Mincon Group plc
(“Mincon” or the “Group”)
2017 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 2017.

	Pre-Exceptional Items 2017	2016	Percentage change in period
Product revenue:	**€’000**	**€’000**	
Sale of Mincon product	74,965	56,360	33%
Sale of third party product	22,393	19,821	13%
Total revenue	97,358	76,181	28%
Gross profit	37,838	30,561	24%
Operating profit	14,040	10,178	38%
Net profit attributable to shareholders of the parent company	10,445	9,253	13%

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

A strong year of organic growth

The year was stronger for the company than the results suggest.

Out of the €97 million of revenue, the €75 million revenue for Mincon manufactured product was nearly the same as the Group total sales in the prior year. While the mix changed as we added more products, still the gross margin was maintained at 39%, just shy of the 40% the previous year. Our sales growth was 28% for the year, 33% for our own manufactured product even with the significant capacity constraints, and 13% for third party manufactured product.

The protection of the gross margin is important to us, and we see pressure there as it begins to reflect the increasing cost of supplies to the Group. Raw materials for manufactured product in the year rose to 25% from 22% of revenue. Some of this is mix change, but some of it is raw material costs being absorbed by the Group. The market is not yet taking sustainable price increases, and while we make good products, some great products, still we do not seek to be a price leader, nor do we need to be. Having said that, we expect to see upward price movement for the product ranges through 2018.

Acquisitions in the year

We acquired PPV, a company in Finland that can bring us into the construction industry and which has given us a new suite of products. We have commenced the process of building this out during the year. This follows on from the extensive training process already undertaken across our owned distribution centres.

We bought in the balance of Rotacan, making a contingent gain in the process, and applied that gain to the write downs on rigs, debtors and inventory. Rotacan has the opportunity to recover with the uptick in the sector, as it suffered very considerably with the set back in the coal industry, and the loss of a very substantial customer in Chile. However the business has weathered this, the recovery of value in Chile was more than expected last year, and all the business is growing again.

We have added the Driconeq Group in March 2018, which will give the Group a run rate of €120 million in revenue in 2018.

We acquired Viqing, a start-up drill pipe manufacturer in Sunne, Sweden, and while the turnover in that business has doubled since the acquisition, we still had maybe another €4 million of group sales to move from competing manufacturers into our own business. With the acquisition of Driconeq we believe that between these two businesses and management teams we have an excellent business with tremendous opportunities for development of customers, margins and profitability. We expect them to be combined seamlessly through H1, 2018.

Product development

We are renewing our product ranges to deliver scheduled improvements to sustain our competitive advantage. This is where the engineering knowledge we have built up continues to protect the market position of the Group. We have built out our distribution model to give us direct access to end customers to ensure that we have good market knowledge, and competent margin management.

In H1, 2018 the Greenhammer in which we have been investing will move into stage 2 of beta testing, going live on a customer rig. The outcomes of the phase 1 testing on our own rig have been positive, within the development process we have been going through, constant iteration and adjustment, finding problems and solutions, and both the customer and we believe that the product is ready to approach commercialisation.

When we can establish just how sustainable the productivity gains are, we can build the commercial model around this. This is an exciting prospect for 2018 and beyond, even if we cannot predict exactly when in the year we expect to derive revenue.

Making profits from investment

In 2018 on current volumes we will have a run rate revenue exceeding €120 million as we have acquired the Driconeq Group with the release of these results. We will have Driconeq for about nine months of the current year. Our organic growth may be constrained to single digits in the first half of 2018 , as we have been running hard in 2017, and the new turnover base is so much higher, but if the demand continues to build , the capacity coming on stream should begin to reduce any order book back log.

If we can build sustainable organic growth on top of the acquisition growth, we will deliver another very strong year. We have tightened up on our working capital, actually reducing it before the exceptional write-offs, even while sales rose 28%.

The Group is growing strongly, we have continued to build and invest, and we have made great strides in improving our culture and control. Confidence is high in the Group, in our products, our management and our people, and we have tremendous opportunities in front of us that we have yet to realise in our revenues and returns. We are not under pressure to grow revenue, that is coming naturally from good products and good management teams, our focus will be on bedding down what we have and planning the profitability and cash flow from our existing sales.

We believe the investments we have made through the downturn in footprint, products and people can now be deployed and while we have not made any more profit than we did when we came to market in 2013, that was in retrospect the final year of the last cycle, and this looks very much like the first one of the current upturn. The Group has great funding, good leadership, significant opportunities for organic and acquisition growth, exciting products and a strong, we believe, improving market position."

Any forward-looking statements made in this press release have been made in good faith based on the information available as of the date of this press release and are not guarantees of future performance. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and reflect the Group's current expectations and assumptions as to such future events and circumstances that may not prove accurate. Actual results or developments may differ materially from the expectations expressed or implied in these statements, and the Group expressly disclaims any obligation to update any such statements whether as a result of new information, future events, or otherwise. You should not place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this announcement.

ENDS

20 MARCH 2018

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

		2017			2016
	Notes	**Pre-exceptional items €'000**	**Exceptional items (Note 8) €'000**	**Total €'000**	**€'000**
Continuing operations					
Revenue	4	97,358	-	97,358	76,181
Cost of sales	6	(59,520)	(2,271)	(61,791)	(45,620)
Gross profit		**37,838**	**(2,271)**	**35,567**	**30,561**
General, selling and distribution expenses	6	(23,798)	(903)	(24,701)	(20,383)
Operating profit	10	**14,040**	**(3,174)**	**10,866**	**10,178**
Finance cost		(126)	-	(126)	(140)
Finance income		47	-	47	170
Foreign exchange (loss)/gain		(1,309)	-	(1,309)	1,129
Movement on contingent consideration	21(e)	36	-	36	(4)
Settlement gain	21(e)	-	3,124	3,124	-
Profit before tax		**12,688**	**(50)**	**12,638**	**11,333**
Income tax expense	11	(2,243)	-	(2,243)	(2,080)
Profit for the period		**10,445**	**(50)**	**10,395**	**9,253**

Profit attributable to:			
- owners of the Parent		10,092	9,234
- non-controlling interests		303	19
Earnings per Ordinary Share			
Basic earnings per share, €	19	4.79c	4.39c
Diluted earnings per share, €	19	4.76c	4.38c

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	2017 €'000	2016 €'000
Profit for the year	**10,395**	**9,253**
Other comprehensive income/(loss):		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	(3,975)	2,495
Other comprehensive income/(loss) for the year	(3,975)	2,495
Total comprehensive income for the year	**6,420**	**11,748**
Total comprehensive income attributable to:		
- owners of the Parent	**6,117**	**11,729**
- non-controlling interests	**303**	**19**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 €'000	2016 €'000
Non-Current Assets			
Intangible assets	12	25,094	13,120
Property, plant and equipment	14	22,576	20,052
Deferred tax asset	11	150	529
Other non-current assets	13	100	238
Total Non-Current Assets		**47,920**	**33,939**
Current Assets			
Inventory	15	31,851	35,310
Trade and other receivables	16a	17,560	16,437
Other current assets	16b	4,709	996
Current tax asset		842	954
Cash and cash equivalents	21	28,215	36,836
Total Current Assets		**83,177**	**90,533**
Total Assets		**131,097**	**124,472**
Equity			
Ordinary share capital	18	2,105	2,105
Share premium	18	67,647	67,647
Undenominated capital		39	39
Merger reserve		(17,393)	(17,393)
Share based payment reserve	20	512	89
Foreign currency translation reserve		(2,940)	1,035
Retained earnings		57,391	51,509
Equity attributable to owners of Mincon Group plc		**107,361**	**105,031**
Non-controlling interests		787	484
Total Equity		**108,148**	**105,515**
Non-Current Liabilities			
Loans and borrowings	12	1,405	1,142
Deferred tax liability	11	318	714
Deferred contingent consideration	21	6,931	5,669
Other liabilities		368	595
Total Non-Current Liabilities		**9,022**	**8,120**
Current Liabilities			
Loans and borrowings	17	668	734
Trade and other payables		7,721	6,561
Accrued and other liabilities		4,403	2,823
Current tax liability		1,135	719
Total Current Liabilities		**13,927**	**10,837**
Total Liabilities		**22,949**	**18,957**
Total Equity and Liabilities		**131,097**	**124,472**

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

On behalf of the Board:

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	2017 €'000	2016 €'000
Operating activities:		
Profit for the period	10,395	9,253
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	3,014	2,332
Fair value movement on deferred contingent consideration	(3,160)	4
Finance cost	126	140
Finance income	(47)	(170)
Income tax expense	2,243	2,080
Other non-cash movements	2,548	(3,356)
	15,119	10,283
Changes in trade and other receivables	(3,488)	(1,708)
Changes in prepayments and other assets	(3,776)	669
Changes in inventory	1,339	281
Changes in trade and other payables	1,517	(394)
Cash provided by operations	10,711	9,131
Interest received	47	170
Interest paid	(126)	(140)
Income taxes paid	(1,723)	(1,943)
Net cash provided by operating activities	**8,909**	**7,218**
Investing activities		
Purchase of property, plant and equipment	(5,639)	(5,246)
Acquisitions, net of cash acquired	(5,200)	(979)
Payment of deferred contingent consideration	(2,024)	(682)
Short term deposit	-	30,781
Proceeds from former joint venture investments	109	116
Net cash used in/generated by investing activities	**(12,754)**	**23,990**
Financing activities		
Dividends paid	(4,210)	(4,210)
Repayment of loans and finance leases	(253)	(1,052)
Net cash provided by/(used in) financing activities	**(4,463)**	**(5,262)**
Effect of foreign exchange rate changes on cash	(313)	246
Net increase/(decrease) in cash and cash equivalents	**(8,621)**	**26,192**
Cash and cash equivalents at the beginning of the year	36,836	10,644
Cash and cash equivalents at the end of the year	**28,215**	**36,836**

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	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 2016	**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**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	10,092	**10,092**	303	**10,395**
Other comprehensive income/(loss):										
Foreign currency translation	-	-	-	-	-	(3,975)	-	**(3,975)**	-	**(3,975)**
Total comprehensive income						**(3,975)**	**10,092**	**6,117**	**303**	**6,420**
Transactions with Shareholders:										
Share-based payments	-	-	-	-	423	-	-	**423**	-	**423**
Dividends	-	-	-	-	-	-	(4,210)	**(4,210)**	-	**(4,210)**
Balances at 31 December 2017	**2,105**	**67,647**	**(17,393)**	**39**	**512**	**(2,940)**	**57,391**	**107,361**	**787**	**108,148**

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

Notes to the Consolidated Financial Statements

1. Description of business

The consolidated financial statements of Mincon Group Plc (also referred to as "Mincon" or "the Company") comprises the Company and its subsidiaries (together referred to as "the Group"). 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 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 2017 and 31 December 2016.

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 new and amended standards and interpretations are effective for the Group for the first time for the financial year beginning 1 January 2017:

- Disclosure initiative (Amendments to IAS 7)
- Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)
- Annual improvements to IFRSs 2014 – 2016 Cycle – various standards (Amendments to IFRS 12)

The aforementioned did not have a material impact on the Group.

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

A number of new Standards, Amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. These are set out as follows:

- IFRS 15: Revenue from contracts with customers*
- IFRS 9: Financial Instruments*
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions*
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Amendments to IAS 40: Transfers of Investment Property*
- Annual Improvements to IFRS 2014-2016 Cycle - various standards (Amendments to IFRS 1 and IAS 28)*
- IFRIC 22: Foreign Currency Transactions and Advance Consideration*
- IFRS 16: Leases**
- IFRIC 23: Uncertainty over Income Tax Treatments**
- IFRS 17: Insurance Contracts***

The aforementioned did not have a material impact on the Group.

IFRSs not yet effective

The following new or amended standards and interpretations that are mandatory for 2018 annual periods (and future years) will be applicable to the Group:

IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Group has not adopted any standard, interpretation or amendment that has been issued but is not yet effective. The impact of these new or amended standards and interpretations has been considered as follows:

Estimated impact of the adoption of IFRS 9, IFRS 15 and IFRS 16

The Group is required to adopt IFRS 9 Financial Instruments from 1 January 2018. The Group has assessed the estimated impact that initial application of IFRS 9 will have on the consolation financial statements. IFRS 9 Financial Instruments sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification of financial assets and financial liabilities

Based on its assessment, the Group concludes that the classification requirements will not have a material impact on any of its accounting balances.

Impairment – Financial assets

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12 month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that due to the nature of its receivables, the impact of IFRS 9 will not significantly impact the provision for bad debts.

Estimated impact of the adoption of IFRS 15

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

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

The Group has reviewed the requirements of the new standard, considered those requirements in the context of the Group’s revenue generating activities and identified the key areas for further detailed assessment. Based on the Group’s initial review, the Group concludes that the new standard will not have a material impact on the net profit of the Group.

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

IFRS 16 Leases
IFRS 16 replaced existing leases guidance including IAS 17 leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluation the substance of transactions Involving the legal form of a lease.
The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

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

The Group has commenced an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. It is expected that the Group will recognise right of use assets and related lease liabilities for its operating leases.

* Amendments are effective for annual period commencing after 1 January 2018.
** Amendments are effective for annual period commencing after 1 January 2019.
*** Amendments are effective for annual period commencing after 1 January 2021.

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.

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

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

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

Inventories

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

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 21.

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

Translation of accounts of foreign entities
The assets and liabilities of foreign entities, including goodwill and fair value adjustments arising on consolidation, are translated to Euro at the exchange rates ruling at the 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.

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

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

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

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

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

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

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

The following useful lives are used for depreciation:

	Years
Buildings	20–30
Plant and equipment	3–10

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

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.

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. Such items may include restructuring, profit or loss on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investments, profit or loss on disposal of property, plant and equipment, acquisition costs, adjustment to contingent consideration (arising on business combinations from 1 April 2010) and impairment of assets. 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
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 2017 amounted to €20.6 million (2016: €18.1 million) with a corresponding total allowance for estimated losses of €3 million (2016: €1.6 million).

4. Revenue

	2017	2016
	€'000	€'000
Product revenue:		
Sale of Mincon product	74,965	56,360
Sale of third party product	22,393	19,821
Total revenue	**97,358**	**76,181**

5. Operating Segment

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 2017 of €97.4 million (2016: €76.2 million) is wholly derived from sales to external customers.

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

Revenue by region (by location of customers):

	2017	2016
	€'000	€'000
Region:		
Ireland	661	669
Americas	25,407	23,389
Australasia	22,206	19,101
Europe, Middle East, Africa	49,084	33,022
Total revenue from continuing operations	**97,358**	**76,181**

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

	2017	2016
	€'000	€'000
Region:		
Ireland	10,381	6,752
Americas	14,796	14,423
Australasia	5,241	7,237
Europe, Middle East, Africa	17,352	4,998
Total non-current assets[(1)]	**47,770**	**33,410**

(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

	2017 €'000	2016 €'000
Raw materials	24,517	16,473
Third party product purchases	17,580	15,562
Employee costs	9,588	7,162
Depreciation	2,404	1,752
Impairment of capital inventory (note 8)	1,741	-
Impairment of finished goods inventory (note 8)	530	-
Other	5,431	4,671
Total cost of sales	**61,791**	**45,620**

The Group invested approximately €1.7 million on research and development projects in 2017 (2016: €0.9 million)., of this €0.6 million has been expensed in the period with the balance of €1.1 million capitalised (note 12).

General, selling and distribution expenses

	2017 €'000	2016 €'000
Employee costs (including director emoluments)	13,845	12,026
Depreciation	610	580
Acquisition and related costs (note 8)	303	-
Impairment of trade receivable (note 8)	600	-
Other	9,343	7,777
Total other operating costs	**24,701**	**20,383**

7. Employee information

	2017 €'000	2016 €'000
Wages and salaries – excluding directors	19,448	16,507
Wages, salaries, fees and pensions – directors	658	510
Termination payments	380	349
Social security costs	1,591	1,317
Pension costs of defined contribution plans	1,045	732
Share based payment expense (note 20)	411	73
Total employee costs	**23,533**	**19,388**

The Group capitalised payroll costs of €0.1 million in 2017 (2016: €0.2 million) in relation to research and development.

The average number of employees was as follows:

	2017 Number	2016 Number
Sales and distribution	86	76
General and administration	49	58
Manufacturing, service and development	189	164
Average number of persons employed	**324**	**298**

Pension and Other Employee Benefit Plans

The Group operates various defined contribution pension plans. During the year ended 31 December 2017, the Group recorded €1.1 million (2016: €0.8 million) of expense in connection with these plans.

8. Exceptional Items

	Total €'000
Cost of sales	
Impairment of capital equipment inventory	(1,741)
Impairment of finished goods inventory	(530)
Total cost of sales	**(2,271)**
General, selling and distribution expenses	
Impairment of trade receivable	(600)
Acquisition and related costs	(303)
Total general, selling and distribution expenses	**(903)**
Fair value movement on contingent consideration	**3,124**
Total exceptional items	**(50)**

The write down in the year ended 31 December 2017 on the Group's capital equipment inventory is €1.7 million (2016: €nil).

The level of finished goods inventory write down recognised as an exceptional item within the cost of sales amounted to €0.5 million (2016: €nil). This write down in inventory in the year ended 31 December 2017 arose on various non-Mincon manufactured product that became obsolete due to the availability of more advanced products that have now become available on the market.

The Group provides for all receivables where there is objective evidence, including historical loss experience, that amounts are irrecoverable. The Group now considers that a receivable of €0.6 million from a South American distributor is no longer recoverable.

The Group considers acquisition and related costs as significant items. During the course of acquiring PPV and Viqing the Group incurred costs of €0.3 million.

In August 2014 the Group acquired a 65% majority shareholding in Rotacan. In June 2017 the Group acquired the 35% minority interest in this business for cash consideration of €2 million which was settled in July 2017. The acquisition of the minority shareholding in Rotacan resulted in a credit to the income statement as the amount paid to settle the contingent consideration was less than the director's estimate of its fair value at 31 December 2016.

9. Acquisitions

In 2017, the Group increased its product portfolio and further extended its distribution network through the acquisition of PPV (Pirkanmaan Poraveikot OY) and Viqing Drilling Equipment AB.

In April, 2017, Mincon acquired 100% shareholding in Pirkanmaan Poraveikot OY, PPV, this is a Finnish based business that specialises in the design and sale of specialised consumable equipment for drilling where ground disruption must be minimised.

In July 2017, Mincon acquired 100% shareholding in Viqing Drilling Equipment AB. This company specialises in the manufacture and distribution of drill pipe, adapters/subs and other drilling accessories for drilling in mining, geothermal, water well and construction industries.

A. Consideration transferred

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

	PPV €'000	Viqing €'000	Total €'000
Cash	2,000	3,200	5,200
Deferred consideration	2,000	4,700	6,700
Total consideration transferred	**4,000**	**7,900**	**11,900**

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	1,152
Inventories	337
Trade receivables	656
Other assets	35
Trade and other payables	(553)
Other liabilities	(1,251)
Fair value of identifiable net assets acquired	**376**

The carrying amount of trade receivables equates to the fair value and the gross contractual amounts. The best estimate of the amount not to be collected is €nil.

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	11,900
Fair value of identifiable net assets	(376)
Goodwill	**11,524**

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. PPV product will be sold through the Group's current sales offices and Viqing product will continue to sell through existing channels and also through Mincon's sales offices.

10. Statutory and other required disclosures

Operating profit is stated after charging the following amounts:

	2017	2016
	€'000	€'000
Directors' remuneration		
Fees	129	85
Wages and salaries	469	400
Other emoluments	-	-
Pension contributions	60	25
Total directors' remuneration	**658**	**510**

Auditor's remuneration:	2017	2016
	€'000	€'000
Auditor's remuneration – Fees payable to lead audit firm		
Audit of the Group financial statements	131	127
Audit of the Company financial statements	14	12
Other assurance services	10	10
Tax advisory services (a)	24	46
Other non-audit services	4	2
	183	**197**
Auditor's remuneration – Fees payable to other firms in lead audit firm's network		
Audit services	61	47
Other assurance services	12	10
Tax advisory services	10	8
Total auditor's remuneration	**266**	**262**

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

11. Income tax

Tax recognised in income statement:

	2017	2016
Current tax expense	**€'000**	**€'000**
Current year	2,226	1,971
Adjustment for prior years	-	-
Total current tax expense	2,226	1,971
Deferred tax expense		
Origination and reversal of temporary differences	17	109
Total deferred tax (credit)/expense	17	109
Total income tax expense	**2,243**	**2,080**

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:

	2017	2016
	€'000	**€'000**
Profit before tax from continuing operations	12,638	11,333
Irish standard tax rate (12.5%)	*12.5%*	*12.5%*
Taxes at the Irish standard rate	1,580	1,417
Foreign income at rates other than the Irish standard rate	116	436
Losses creating no income tax benefit	226	274
Other	321	(47)
Total income tax expense	**2,243**	**2,080**

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

	2017	2016
	€'000	**€'000**
Deferred taxation assets:		
Reserves, provisions and tax credits	69	377
Tax losses and unrealised FX gains	81	152
Total deferred taxation asset	150	529
Deferred taxation liabilities:		
Property, plant and equipment	(194)	(523)
Accrued income	(30)	-
Profit not yet taxable	(94)	(191)
Total deferred taxation liabilities	(318)	(714)
Net deferred taxation liability	(168)	(185)

11. Income tax *(continued)*

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

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 and other	-	-	-
Profit not yet taxable	(97)	(94)	(191)
Total deferred taxation liabilities	(556)	(158)	(714)
Net deferred taxation liability	(76)	(109)	(185)

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

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

	2017 €'000	2016 €'000
Tax losses	3,286	2,631
Total	3,286	2,631

12. Intangible assets

	Product development €'000	Goodwill €'000	Total €'000
Balance at 1 January 2016	**-**	**11,459**	**11,459**
Investments	499	-	499
Acquisitions	-	279	279
Translation differences	-	883	883
Balance at 31 December 2016	**499**	**12,621**	**13,120**
Investments	1,163	-	1,163
Acquisitions (note 9)	-	11,524	11,524
Translation differences	-	(713)	(713)
Balance at 31 December 2017	**1,662**	**23,432**	**25,094**

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, the acquisition of Premier and Rockdrill Engineering in November 2016 and the acquisition of PPV and Viqing in 2017 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 2017 was assumed to amount to 13% (2016: 13%) after tax (approximately 13% 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.

13. Other non-current assets

	Total €'000
Loan to former joint venture partner (1):	
At 1 January 2016 (1)	342
Repayment of loan from joint venture partner	(116)
FX movement on loan from joint venture partner	12
At 31 December 2016	**238**
Repayment of loan from joint venture partner	(109)
FX movement on loan from joint venture partner	(29)
At 31 December 2017	**100**

(1) In September 2008, the Group invested in TJM, a drilling equipment and supplies company based in Pennsylvania, USA. The Group disposed of its investment in March 2012. The consideration for sale of the Group's shareholding was a US$700,000 interest bearing loan note repayable over 6 years. As at 31 December 2017, an amount of US$120,000 (2016: US$251,000) was outstanding on this loan.

14. Property, plant and equipment

	Land & Buildings €'000	Plant & Equipment €'000	Total €'000
Cost:			
At 1 January 2016	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
Acquisitions	244	908	1,152
Additions	1,865	3,774	5,639
Disposals	-	(986)	(986)
Foreign exchange differences	(529)	(1,444)	(1,973)
At 31 December 2017	**10,846**	**29,659**	**40,505**
Accumulated depreciation:			
At 1 January 2016	(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)
Charged in year	(264)	(2,750)	(3,014)
Disposals	-	796	796
Foreign exchange differences	83	827	910
At 31 December 2017	**(2,419)**	**(15,510)**	**(17,929)**
Carrying amount: 31 December 2017	**8,427**	**14,149**	**22,576**
Carrying amount: 31 December 2016	7,028	13,024	20,052
Carrying amount: 1 January 2016	7,163	10,114	17,277

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

	2017 €'000	2016 €'000
Cost of sales	2,404	1,752
General, selling and distribution expenses	610	580
Total depreciation charge for property, plant and equipment	3,014	2,332

15. Inventory

	2017	2016
	€'000	€'000
Finished goods and work-in-progress	23,336	25,603
Capital equipment	2,612	4,473
Raw materials	5,903	5,234
Total inventory	31,851	35,310

The company recorded write-downs of €2.3 million against inventory to net realisable value (see note 8) during the year ended 31 December 2017 (2016: €0.2 million). Write-downs are included in cost of sales, please refer to note 8 for further details. Included in capital equipment inventory are third party rigs held for resale in Southern Africa.

16. Trade and other receivables and the current assets

a) Trade and other receivables

	2017	2016
	€'000	€'000
Gross receivable	20,603	18,068
Provision for impairment	(3,043)	(1,631)
Net trade and other receivables	17,560	16,437

	2017	2016
	€'000	€'000
Less than 60 days	13,333	11,148
61 to 90 days	3,005	1,844
Greater than 90 days	1,222	3,445
Net trade and other receivables	17,560	16,437

At 31 December 2017, €3.9 million (22%) of trade receivables balance was past due but not impaired (2016: €3.4 million (21%)).

b) Other current assets

	Total
	€'000
Balance at 1 January 2017	996
Plant and machinery prepaid	3,143
Other	570
Balance at 31 December 2017	**4,709**

17. Loans and borrowings

	Maturity	2017 €'000	2016 €'000
Bank loans	2018-2021	1,825	1,183
Finance leases	2018-2020	248	693
Total loans and borrowings		**2,073**	**1,876**
Current		668	734
Non-current		1,405	1,142

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 July 2017, Mincon Nordic OY a subsidiary of Group plc acquired 100% of Viqing Drilling Equipment AB. This acquisition included variable rate loans on the books of Viqing and its subsidiaries of €1.2 million. The loans are secured against land & buildings and plant & machinery.

18. Share capital and reserves

At 31 December 2016 and 2017

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
In September 2017, Mincon Group plc paid an interim dividend for 2017 of €0.01 (1 cent) per ordinary share. In June 2017, Mincon Group plc paid a final dividend for 2016 of €0.01 (1 cent) per ordinary share. In 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 €0.0105 (1.05 cent) per ordinary share for 2017 which will be subject to approval at the company’s AGM in April 2018.

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.

19. Earnings per share

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

	2017	2016
	€'000	**€'000**
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	10,092	9,234
Earnings per Ordinary Share		
Basic earnings per share, €	4.79c	4.39c
Diluted earnings per share, €	4.76c	4.38c
Denominator (Number):		
Basic shares outstanding	210,541,102	210,541,102
Diluted weighted average shares outstanding	212,194,947	211,041,102

There were a number of outstanding restricted share awards (RSAs) in issue at 31 December 2016 and 2017.

20. Share based payment

During the year ended 31 December 2017, the Remuneration Committee made a grant of approximately 1,153,845 Restricted Share Awards (RSAs) to members of the senior management team. The vesting conditions of the scheme state that the minimum growth in EPS shall be CPI plus 5% per annum, compounded annually, over the relevant three accounting years up to the share award of 100% of the participants basic salary. Where awards have been granted to a participant in excess of 100% of their basic salary, the performance condition for the element that is in excess of 100% of basic salary is that the minimum growth in EPS shall be CPI plus 10% per annum, compounded annually, over the three accounting years.
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.

21. 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 2017 were as follows:

	2017	2016
	€'000	€'000
Cash and cash equivalents	28,215	36,836
Loans and borrowings	2,073	1,876
Shareholders' equity	107,361	105,031

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.

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

	31 December 2017	31 December 2016
	€'000	€'000
Ireland	17,148	29,373
Americas	2,087	1,543
Australasia	3,407	1,740
Europe, Middle East, Africa	5,573	4,180
Total cash, cash equivalents and short term deposits	28,215	36,836

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.

21. Financial risk management *(continued)*

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

	Total Carrying Value €'000	Total Contractual Cash Flows €'000	Less than 1 Year €'000	1-3 Years €'000	3-5 Years €'000	More than 5 Years €'000
At 31 December 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
At 31 December 2017:						
Deferred contingent consideration	6,931	6,931	1,444	5,487	-	-
Loans and borrowings	1,825	2,192	481	751	383	577
Finance leases	248	258	182	76	-	-
Trade and other payables	7,721	7,721	7,721	-	-	-
Accrued and other financial liabilities...........	4,403	4,403	4,403	-	-	-
Total at 31 December 2017	21,128	21,505	14,231	6,314	383	577

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 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.

21. Financial risk management *(continued)*

b) Foreign currency risk (continued)
The Group's worldwide presence creates currency volatility when compared year on year. In 2017, there were two major movements in Mincon's operational currencies:

- The weakening closing USD rate against the Euro at the end of 2017 (-14% compared with 2016 closing rate) contributed significantly to the FX loss in the Group's Income Statement. This is due to the high monetary net asset exposure the Group has to the USD.
- A strengthening in the Rand average rate against the Euro of 8% compared to 2016 average rate, which resulted in an increase in reported revenue for the year of approximately €1 million. This was offset by the FX impact on the retranslation of underlying Rand costs, as a result, the strengthening Rand average rate against the Euro did not significantly impact reported profit for 2017.

In 2017 44% (2016: 46%) of Mincon's revenue €97 million (2016: €35 million) was generated in ZAR, AUD and SEK, compared to 9% (2016: 15%) 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.

	2017		2016	
Euro exchange rates	**Closing**	**Average**	**Closing**	**Average**
US Dollar	1.20	1.13	1.05	1.11
Australian Dollar	1.53	1.47	1.46	1.49
Great British Pound	0.89	0.88	0.85	0.82
South African Rand	14.80	15.02	14.41	16.27
Swedish Krona	9.83	9.63	9.54	9.46

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

Net Foreign Currency

Monetary Assets/(Liabilities)	**2017 €'000**	**2016 €'000**
Euro	(2,625)	(1,001)
US Dollar	15,069	12,016
Australian Dollar	2,172	1,865
South African Rand	11,227	11,979
Other	1,445	368
Total	27,288	25,226

21. Financial risk management *(continued)*

c) Credit risk

The majority of the Group's customers are third party distributors and end users 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:

	2017	2016
	€'000	€'000
Ireland	62	27
Americas	3,325	5,340
Australasia	3,648	3,559
Europe, Middle East, Africa	10,525	7,511
Total amounts owed	**17,560**	**16,437**

The Group is also exposed to credit risk on its liquid resources (cash), of which €17.1 million (2016: €27.1 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 2016 or 2017.

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 2016 or 2017.

21. 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.

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 2017 are as follows:

	Deferred contingent consideration
	€'000
Balance at 1 January 2017	5,669
Arising on acquisition	6,700
Cash payment	(2,024)
Settlement gain	(3,124)
Foreign currency translation adjustment	(254)
Other	(36)
Balance at 31 December 2017	**6,931**

22. Subsidiary undertakings

At 31 December 2017, 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
Marshalls Carbide Ltd Manufacturer of tungsten carbide	100%	Windsor St, Sheffield S4 7WB, United Kingdom
Viqing Drilling Equipment AB Manufacturer of drill pipe equipment	100%*	Svarvarevagen 1, SE-686 33 Sunne, Sweden
Mincon Inc. Sales company	100%	603 Centre Avenue, N.W. Roanoke, VA 24016, USA
Premier Drilling Equipment Ltd Manufacturer of rock drilling equipment	100%	P.O. Box 30094, Kyalami, 1684, Gauteng, South Africa
Mincon Sweden AB Sales company	100%	Industrivagen 2-4, 61202 Finspang, Sweden
Mincon Nordic OY Sales company	100%	Hulikanmutka 6, 37570 Lempäälä, Finland
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 Dormant company	100%	ul.Mickiewicza 32, 32-050 Skawina, Poland

22. 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 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
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
Mincon Microcare Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland

22. Subsidiary undertakings *(continued)*

Company	Group Share %	Registered Office & Country of Incorporation
Castle Heat Treatment Limited Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Cebeko Elast AB Holding company	100%*	Svarvarevagen 1, SE-686 33 Sunne, Sweden
Gunnarsby Fastighets AB Holding company	100%*	Svarvarevagen 1, SE-686 33 Sunne, Sweden

* Indirectly held shareholding

23. Leases

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

Finance leases
At 31 December 2017, the net book value of assets acquired under finance leases was €0.8 million (2016: €2.3 million), which included €0.5 million (2016: €2.0 million) of accumulated depreciation. The depreciation expense related to assets under finance leases for 2017 was €0.1 million (2016: €0.3 million).

24. Commitments

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

	31 December 2017 €'000	**31 December 2016 €'000**
Contracted for	6,258	3,889
Not-contracted for	718	-
Total	6,976	3,889

For information on lease commitments, refer to note 23.

25. Litigation

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

26. Related parties

As at 31 December 2017, the share capital of Mincon Group plc was 56.84% (2016: 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 5.28% (2016: 7.09%) of the equity of the Company.

In September 2017, the Group paid an interim dividend for 2017 of €0.01 to all shareholders. The total dividend paid to Kingbell Company and Ballybell Limited was €1,196,172 (September 2016: €1,196,712) and €111,178 (September 2016: €149,178) respectively.

In June 2017, the Group paid a final dividend for 2016 of €0.01 to all shareholders. The total dividend paid to Kingbell Company and Ballybell Limited was €1,196,172 (September 2016: €1,196,712) and €149,178 (September 2016: €299,178) respectively.

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

26. Related parties *(continued)*

Transactions with Directors
The Group is owed €Nil from directors and shareholders at 31 December 2017 and 2016. The Group has amounts owing to directors of €Nil as at 31 December 2017 and 2016.

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

	2017 €'000	2016 €'000
Short term employee benefits	1,283	1,346
Bonus and other emoluments	-	100
Post-employment contributions	90	31
Total	**1,373**	**1,477**

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.

27. 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 2017 in the amount of €0.0105 (1.05 cent) per ordinary share, which will be subject to approval at the Annual General Meeting of the Company in April 2018. This final dividend, when added to the interim dividend of 1 cent paid in September 2017, makes a total distribution for the year of 2.05 cent per share. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 22 June 2018 to Shareholders on the register at the close of business on 25 May 2018.

Acquisitions of the Driconeq Group

On 20 March 2018, the Group entered into an agreement to acquire a 100% shareholding in the Driconeq Group, a manufacturer of drill rods based in Sweden for total cash consideration of €8 million.