# Mincon Group plc
# (“Mincon” or the “Group”)
# 2016 Full Year Financial Results

Mincon Group plc *(ESM:MIO AIM:MCON),* the Irish engineering group specialising in the design, manufacture, sale and servicing of rock drilling tools and associated products, announces its results for the year ended 31 December 2016.

| | 2016 | 2015 | Percentage change in period |
|---|---|---|---|
| **Product revenue:** | **€’000** | **€’000** | |
| Sale of Mincon product | 56,360 | 52,786 | 7% |
| Sale of third party product | 19,821 | 17,480 | 13% |
| Total revenue | 76,181 | 70,266 | 8% |
| Operating profit | 10,178 | 9,990 | 2% |
| Net profit attributable to shareholders of the parent company | 9,234 | 7,980 | 16% |

Joe Purcell, Chief Executive Officer, commenting on the results, said:
*“The Mincon Group took stock in 2016 and decided to focus on assimilating what we had acquired, to begin standardising our management systems, and to develop a commonality in our marketing, brand and sales approach as we move towards building a 2020 strategic plan, and setting aggressive objectives for growth in sales and profits.*

*Overall 74% of the revenue was derived from Mincon Group manufactured product and this overall sales mix helped maintain the gross margin of the business at 40%, and the operating profit margin at 13%.*

*There has been a tone change in the market in 2016, the prices of commodities are on the rise, the companies in our sector speak with a new confidence and enthusiasm, and we see early evidence of renewed interest in reopening and developing business in some of the markets and sectors in which we operate. We also see substantial investment in sectors in which we are only peripherally involved to date, and in which we believe we should deliver an effective set of new products.*

*We have other products in development and are looking to considerably step up that investment for the current year. Essentially we are building out a new category and are planning a soft release toward the end of the coming year. We have been investing and expensing the R&D spend for some years now and are in the short term development spend prior to launch. Much of our current engineering resource is dedicated to this, to beta testing in the field and to building a sustainable service platform.*
*We are determined to produce industry leading designs aimed at longevity and economy, which reflect new thinking, and to produce and protect a margin that rewards the skill and investment in the new products.*

*The year has been one of investment for the future, in people, manufacturing capability, engineering design and future products. Mincon is becoming better positioned in the market, and better positioned with innovative products that should see organic growth emerge at a higher level in the coming years. Allied to this we are very active now in filling out our ancillary products by acquisition, in tidying up our channels, and better positioning ourselves for that growth.*

*We place a premium on people, in our group planning we are collegiate in nature, and we welcome the addition to the team of more senior people to help build our future. We have an experienced management group, adequate funding, excellent products and an exciting product stream and I look forward to reporting on further progress in 2017 and beyond.”*

## Financial Performance

### Revenue and operating margins

Growth in Mincon manufactured product was 7%, not dissimilar from the previous year, in the absence of any significant acquisitions in the period while we concentrated on developing and extending the product ranges organically. Third party sales increased by 13% to just short of €20 million. The margin on this traded product is lower than that of the manufactured product so a mix change in favour of third party reduces our gross margin. However Mincon product has remained steady at 74% of total sales which has supported the gross margin at 40% and so on to the blended operating margin at 13%.

While the Group has weathered the cyclical downturn reasonably well, showing the defensive characteristics of the market position and products, still we will expect to see price pressure, increasing competition, and a demand for rapid delivery of consumables as customers destock to suppliers.

### Currency movements

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

- A weakening in the GBP average rate against the Euro of 12% compared to 31 December 2015, which resulted in a decrease in reported revenue for the year of approximately €0.3 million. This was offset by the FX impact on the retranslation of underlying GBP costs, as a result, the weakening GBP did not significantly impact reported profit for 2016.

- Due to a significant devaluation in the rand against the Euro in late 2015 the average FX rate for 2016 decreased by 15% compared to 2015 resulting in a decrease of reported revenue by €1.2 million. This was offset by the FX impact on the retranslation of underlying rand costs.

The Group introduced new procedures in 2016 to offset the currency exposure caused by the South African rand in previous years. The closing South African rand rate strengthened by 15% compared with the opening rate and this contributed an FX gain in the Group income statement.

The closing USD rate had strengthened by 4% against the Euro compared with the opening rate in 2016, this contributed an FX gain in the Group income statement of €0.8 million. The Group will undergo further progress in 2017 to offset any FX exposures caused by the movement in the USD.

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

### Operating costs

Operating costs have increased by €2.1 million (11%) to €20.4 million due to increased selling and marketing expenses as the Group increases its footprint in the Americas and Australasia. Sales in those regions increased by €2.6 million (13%) in the Americas and €3.9 million (25%) in Australasia. Operating costs as a percentage of Revenue was 27% in 2016 (2015: 26%).

### Operating profit and profit attributable to shareholders

Operating profit increased by €0.2 million (2%) in 2016 which reflected the increase in gross profit less the step up in operating expenses.

Profit attributable to shareholders increased by €1.3 million (16%) as a result of;

- an increase of €0.2 million in operating profit
- a reduction in finance income due to very low euro deposit rates
- a foreign exchange gain of €1.1 million
- a minimal movement on contingent consideration

The effective rate of tax was 18% in 2016, up from 17% in 2015 reflective of the rates in the jurisdictions where the Group earned its profit mix in the year.

### The Mincon balance sheet

The balance sheet continues to build as accretive profits are earned on the assets in use. The net assets now stand at €106 million with net cash of c. €35 million available for investment.

**Use of the IPO cash and Group cash flows**

We have spent €15.4 million on nine acquisitions in the last three years from the net IPO proceeds of €47 million. During that same period we have distributed over €4 million a year in dividends, but still added €20 million to the balance sheet net value, and added to our net cash outside the IPO proceeds. Our net acquisition cash remains intact and the Group is largely free of debt.

To be quite clear, we do not lack ambition to invest and acquire, but we are keenly interested in buying what adds value to our manufacturing base, to our distribution footprint, to our access to markets and sectors and in bringing people who have a contribution to make, onto our management team.

The Group would still view the IPO cash as being available for acquisitions without reference to debt at this time, but the Group would use debt where the investment was justified by the addition to the Group. Other than that the Group has internally generated its cash for investment in the businesses and to pay dividends.

**Capitalisation of development expenditure**

We have capitalised €499,000 in development expenditure in 2016, which we expect to begin to release as a particular set of products become commercialised in the next year or so. While this is not hugely material as it stands and we have historically written off R&D as we spend it, we are going to have to step up the expenditure around this project in order to bring it to a commercial proposition with an accelerated timetable. This capitalisation has been in compliance with applicable international accounting standards.

We have addressed the matter in 2016 as otherwise the expenditure in 2017 would potentially cause some distortion of short term earnings. The initial product has been on live testing in a customer location, and with the emphasis that has been placed on the engineering in the last two years, has become viable in design much earlier than anticipated. It is still too early to comment on the revenue or profit value of the additional range being created, but it is expected that we will return to that at the half year in 2017.

**Long term investments**

We have continued to improve our invested plant to maintain the efficiency and quality of our manufactured products, and to extend our ranges. Of course it is not just a simple matter of acquiring equipment, but to commission it, and to develop the tools required to build new ranges is an iterative and time consuming process. This is normal in engineering. We have also begun the investment in our carbide plant, with new multi process machinery for powder production, robotised button pressing, and new machinery to insource components for the rest of the Group.

Other capital equipment allowed us to increase the size of the hammers and bits we make to provide the ranges appropriate for entering other sectors such as construction and piling with more complete ranges with products that maintain the standard of our current ranges. To add products to our ranges we either have to acquire businesses that have those products, or develop them ourselves, sometimes it will be the latter, and sometimes the former, it will depend on the balance of value.

Value embraces not just price, but a number of headings including the quality of the team and the product range, the distribution footprint, any unique characteristics, and need. The nature of the capital investment last year differed from previous years in that it was practically all invested in plant and machinery rather than the fixed asset pool received when businesses were acquired.

ENDS

21 MARCH 2017


**For further information, please contact:**

**Mincon Group plc**

**Joe Purcell**, Chief Executive Officer — **Tel: + 353 (61) 361 099**
**Peter Lynch**, Chief Operating Officer

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

## CONSOLIDATED INCOME STATEMENT
**For the year ended 31 December 2016**

| | Notes | 2016 €'000 | 2015 €'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 76,181 | 70,266 |
| Cost of sales | 6 | (45,620) | (41,989) |
| **Gross profit** | | **30,561** | **28,277** |
| General, selling and distribution expenses | 6 | (20,383) | (18,287) |
| **Operating profit** | 9 | **10,178** | **9,990** |
| Finance cost | | (140) | (183) |
| Finance income | | 170 | 297 |
| Foreign exchange gain/(loss) | | 1,129 | (1,203) |
| Movement on contingent consideration | 20(e) | (4) | 722 |
| **Profit before tax** | | **11,333** | **9,623** |
| Income tax expense | 10 | (2,080) | (1,595) |
| **Profit for the year** | | **9,253** | **8,028** |

| | | | |
|---|---|---|---|
| **Profit attributable to:** | | | |
| - owners of the Parent | | 9,234 | 7,980 |
| - non-controlling interests | | 19 | 48 |
| **Earnings per Ordinary Share** | | | |
| Basic earnings per share, € | 18 | 4.39c | 3.79c |
| Diluted earnings per share, € | 18 | 4.38c | 3.79c |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the Year Ended 31 December 2016**

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| **Profit for the year** | **9,253** | **8,028** |
| *Other comprehensive income/(loss):* | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | |
| Foreign currency translation – foreign operations | 2,495 | (1,344) |
| Other comprehensive income/(loss) for the year | 2,495 | (1,344) |
| **Total comprehensive income for the year** | **11,748** | **6,684** |
| **Total comprehensive income attributable to:** | | |
| - owners of the Parent | **11,729** | **6,636** |
| - non-controlling interests | **19** | **48** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**As at 31 December 2016**

| | Notes | 2016 €'000 | 2015 €'000 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Intangible assets | 11 | 13,120 | 11,459 |
| Property, plant and equipment | 13 | 20,052 | 17,277 |
| Deferred tax asset | 10 | 529 | 480 |
| Other non-current assets | 12 | 238 | 342 |
| **Total Non-Current Assets** | | **33,939** | **29,558** |
| **Current Assets** | | | |
| Inventory | 14 | 35,310 | 32,045 |
| Trade and other receivables | 15 | 16,437 | 13,021 |
| Other current assets | | 996 | 649 |
| Current tax asset | | 954 | 733 |
| Short term deposits | 20 | - | 30,781 |
| Cash and cash equivalents | 20 | 36,836 | 10,644 |
| **Total Current Assets** | | **90,533** | **87,873** |
| **Total Assets** | | **124,472** | **117,431** |
| | | | |
| **Equity** | | | |
| Ordinary share capital | 17 | 2,105 | 2,105 |
| Share premium | 17 | 67,647 | 67,647 |
| Undenominated capital | | 39 | 39 |
| Merger reserve | | (17,393) | (17,393) |
| Share based payment reserve | 19 | 89 | 16 |
| Foreign currency translation reserve | | 1,035 | (1,460) |
| Retained earnings | | 51,509 | 46,485 |
| **Equity attributable to owners of Mincon Group plc** | | **105,031** | **97,439** |
| Non-controlling interests | | 484 | 465 |
| **Total Equity** | | **105,515** | **97,904** |
| | | | |
| **Non-Current Liabilities** | | | |
| Loans and borrowings | 16 | 1,142 | 2,141 |
| Deferred tax liability | 10 | 714 | 556 |
| Deferred contingent consideration | 20 | 5,669 | 6,347 |
| Other liabilities | | 595 | 722 |
| **Total Non-Current Liabilities** | | **8,120** | **9,766** |
| **Current Liabilities** | | | |
| Loans and borrowings | 16 | 734 | 674 |
| Trade and other payables | | 6,561 | 6,780 |
| Accrued and other liabilities | | 2,823 | 2,009 |
| Current tax liability | | 719 | 298 |
| **Total Current Liabilities** | | **10,837** | **9,761** |
| **Total Liabilities** | | **18,957** | **19,527** |
| **Total Equity and Liabilities** | | **124,472** | **117,431** |

## CONSOLIDATED STATEMENT OF CASH FLOWS
**For the Year Ended 31 December 2016**

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| **Operating activities:** | | |
| Profit for the period | 9,253 | 8,028 |
| *Adjustments to reconcile profit to net cash provided by operating activities:* | | |
| Depreciation | 2,332 | 2,346 |
| Fair value movement on deferred contingent consideration | 4 | (722) |
| Finance cost | 140 | 183 |
| Finance income | (170) | (297) |
| Income tax expense | 2,080 | 1,595 |
| Other non-cash movements | (3,356) | 1,075 |
| | 10,283 | 12,208 |
| Changes in trade and other receivables | (1,708) | (1,572) |
| Changes in prepayments and other assets | 669 | (438) |
| Changes in inventory | 281 | (2,753) |
| Changes in capital equipment inventory | - | (338) |
| Changes in trade and other payables | (394) | 2,264 |
| Cash provided by operations | 9,131 | 9,371 |
| Interest received | 170 | 297 |
| Interest paid | (140) | (183) |
| Income taxes paid | (1,943) | (2,084) |
| **Net cash provided by operating activities** | **7,218** | **7,401** |
| | | |
| **Investing activities** | | |
| Purchase of property, plant and equipment | (5,246) | (1,768) |
| Disposal of property, plant and equipment | - | - |
| Acquisitions, net of cash acquired | (979) | (4,149) |
| Payment of deferred contingent consideration | (682) | (421) |
| Former short term deposit | 30,781 | (151) |
| Proceeds from joint venture investments | 116 | 266 |
| **Net cash used in investing activities** | **23,990** | **(6,223)** |
| | | |
| **Financing activities** | | |
| Dividends paid | (4,210) | (4,210) |
| Repayment of loans and finance leases | (1,052) | (1,352) |
| Drawdown of loans | - | 1,100 |
| **Net cash provided by/(used in) financing activities** | **(5,262)** | **(4,462)** |
| | | |
| Effect of foreign exchange rate changes on cash | 246 | (154) |
| **Net increase/(decrease) in cash and cash equivalents** | **26,192** | **(3,438)** |
| | | |
| Cash and cash equivalents at the beginning of the year | 10,644 | 14,082 |
| **Cash and cash equivalents at the end of the year** | **36,836** | **10,644** |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**for the year ended 31 December 2016**

| | Share capital €'000 | Share premium €'000 | Merger 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 2015** | **2,105** | **67,647** | **(17,393)** | **39** | **16** | **(116)** | **42,715** | **95,013** | **417** | **95,430** |
| ***Comprehensive income:*** | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 7,980 | **7,980** | 48 | **8,028** |
| ***Other comprehensive income/(loss):*** | | | | | | | | | | |
| Foreign currency translation | - | - | - | - | - | (1,344) | - | **(1,344)** | - | **(1,344)** |
| **Total comprehensive income** | | | | | | **(1,344)** | **7,980** | **6,636** | **48** | **6,684** |
| ***Transactions with Shareholders:*** | | | | | | | | | | |
| Dividends | - | - | - | - | - | - | (4,210) | **(4,210)** | - | **(4,210)** |
| **Balances at 31 December 2015** | **2,105** | **67,647** | **(17,393)** | **39** | **16** | **(1,460)** | **46,485** | **97,439** | **465** | **97,904** |
| ***Comprehensive income:*** | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 9,234 | **9,234** | 19 | **9,253** |
| ***Other comprehensive income/(loss):*** | | | | | | | | | | |
| Foreign currency translation | - | - | - | - | - | 2,495 | - | **2,495** | - | **2,495** |
| **Total comprehensive income** | | | | | | **2,495** | **9,234** | **11,729** | **19** | **11,748** |
| ***Transactions with Shareholders:*** | | | | | | | | | | |
| Share-based payments | - | - | - | - | 73 | - | - | **73** | - | **73** |
| Dividends | - | - | - | - | - | - | (4,210) | **(4,210)** | - | **(4,210)** |
| **Balances at 31 December 2016** | **2,105** | **67,647** | **(17,393)** | **39** | **89** | **1,035** | **51,509** | **105,031** | **484** | **105,515** |

## NOTES TO THE CONSOLIDATED PRELIMINARY FINANCIAL INFORMATION

### 1. Description of business

The consolidated financial statements of Mincon Group Plc (also referred to as “Mincon” or “the Company”) comprises the Company and its subsidiaries (together referred to as “the Group”).

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

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

### 2. Basis of Preparation

This consolidated preliminary financial information has been prepared in accordance with the International Financial report standards and interpretations approved by the International Accounting Standards Board (IASB).

The accounting policies set out in note 3 have been applied consistently in preparing the preliminary financial information for the years ended 31 December 2016 and 31 December 2015.
The Group preliminary financial information 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. This preliminary financial information are prepared on the historical cost basis.

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

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

### 3. Significant accounting principles, accounting estimates and judgements

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

The following are amendments to existing standards and interpretations that are affective for the Group’s financial year from 1 January 2016:

Annual improvements to IFRSs 2012-2014 cycle
IFRS 11: Accounting for acquisitions of interests in Joint Operations
IFRS 14: Regulatory Deferral Accounts
IAS 16 & IAS 38: Acceptable methods of depreciation/ amortisation
IAS 16: Property, Plant and Equipment
IAS 41: Bearer Plants
IAS 27: Equity method in Separate Financial Statements
IAS 1: Disclosure initiative
IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the consolidation exception

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

The adoption of the above and interpretations and amendments did not have a significant impact on the Group's Consolidated Financial Statements.

New IFRSs and amendments
Annual improvements to IFRSs 2014-2016 cycle*
IFRS 15, 'Revenue from Contracts with Customers' (effective for the Group's 2018 Consolidated Financial Statements)
IFRS 9, 'Financial Instruments' (effective for the Group's 2019 Consolidated Financial Statements)*
IFRS 2: Classification and measurement of share based payments*
IAS 7: Disclosure initiative*
IAS 12: Recognition of deferred tax assets for unrealized losses*
*Not yet EU Endorsed

The directors do not believe that any of the above standards have a significant impact on Group reporting.

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

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

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

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

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

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

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

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

**Intangible Assets**

**Goodwill**
The Group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 Business Combinations. Group management has determined that the Group has multiple cash generating units, which are aggregated into one operating segment and therefore all goodwill is tested for impairment at Group level and this is tested for impairment annually.

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

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

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

**Foreign currency**

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

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

Exchange rates for major currencies used in the various reporting periods are shown in Note 20.

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

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

**Business combinations and consolidation**

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

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

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

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

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

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

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

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

**Property, plant and equipment**

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

**Depreciation**

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

The following useful lives are used for depreciation:

| | **Years** |
|---|---|
| Buildings | 20–30 |
| Leasehold improvements | 3–10 |
| Machinery and equipment | 3–10 |
| Vehicles | 3–5 |
| Computer hardware and other | 3–5 |

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

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

### Leased assets

In the consolidated financial statements, leases are classified as either finance leases or operating leases. A finance lease entails the transfer to the lessee of substantially all of the economic risks and benefits associated with ownership. If this is not the case, the lease is accounted for as an operating lease.

For the lessee, a finance lease requires that the asset leased is recognised as an asset in the statement of financial position. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the future minimum lease payments. Initially, a corresponding liability is recorded. Assets under finance leases are depreciated over their estimated useful lives, while the lease payments are reported as interest and amortisation of the lease liability. For operating leases, the lessee does not account for the leased asset in its statement of financial position. In profit or loss, the costs of operating leases are recorded on a straight-line basis over the term of the lease.

### Financial assets and liabilities

Recognition and derecognition

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

Effective interest method

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

Borrowing costs

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

Investments in subsidiaries - Company

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

Impairment of financial assets

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

Equity

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

Contingent liabilities

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

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

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

Financial income and expenses

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

Cash and cash equivalents

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

**Provisions**

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

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

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

Total trade and other receivables as of 31 December 2016 amounted to €18.1million (2015: €13.7 million) with a corresponding total allowance for estimated losses of €1.6 million (2015: €0.6 million).

## 4. Revenue

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| **Product revenue:** | | |
| Sale of Mincon product | 56,360 | 52,786 |
| Sale of third party product | 19,821 | 17,480 |
| **Total revenue** | **76,181** | **70,266** |

## 5. Operating Segments

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 2016 of €76.2 million (2015: €70.3 million) is wholly derived from sales to external customers.

**Entity-wide disclosures**
The business is managed on a worldwide basis but operates manufacturing facilities and sales offices in Ireland, South Africa, UK, Western Australia, the United States and Canada and sales offices in ten other locations including Eastern & Western Australia, South Africa, Senegal, Spain, Namibia, Tanzania, Sweden, Chile and Peru. Sales offices in Ghana and Poland have been closed down in 2016 and a distribution model has been adopted for sales in these jurisdictions. 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):*

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| **Region:** | | |
| Ireland | 669 | 651 |
| Americas | 23,389 | 20,771 |
| Australasia | 19,101 | 15,230 |
| Europe, Middle East, Africa | 33,022 | 33,614 |
| **Total revenue from continuing operations** | **76,181** | **70,266** |

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

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Region: | | |
| Ireland | 6,752 | 5,681 |
| Americas | 14,423 | 12,303 |
| Australasia | 7,237 | 6,846 |
| Europe, Middle East, Africa | 4,998 | 4,248 |
| **Total non-current assets(1)** | **33,410** | **29,078** |

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

## 6. Cost of Sales and operating expenses

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

### Cost of sales

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Raw materials | 16,473 | 15,166 |
| Third party product purchases | 15,562 | 13,772 |
| Employee costs | 7,162 | 6,714 |
| Depreciation | 1,752 | 1,720 |
| Other | 4,671 | 4,617 |
| **Total cost of sales** | **45,620** | **41,989** |

### General, selling and distribution expenses

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Employee costs (including director emoluments) | 12,026 | 10,787 |
| Depreciation | 580 | 626 |
| Acquisition costs | - | 175 |
| Other | 7,777 | 6,699 |
| **Total other operating costs** | **20,383** | **18,287** |

The Group invested approximately €0.9 million on research and development projects in 2016, of this €0.4 million has been expensed in the period with the balance of €0.5 capitalised (note 11).

## 7. Employee information

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Wages and salaries – excluding directors | 16,207 | 15,012 |
| Wages, salaries, fees and pensions – directors | 510 | 625 |
| Termination payments | 349 | 166 |
| Social security costs | 1,317 | 1,132 |
| Pension costs of defined contribution plans | 732 | 566 |
| Share based payment expense (note 19) | 73 | - |
| **Total employee costs** | **19,188** | **17,501** |

The Group capitalised payroll costs of €0.2 million in 2016 in relation to research and development.

The average number of employees was as follows:

| | 2016 Number | 2015 Number |
|---|---|---|
| Sales and distribution | 76 | 74 |
| General and administration | 58 | 55 |
| Manufacturing, service and development | 164 | 141 |
| **Average number of persons employed** | **298** | **270** |

### Pension and Other Employee Benefit Plans

The Group operates various defined contribution pension plans. During the year ended 31 December 2016, the Group recorded €0.8million (2015: €0.6 million) of expense in connection with these plans.

## 8. Acquisitions

### A. Consideration transferred

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

| | Total €'000 |
|---|---|
| Cash | **979** |
| Deferred contingent consideration | **-** |
| **Total consideration transferred** | **979** |

In September 2016, Mincon acquired the net assets of Premier Drilling Equipment, a drill pipe manufacturer located in Johannesburg South Africa. Mincon also acquired the assets of Rockdrill Engineering Ltd., a reseller of Mincon product, located in Hebden Bridge, UK in November 2016.

In the final quarter of 2016, Premier Drilling Equipment and Rockdrill Engineering Ltd contributed additional revenue of €477,000 to the Group and €9,000 in net profit to the Group results. If these companies were purchased on 01 January 2016 they would have contributed sales of €2.9 million to the Group and €54,000 in net profit to the Group results.

Ozmine
The previous owners of Ozmine received final payment of €672,000 during 2016, based on certain profits that had to be achieved during the years ending 31 December 2015, 2016 & 2017. The payment had been fully provided for as part of the opening deferred consideration balance at 1 January 2016.

**Deferred contingent consideration**

### 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 | 68 |
| Inventories | 199 |
| Trade receivables | 476 |
| Cash and cash equivalents | 2 |
| Other assets | 9 |
| Trade and other payables | (54) |
| **Fair value of identifiable net assets acquired** | **700** |

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

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

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

**Goodwill**

Goodwill arising from the acquisition has been recognised as follows.

| | Total |
|---|---|
| Consideration transferred | 979 |
| Fair value of identifiable net assets | (700) |
| **Goodwill** | **279** |

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. Manufactured coring product will be sold through the Group's existing sales offices.

**9. Statutory and other required disclosures**

Operating profit is stated after charging the following amounts:

| | **2016** | **2015** |
|---|---|---|
| | **€'000** | **€'000** |
| **Directors' remuneration** | | |
| Fees | 85 | 95 |
| Wages and salaries | 400 | 491 |
| Other emoluments | - | - |
| Pension contributions | 25 | 39 |
| **Total directors' remuneration** | **510** | **625** |

| **Auditor's remuneration:** | **2016** | **2015** |
|---|---|---|
| | **€'000** | **€'000** |
| Auditor's remuneration – Fees payable to lead audit firm | | |
| Audit of the Group financial statements | 127 | 122 |
| Audit of the Company financial statements | 12 | 10 |
| Other assurance services | 10 | 10 |
| Tax advisory services (a) | 46 | 73 |
| Other non-audit services | 2 | 3 |
| | **197** | **218** |
| Auditor's remuneration – Fees payable to other firms in lead audit firm's network | | |
| Audit services | 47 | 50 |
| Other assuranceservices | 10 | - |
| Tax advisory services | 8 | - |
| **Total auditor's remuneration** | **262** | **268** |

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

## 10. Income tax

Tax recognised in income statement:

| | 2016 | 2015 |
|---|---|---|
| **Current tax expense** | **€'000** | **€'000** |
| Current year | 1,971 | 1,998 |
| Adjustment for prior years | - | - |
| Total current tax expense | 1,971 | 1,998 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | 109 | (403) |
| Total deferred tax (credit)/expense | 109 | (403) |
| | | |
| **Total income tax expense** | **2,080** | **1,595** |

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:

| | 2016 | 2015 |
|---|---|---|
| | **€'000** | **€'000** |
| Profit before tax from continuing operations | 11,333 | 9,623 |
| *Irish standard tax rate (12.5%)* | *12.5%* | *12.5%* |
| Taxes at the Irish standard rate | 1,417 | 1,203 |
| Foreign income at rates other than the Irish standard rate | 436 | 95 |
| Losses creating no income tax benefit | 274 | 287 |
| Other | (47) | 10 |
| **Total income tax expense** | **2,080** | **1,595** |

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

| | 2016 | 2015 |
|---|---|---|
| | **€'000** | **€'000** |
| **Deferred taxation assets:** | | |
| Reserves, provisions and tax credits | 377 | 98 |
| Tax losses and unrealised FX gains | 152 | 382 |
| Total deferred taxation asset | 529 | 480 |
| **Deferred taxation liabilities:** | | |
| Property, plant and equipment | (523) | (459) |
| Accrued income | - | - |
| Profit not yet taxable | (191) | (97) |
| Total deferred taxation liabilities | (714) | (556) |
| | | |
| Net deferred taxation liability | (185) | (76) |

**10. Income tax** *(continued)*

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

| 1 January 2015 – 31 December 2015 | Balance 1 January €'000 | Recognised in Profit or Loss €'000 | Balance 31 December €'000 |
|---|---|---|---|
| **Deferred taxation assets:** | | | |
| Reserves, provisions and tax credits | 95 | 3 | 98 |
| Tax losses | 183 | 199 | 382 |
| Total deferred taxation asset | 278 | 202 | 480 |
| **Deferred taxation liabilities:** | | | |
| Property, plant and equipment | (570) | 111 | (459) |
| Accrued income and other | (108) | 108 | - |
| Profit not yet taxable | (79) | (18) | (97) |
| Total deferred taxation liabilities | (757) | 201 | (556) |
| Net deferred taxation liability | (479) | 403 | (76) |

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

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

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Tax losses | 2,631 | 2,472 |
| Total | 2,631 | 2,472 |

## 11. Intangible Assets

| | Product development | Goodwill | Total |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| **Balance at 1 January 2015** | **-** | **9,870** | **9,870** |
| Acquisitions | - | 2,426 | 2,426 |
| Translation differences | - | (837) | (837) |
| **Balance at 31 December 2015** | **-** | **11,459** | **11,459** |
| Investments | 499 | - | 499 |
| Acquisitions | - | 279 | 279 |
| Translation differences | - | 883 | 883 |
| **Balance at 31 December 2016** | **499** | **12,621** | **13,120** |

Goodwill relates to the acquisition of the remaining 60% of DDS-SA Pty Limited in November 2009, the 60% acquisition of Omina Supplies in August 2014 and the 65% acquisition of Rotacan and ABC products in August 2014, the acquisition of Ozmine in January 2015, the acquisition of Mincon Chile and Mincon Tanzania in March 2015 and the acquisition of Premier and Rockdrill Engineering in November 2016 being the dates that the Group obtained control of these businesses. The Group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 *Business Combinations*.

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

The recoverable amount of goodwill has been assessed based on estimates of value in use. Calculations of value in use are based on the estimated future cash flows using forecasts covering a five-year period and terminal value (based on three year plans prepared annually). The most significant assumptions are revenues, operating profits, working capital and capital expenditure. A growth rate of 3% was applied for all periods after the three years budgeted. The discount rate in 2016 was assumed to amount to 13% (2015: 11%) after tax (approximately 16% before tax) and has been used in discounting the cash flows to determine the recoverable amounts. Goodwill impairment testing did not indicate any impairment during any of the periods being reported. Sensitivity in all calculations implies that the goodwill would not be impaired even if the discount rate increased substantially or the long-term growth was lowered to zero.

## 12. Other non-current assets

| | 2016 | 2015 |
|---|---|---|
| | €'000 | €'000 |
| **Other non-current assets:** | | |
| Loan to former joint venture partner (1) | 238 | 342 |
| **Total other non-current assets** | **238** | **342** |

(1) In September 2008, the Group invested in TJM, a drilling equipment and supplies company based in Pennsylvania. The Group disposed of its investment in March 2012. The consideration for sale of the Group's shareholding was a US$700,000 interest bearing loan note repayable over 6 years. As at 31 December 2016, an amount of US$251,000 was outstanding on this loan.

## 13. Property, Plant and Equipment

| | Land & [1] Buildings €'000 | Plant & Equipment €'000 | Total €'000 |
|---|---|---|---|
| **Cost:** | | | |
| At 1 January 2015 | 8,280 | 20,192 | 28,472 |
| Acquisitions | 725 | 943 | 1,668 |
| Additions | 180 | 1,588 | 1,768 |
| Disposals | - | (370) | (370) |
| Foreign exchange differences | (28) | 125 | 97 |
| At 31 December 2015 | 9,157 | 22,478 | 31,635 |
| Acquisitions | - | 68 | 68 |
| Additions | 316 | 4,930 | 5,246 |
| Disposals | (288) | (683) | (971) |
| Foreign exchange differences | 81 | 614 | 695 |
| **At 31 December 2016** | **9,266** | **27,407** | **36,673** |
| **Accumulated depreciation:** | | | |
| At 1 January 2015 | (1,727) | (10,346) | (12,073) |
| Charged in year | (244) | (2,102) | (2,346) |
| Disposals | - | 235 | 235 |
| Foreign exchange differences | (23) | (151) | (174) |
| At 31 December 2015 | (1,994) | (12,364) | (14,358) |
| Charged in year | (247) | (2,085) | (2,332) |
| Disposals | 31 | 453 | 484 |
| Foreign exchange differences | (28) | (387) | (415) |
| **At 31 December 2016** | **(2,238)** | **(14,383)** | **(16,621)** |
| **Carrying amount: 31 December 2016** | **7,028** | **13,024** | **20,052** |
| Carrying amount: 31 December 2015 | 7,163 | 10,114 | 17,277 |
| Carrying amount: 1 January 2015 | 6,553 | 9,846 | 16,399 |

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

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Cost of sales | 1,752 | 1,720 |
| General, selling and distribution expenses | 580 | 626 |
| Total depreciation charge for property, plant and equipment | 2,332 | 2,346 |

### 14. Inventory

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Finished goods and work-in-progress | 25,603 | 23,408 |
| Capital equipment | 4,473 | 3,805 |
| Raw materials | 5,234 | 4,832 |
| Total inventory | 35,310 | 32,045 |

The company recorded write-downs of €0.17 million against inventory to net realisable value during the year ended 31 December 2016 (2015: €0.45 million). Write-downs are included in cost of sales. Included in capital equipment inventory are third party rigs held for resale in Southern Africa.

### 15. Trade and other receivables

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Gross receivable | 18,068 | 13,669 |
| Provision for impairment | (1,631) | (648) |
| Net trade and other receivables | 16,437 | 13,021 |

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Less than 60 days | 11,148 | 9,607 |
| 61 to 90 days | 1,844 | 1,931 |
| Greater than 90 days | 3,445 | 1,483 |
| Net trade and other receivables | 16,437 | 13,021 |

At 31 December 2016, €3.4 million (21%) of trade receivables balance was past due but not impaired (2015: €1.5 million (11%)).

### 16. Loans and borrowings

| | Maturity | 2016 €'000 | 2015 €'000 |
|---|---|---|---|
| Bank loans | 2017-2021 | 1,183 | 1,684 |
| Finance leases | 2017-2020 | 693 | 1,131 |
| **Total Loans and borrowings** | | **1,876** | **2,815** |
| Current | | 734 | 674 |
| Non-current | | 1,142 | 2,141 |

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

In January 2014, Mincon Rockdrills Pty Limited drew down AUS$2.4 million (circa €1.6 million) on a 15 year variable interest loan which is secured on land & buildings of that company with a net book value of approximately AUS$3,500,000 (circa €2.3 million). This loan was fully repaid in August 2016.

In April 2015, Mincon Rockdrills USA Inc. drew down US$1,200,000 (circa €1.2 million) on a 5 year fixed finance lease which is secured on plant and equipment of that company with a net book value of approximately USD$727,000 (circa €0.6 million).

**17. Share capital and reserves**

**At 31 December 2015 and 2016**

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

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

Share Issuances

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

Voting rights

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

Dividends

On 26 September 2015, Mincon Group plc paid an interim dividend for 2015 of €0.01 (1 cent) per ordinary share. 2016, Mincon Group plc paid a final dividend for 2015 of €0.01 (1 cent) per ordinary share. On 25 September 2016, Mincon Group plc paid an interim dividend for 2016 of €0.01 (1 cent) per ordinary share. The directors are recommending a final dividend of €0.01 (1 cent) per ordinary share for 2016 which will be subject to approval at the company's AGM on 28 April 2017.

Share premium and other reserve

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

### 18. Earnings per share

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

| | 2016 | 2015 |
|---|---|---|
| | €'000 | €'000 |
| **Numerator (amounts in €'000):** | | |
| Profit attributable to owners of the Parent | 9,234 | 7,980 |
| **Earnings per Ordinary Share** | | |
| Basic earnings per share, € | 4.39c | 3.79c |
| Diluted earnings per share, € | 4.38c | 3.79c |
| **Denominator (Number):** | | |
| Basic shares outstanding | 210,541,102 | 210,541,102 |
| Diluted weighted average shares outstanding | 211,041,102 | 210,541,102 |

There were a number of outstanding restricted share awards (RSAs) in issue at 31 December 2015 and 2016 (Note 19).

### 19. Share based payment

During the year ended 31 December 2016, the Remuneration Committee made a grant of approximately 500,000 Restricted Share Awards (RSAs) to members of the senior management team. The vesting conditions include both service and performance targets. The performance target condition is an average growth of 5% of EPS over three years. The fair value of the RSA's granted is equal to the company's share price on grant date which was €0.70c.

## 20. Financial Risk Management

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

a) Liquidity and Capital
The Group defines liquid resources as the total of its cash, cash equivalents and short term deposits. Capital is defined as the Group's shareholders' equity 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 2016 were as follows:

| | 2016<br>€'000 | 2015<br>€'000 |
|---|---|---|
| Cash and cash equivalents | 36,836 | 10,644 |
| Short term deposits | - | 30,781 |
| Loans and borrowings | 1,876 | 2,815 |
| Shareholders' equity | 105,031 | 97,439 |

During 2016, funds held on long term deposits matured. The Group frequently assess its liquidity requirements, together with this requirement and the rate return of long term euro deposits, the Group has decide to keep all cash readily available that is accessible within a month or less. Cash at bank earns interest at floating rates based on daily bank deposits. The fair value of cash and cash equivalents equals the carrying amount.

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

| | 31 December<br>2016<br>€'000 | 31 December<br>2015<br>€'000 |
|---|---|---|
| Ireland | 29,373 | 34,134 |
| Americas | 1,543 | 2,371 |
| Australasia | 1,740 | 1,198 |
| Europe, Middle East, Africa | 4,180 | 3,722 |
| Total cash, cash equivalents and short term deposits | 36,836 | 41,425 |

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.

**20. Financial Risk Management** *(continued)*

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

| | Total Carrying Value €'000 | Total Contractual Cash Flows €'000 | Less than 1 Year €'000 | 1-3 Years €'000 | 3-5 Years €'000 | More than 5 Years €'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2015:** | | | | | | |
| Deferred contingent consideration ............... | 6,347 | 6,990 | 344 | 1,371 | 5,275 | - |
| Loans and borrowings ................................. | 1,684 | 1,892 | 270 | 811 | 541 | 270 |
| Finance leases ........................................... | 1,131 | 1,255 | 420 | 835 | - | - |
| Trade and other payables ........................... | 6,780 | 6,780 | 6,780 | - | - | - |
| Accrued and other financial liabilities........... | 2,009 | 2,009 | 2,009 | - | - | - |
| Total at 31 December 2015 ......................... | 17,951 | 18,926 | 9,823 | 3,017 | 5,816 | 270 |
| **At 31 December 2016:** | | | | | | |
| Deferred contingent consideration ............... | 5,669 | 5,870 | - | 5,870 | | |
| Loans and borrowings ................................. | 1,183 | 1,226 | 345 | 682 | 173 | 26 |
| Finance leases ........................................... | 693 | 726 | 418 | 308 | - | - |
| Trade and other payables ........................... | 6,561 | 6,561 | 6,561 | - | - | - |
| Accrued and other financial liabilities........... | 2,823 | 2,823 | 2,823 | - | - | - |
| Total at 31 December 2016 ......................... | 16,929 | 17,206 | 10,147 | 6,860 | 173 | 26 |

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

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

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

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

## 20. Financial Risk Management *(continued)*

b) Foreign currency risk (continued)
The Group's worldwide presence creates currency volatility when compared year on year. In 2016, there were two major movements in Mincon's operational currencies:

- A weakening in the GBP average rate against the Euro of 12% compared to 31 December 2015, which resulted in a decrease in reported revenue for the year of approximately €0.3 million. This was offset by the FX impact on the retranslation of underlying GBP costs, as a result, the weakening GBP did not significantly impact reported profit for 2016.
- Due to a significant devaluation in the rand against the Euro in late 2015 the average FX rate for 2016 decreased by 15% compared to 2015 resulting in a decrease of reported revenue by €1.2 million. This was offset by the FX impact on the retranslation of underlying rand costs.

In 2016 46% (2015: 45%) of Mincon's revenue, €35 million (2015: approx.€31.6 million) was generated in ZAR, AUD and SEK, compared to 15% (2015:10%) of the Group's cost of sales. The majority of the group's manufacturing base has a euro or US dollar cost base. While Group management makes every effort to reduce the impact of this currency volatility, it is impossible to eliminate or significantly reduce given the fact that the highest grades of our key raw materials are either not available or not denominated in these markets and currencies. Additionally, the ability to increase prices for our products in these jurisdictions is limited by the current market factors.

| | 2016 | | 2015 | |
|---|---|---|---|---|
| **Euro exchange rates** | **Closing** | **Average** | **Closing** | **Average** |
| US Dollar | 1.05 | 1.11 | 1.09 | 1.11 |
| Australian Dollar | 1.46 | 1.49 | 1.49 | 1.48 |
| Great British Pound | 0.85 | 0.82 | 0.74 | 0.73 |
| South African Rand | 14.41 | 16.27 | 16.93 | 14.16 |
| Swedish Krona | 9.54 | 9.46 | 9.18 | 9.35 |

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

**Net Foreign Currency**

| | 2016 | 2015 |
|---|---|---|
| **Monetary Assets/(Liabilities)** | **€'000** | **€'000** |
| Euro | (1,001) | 258 |
| US Dollar | 12,016 | 10,385 |
| Australian Dollar | 1,865 | 6,925 |
| South African Rand | 11,979 | 10,406 |
| Other | 368 | 229 |
| Total | 25,226 | 28,203 |

A 10% strengthening of the Euro against the Group's primary operating currencies at 31 December 2016 would have increased/(decreased) shareholders' equity and net profit by approximately the amounts shown below. This analysis assumes that all other variables, remain constant.

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **OCI*** | **Net Profit** | **OCI*** | **Net Profit** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| US dollar | (983) | (1,202) | (1,007) | (410) |
| Australian dollar | (1,302) | (186) | (1,219) | (90) |
| South African Rand | (1,323) | (1,197) | (632) | (635) |

* Includes net investment exposure

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

**20. Financial Risk Management** *(continued)*

c) Credit Risk

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

| | 2016 | 2015 |
|---|---|---|
| | €'000 | €'000 |
| Ireland | 27 | 51 |
| Americas | 5,340 | 3,693 |
| Australasia | 3,559 | 2,746 |
| Europe, Middle East, Africa | 7,511 | 6,531 |
| **Total amounts owed** | **16,437** | **13,021** |

The Group is also exposed to credit risk on its liquid resources (cash), of which €27.1 million (2015: €30.8 million) was held with Irish financial institutions in Ireland. The Directors actively monitor the credit risk associated with this exposure.

d) Interest Rate Risk

*Interest Rate Risk on financial liabilities*
The Group is primarily equity and cash funded and has drawn down small amounts of debt for natural hedging purposes. Movements in interest rates had no significant impact on our financial liabilities or finance cost recognised in either 2015 or 2016.

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

e) Fair values

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

There are no material differences between the carrying amounts and fair value of our financial liabilities as at 31 December 2015 or 2016.

## 20. Financial Risk Management *(continued)*

e) Fair values (continued)

Financial instruments carried at fair value

The deferred contingent consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential pay-out scenarios. The fair value of deferred contingent consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof. An increase or decrease of 10% in management's expectation as to the amounts that will be paid out would increase or decrease the value of contingent deferred contingent consideration at 31 December 2016 by €0.6 million.

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

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

The movements in respect of the financial assets and liabilities carried at fair value in the year to 31 December 2016 are as follows:

| | **Deferred contingent consideration** |
|---|---|
| | **€'000** |
| Balance at 1 January 2016 | 6,347 |
| Arising on acquisition | - |
| Cash payment | (682) |
| Fair value movement | (431) |
| Foreign currency translation adjustment | 435 |
| **Balance at 31 December 2016** | **5,669** |

## 20. Subsidiary and Associate Undertakings

At 31 December 2016, the Group had the following subsidiary undertakings:

| Company | Nature of Business | Group Share % | Registered Office & Country of Incorporation |
|---|---|---|---|
| Mincon International Limited | Manufacturer of rock drilling equipment | 100% | Smithstown, Shannon, Co. Clare, Ireland |
| Mincon Rockdrills USA Inc. | Manufacturer of rock drilling equipment | 100%* | 107 Industrial Park, Benton, IL 62812, USA |
| Mincon Rockdrills PTY Ltd | Manufacturer of rock drilling equipment | 100% | 8 Fargo Way, Welshpool, WA 6106, Australia |
| 1676427 Ontario Inc. (Operating as Rotacan) | Manufacturer of rock drilling equipment | 65%*(1) | 400B Kirkpatrick Steet, North Bay, Ontario, P1B 8G5, Canada |
| Marshalls Carbide Ltd | Manufacturer of tungsten carbide | 100% | Windsor St, Sheffield S4 7WB, United Kingdom |
| Mincon Inc. | Sales company | 100% | 603 Centre Avenue, N.W. Roanoke, VA 24016, USA |
| Premier Drilling Equipment Ltd | Manufacturer of rock drilling equipment | 100% | P.O. Box 30094, Kyalami, 1684, Gauteng, South Africa |
| Mincon Sweden AB | Sales company | 100% | Industrivagen 2-4, 61202 Finspang, Sweden |
| DDS-SA (Proprietary) Ltd | Sales company | 100% | 1 Northlake, Jetpark 1469, Gauteng, South Africa |
| ABC Products (Rocky) Pty Ltd | Sales company | 95% | 2/57 Alexandra Street, North Rockhampton, Queensland, 4701 Australia |
| Mincon West Africa SARL | Sales company | 80% | Villa TF 4635 GRD, Almadies, Dakar B.P. 45534, Senegal |
| Mincon West Africa SL | Sales Company | 80% | Calle Adolfo Alonso Fernández, s/n, Parcela P-16, Planta 2, Oficina 23, Zona Franca de Gran Canaria, Puerto de la Luz, Código Postal 35008, Las Palmas de Gran Canari |
| Mincon Poland | Sales company | 100% | ul.Mickiewicza 32, 32-050 Skawina, Poland |
| Mincon Rockdrills Ghana Limited | Sales company | 80% | P.O. Box CT5105, Accra, Ghana |
| Mincon S.A.C. | Sales company | 100% | Calle La Arboleda 151, Dpto 201, La Planicie, La Molina, Peru |
| Ozmine International Pty Limited | Sales company | 100% | Gidgegannup, WA 6083, Australia |
| Mincon Chile | Sales company | 100% | Av. La Dehesa #1201, Torre Norte, Lo Barnechea, Santiago, Chile |
| Mincon Tanzania | Sales company | 70%(1) | Plot 1/3 Nyakato Road, Mwanza, Tanzania |
| Mincon Namibia Pty Ltd | Sales company | 60%(1) | Ausspannplatz, Windhoek, Namibia |
| Mincon International UK Ltd | Sales Company | 100% | Windsor St, Sheffield S4 7WB, United Kingdom |
| Mincon Mining Equipment Inc. | Sales company | 100%* | 19789-92a Avenue, Langley, British Columbia V1M3B3, Canada |
| Mincon Exports USA Inc. | Group finance company | 100% | 603 Centre Ave, Roanoke VA 24016, USA |
| Mincon International Shannon | Dormant company | 100%* | Smithstown, Shannon, Co. Clare, Ireland |
| Smithstown Holdings | Holding company | 100% | Smithstown, Shannon, Co. Clare, Ireland |
| Mincon Canada Drilling Products Inc. | Holding company | 100% | Suite 1800-355 Burrard Street, Vancouver, BC V6C 268, Canada |
| Lotusglade Limited | Holding company | 100%* | Smithstown, Shannon, Co. Clare, Ireland |
| Floralglade Company | Holding company | 100% | Smithstown, Shannon, Co. Clare, Ireland |
| Mincon Microcare Limited | Holding company | 100%* | Smithstown, Shannon, Co. Clare, Ireland |
| Castle Heat Treatment Limited | Holding company | 100%* | Smithstown, Shannon, Co. Clare, Ireland |

* Indirectly held shareholding

(1) Non-controlling shareholder has a put option and consequently recorded as a liability rather than non-controlling interest.

**22. Leases**

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

Finance Leases
At 31 December 2016, the net book value of assets acquired under finance leases was €2.3 million (2015: €2.6 million), which included €2 million (2015: €1.8 million) of accumulated depreciation. The depreciation expense related to assets under finance leases for 2016 was €0.3 million (2015: €0.1 million).

**23. Commitments**

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

| | 31 December 2016 €'000 | 31 December 2015 €'000 |
|---|---|---|
| Contracted for | 3,889 | 2,110 |
| Not-contracted for | - | - |
| Total | 3,889 | 2,110 |

For information on lease commitments, refer to Note 22.

**24. Litigation**

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

**25. Related Parties**

As at 31 December 2016, the share capital of Mincon Group plc was 56.84% (2015: 56.84%) owned by Kingbell Company which is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director of the Company. Ballybell Limited, a company controlled by Kevin Barry, holds 7.09% (2015: 14.21%) of the equity of the Company.

In September 2016, the Group paid an interim dividend for 2016 of €0.01 to all shareholders. The total dividend paid to Kingbell Company and Ballybell Limited was €1,196,712 (September 2015: €1,196,712) and €149,178 (September 2015: €299,178) respectively.

In June 2016, the Group paid a final dividend for 2015 of €0.01 to all shareholders. The total dividend paid to Kingbell Company and Ballybell Limited was €1,196,712 (September 2015: €1,196,712 and €299,178 (September 2015: €299,178) respectively.

The Group has a related party relationship with its subsidiary and its joint venture undertakings (see Note 21 for a list of these undertakings), directors and officers. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

**25. Related Parties** *(continued)*

*Transactions with Directors*
The Group is owed €Nil from directors and shareholders at 31 December 2016 and 2015. The Group has amounts owing to directors of €Nil as at 31 December 2016 and 2015.

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

| | 2016 €'000 | 2015 €'000 |
|---|---|---|
| Short term employee benefits | 1,346 | 1,284 |
| Bonus and other emoluments | 100 | - |
| Post-employment contributions | 31 | 53 |
| **Total** | **1,477** | **1,337** |

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

**26. 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 2016 in the amount of €0.01 (1 cent) per ordinary share, which will be subject to approval at the Annual General Meeting of the Company in April 2017. This final dividend, when added to the interim dividend of 1 cent paid on 26 September 2016, makes a total distribution for the year of 2 cent per share. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 23 June 2017 to Shareholders on the register at the close of business on 26 May 2017.