Mincon Sweden AB Sales company	100%	Industrivagen 2-4, 61202 Finspang, Sweden
Mincon Nordic OY Sales company	100%	Hulikanmutka 6, 37570 Lempäälä, Finland
Mincon Holdings Southern Africa (Pty) Sales company	100%	1 Northlake, Jetpark 1469, Gauteng, South Africa
ABC Products (Rocky) Pty Ltd Sales company	95%	2/57 Alexandra Street, North Rockhampton, Queensland, 4701 Australia
Mincon West Africa SARL Dormant company	80%	Villa TF 4635 GRD, Almadies, Dakar B.P. 45534, Senegal
Mincon West Africa SL Sales company	80%	Calle Adolfo Alonso Fernández, s/n, Parcela P-16, Planta 2, Oficina 23, Zona Franca de Gran Canaria, Puerto de la Luz, Código Postal 35008, Las Palmas de Gran Canari
Mincon Poland Dormant company	100%	ul.Mickiewicza 32, 32-050 Skawina, Poland
Pacific Bit of Canada Sales company	100%	9485 189 Unit204, Surrey, BC V4N 5L8, Canada

24. Subsidiary undertakings *(continued)*

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

24. Subsidiary undertakings *(continued)*

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

* Indirectly held shareholding

25. Leases

A. Leases as Lessees (IFRS 16)

The group leases property, plant and equipment across its global operations. During the year one of the leased properties in Australia was sublet. The lease and sublease expire in 2024.

The property and equipment leases recognised on inception were entered into in the previous years and were classified as operating leases under IAS17.

The Group leases IT and other equipment with contract terms of less than 12 months and also for low value items. The Group has elected not to recognise right-of -use assets and lease liabilities for these leases in line with availing of the exemptions for such leases allowable under IFRS16.

Information about leases for which the Group is a lessee is presented below.

i) Right-of-use assets

	31 December 2019 €'000
Balance at 1January	4,683
Depreciation charge for the year	(1,344)
Additions to right of use assets	490
Derecognition of right of use asset*	(455)
Foreign exchange difference	114
Balance at 31 December 2019	**3,488**

*Derecognition of the right of use asset during 2019 is as a result of entering into a finance sub-lease.

ii) Amounts recognised in income statement.

	31 December 2019 €'000
2019-Leases under IFRS 16	
Interest on lease liabilities	247
Expenses related to short term leases	363
Expenses related to leases of low value assets	28
Total 2019-Leases under IFRS 16	**638**

	31 December 2018 €'000
2018-Operating Leases under IAS 17	
Lease expenses	2,155
Total 2018-Operating Leases under IAS 17	**2,155**

iii) Amounts recognised in statement of cash flows

	31 December 2019 €'000
2019-Cash outflow of leases	
Total cash outflow for leases	2,121
Total 2019-Cash outflow of leases	2,121

iv) Extension options

Some property leases contain extension options exercisable by the group. The group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The group is reasonably certain it will not incur future lease liabilities beyond what is currently calculated.

25. Leases *(continued)*

B. Leases as Lessor (IFRS 16)

i) Financing Lease

The group subleased a property that had been recognised as a right of use asset in Australia. The group recognised income interest in the year in relation to this totalling €21,000.

The following table sets out a maturity analysis of lease receivable, showing the undiscounted lease payments to be received after the reporting date.

	31 December 2019 **€'000**
Less than one year	138
One to two years	138
Two to three years	135
Three to four years	135
More than five years	-
Balance at 31 December 2019	**546**
Unearned finance income	**(62)**
Total undiscounted lease receivable	**484**

ii) Operating leases

The group leases company owned property out to tenants in the USA under various agreements. The group recognises these leases as operating leases from a lessor perspective due to the fact they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2019 was €125,000 (2018: €9,000)

The following table sets out a maturity analysis of lease receivable, showing the undiscounted lease payments to be received after the reporting date.

	31 December 2019 **€'000**
Less than one year	76
One to two years	26
Two to three years	-
Three to four years	-
More than five years	-
Total	**102**

26. Commitments

The following capital commitments for the purchase of property, plant and equipment had been authorised by the directors at 31 December 2019:

	31 December 2019 €'000	31 December 2018 €'000
Contracted for	358	3,553
Not-contracted for	-	185
Total	358	3,738

27. Litigation

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

28. Related parties

As at 31 December 2019, the share capital of Mincon Group plc was 56.72% 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.

In September 2019, the Group paid an interim dividend for 2019 of €0.0105 to all shareholders. The total dividend paid to Kingbell Company was €1,256,551 (September 2018: €1,256,551).

In June 2019, the Group paid a final dividend for 2018 of €0.0105 to all shareholders. The total dividend paid to Kingbell Company €1,256,551.

The Group has a related party relationship with its subsidiary and its joint venture undertakings (see note 24) for a list of these undertakings), directors and officers. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

Transactions with Directors
The Group is owed €Nil from directors and shareholders at 31 December 2019 and 2018. The Group has amounts owing to directors of €Nil as at 31 December 2019 and 2018.

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

	2019 €'000	2018 €'000
Short term employee benefits	1,369	1,686
Share based payment charged in the year	67	600
Bonus and other emoluments	10	188
Post-employment contributions	68	109
Social security costs	133	164
Total	**1,647**	**2,747**

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

29. Events after the reporting date

The Board of Mincon Group plc is recommending the payment of a final dividend for the year ended 31 December 2019 in the amount of €0.0105 (1.05 cent) per ordinary share, which will be subject to approval at the Annual General Meeting of the Company in May 2020. This final dividend, when added to the interim dividend of 1.05 cent paid in September 2019, makes a total distribution for the year of 2.10 cent per share. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 19 June 2020 to Shareholders on the register at the close of business on 29 May 2020.

Acquisition of the Lehti Group Oy

On 15 January 2020, the Group completed the acquisition of the Lethi Group Oy, a manufacture of drilling consumables for a consideration of €8 million. The goodwill arising on acquisition is circa €4.3 million, with expected 2020 revenue of between €10 million and €14 million.

30. Approval of financial statements

The Board of Directors approved the consolidated financial statements on 20 March 2020.