

Mincon Group plc 2014 Half 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 half year results for the six months ended 30 June 2014.

	30 June 2014	30 June 2013	Percentage change in period
Product revenue:			
Sale of Mincon product (€000)	18,887	20,210	(7%)
Sale of third party product (€000)	4,525	7,335	(38%)
Total revenue (€000)	23,412	27,545	(15%)
<i>Sale of Mincon product as a % of total revenue</i>	81%	73%	8%
Operating profit (€000)	5,157	8,192	(37%)
Profit attributable to shareholders of the parent company (€000)	4,371	5,550	(21%)
Earnings per share	2.11c	3.70c	(43%)

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

“The weakness in the global exploration and mining market, driven by the decline in the price of precious metals, which was a feature of 2013 and, as indicated in our annual results published in April 2014, continued into 2014 impacting the drilling products market in which we operate, particularly in relation to third party product. This weakness, combined with the significant devaluation of certain key currencies in which we trade, has impacted upon the Group’s result for the period resulting in a 15% decline in revenue and 21% decline in profit attributable to shareholders.

Given this global macroeconomic environment we are very pleased that demand for Mincon manufactured product has remained stable, with the 7% reduction in revenue in sales of Mincon product solely due to the weakening of certain key currencies such as the South African Rand and Australian Dollar which devalued on average by 18% and 14%, respectively compared to the first half of 2013. The overall impact of currency weakness on revenue for the half year was €2.0m, which had a direct impact on margins and net profit, as approximately 75% of group revenues are non-euro denominated, whereas the majority of manufacturing costs are incurred in euro.

The demand for third party product continued to be weak resulting in invoiced sales of third party product dropping by 38% in 2014 compared to the first half of 2013. This was primarily due to the slowdown in the exploration and mining market, particularly in the EMEA region. However, we are confident that revenue from third party product sales will improve in the second half with the addition of new agencies for the sale of drill rigs in Southern Africa.

On an overall basis, we believe the weakness in the global drilling market started to abate in Q2 2014 with invoiced sales 14% ahead of the average invoiced sales for the previous three quarters. This trend has continued into the third quarter of 2014 and we expect it to continue for the remainder thereof and into the fourth quarter.

In conjunction with the release of these half year results, the Board of Mincon Group plc has recommended the payment of an interim dividend in the amount of €0.01 (1 cent) per ordinary share, the Group’s first as a public company.

Additionally, we are pleased to announce today that Mincon has reached agreements to acquire three companies in deals totalling €8.7 million, for a shareholding of 60% or 65% in all three companies. These acquisitions will serve to both increase Mincon’s product offering and extend Mincon’s distribution network. Further details have been included in a separate announcement.”

Products & markets

Revenue from our conventional down-the-hole (DTH) hammer represented 68% (H1 2013: 60%) of Group turnover with sales of Reverse Circulation (RC), Horizontal Directional Drilling (HDD) and other manufactured product representing 13% (H1 2013: 18%) of Group turnover. Demand for our DTH product continues to grow each period due to product improvements and increasing market presence. The demand for RC product is more cyclical depending largely on the global prices for precious metals and the corresponding demand for exploration product. This market is at an extremely low ebb currently, resulting in a significant reduction in invoiced sales of Mincon RC product.

EMEA continues to be the most significant market for Mincon, representing 57% (H1 2013: 62%) of our revenue. Revenue in this region declined €3.9 million mainly due to the 18% devaluation of the South African Rand (€1.0 million impact) and the loss of some market share in west Africa due to the introduction of low cost product in the region (c. €1.6 million impact). Mincon is hopeful of regaining this market share as customers switch back to higher quality product for greater productivity. Mincon has continued to expand its presence in this region with the acquisition of a distribution company, Omina Supplies, in Namibia on 19 August 2014. Additionally, Mincon expects the performance in this region to improve in the second half of 2014 through the addition of two new agencies for capital equipment in southern Africa. Mincon have recently begun distributing two complementary brands of drill rigs focussed on the blast hole drilling market, with two sales in the first half of the year.

The Americas represents Mincon's second most significant market, representing 28% (H1 2013: 25%) of our revenue. Revenue in this region declined by €0.5 million (7%) primarily due to market weakness and the slowdown in the exploration market on the west coast of the US. Mincon's new sales office in Peru is in its start-up phase and is expected to contribute positively to the Group's revenue and profit in the second half of 2014. Mincon has now expanded its presence in this region with the acquisition of Rotacan Canada, a leading manufacturer of rotary bits and other rotary consumables. The acquisition of Rotacan increases Mincon's consumable product line, thereby significantly increasing Mincon's addressable market – not just in the Americas, but worldwide.

Revenues in the Australasia region represented 15% (H1 2013: 10%) of our revenue. Revenue in this region increased by 23% (€0.6 million) despite the global slowdown in exploration impacting upon sales of our RC product and the 14% devaluation of the Australian Dollar on average in H1 2014 compared to H1 2013. The increase in revenue in this region has been driven by an increase in Mincon's market share of the conventional DTH hammer market. With a view to further increasing our market share in this region, Mincon has today announced the acquisition of a distribution company, ABC Products, based in Queensland, Australia, which now gives Mincon a direct market presence on the east coast of Australia in addition to our current operation on the west coast located in Perth, Western Australia.

Profit margins

The group's gross margin of 47% reduced 4% compared to the first half of 2013 (51%) but was largely consistent with the margin for the second half of 2013 (48%). The largest impact on gross margins has been the weakness in certain key currencies which have devalued significantly since early 2013 impacting both H2 2013 and H1 2014 results. Management's primary focus is on the growth in sales of Mincon manufactured product, which generates a significantly higher margin compared to the distributorship margin received on the sale of third party product. Mincon manufactured product represented 81% of Group revenue compared to 73% in the prior year. However, with the addition of new capital equipment agencies in southern Africa, we are confident that revenue from third party product sales will increase from current levels in the second half of 2014.

Operating costs remained relatively stable compared to the first half of 2013 (3% overall increase) despite the establishment of two additional distribution companies in Ghana and Peru, increased promotional and marketing efforts and additional public company overhead as compared to the first half of 2013.

Profit before tax and profit attributable to shareholders decreased by 29% and 21% due to the reduction in gross margin. The reduction in the effective rate of tax from 24% in H1 2013 to 18% in H1 2014 was due to the change in the geographic spread of profits of the Group entities, reflective of (i) the impact on margins of the weakening of currencies in non-euro jurisdictions, and (ii) the reduction in sales of third party product in 2014 as compared to the same period in the prior year.

Balance sheet and cash flows

Mincon's balance sheet remains very strong with net assets of €91.2 million. While receivables have increased by €1.4 million since December 2013, 74% of the outstanding balance at 30 June 2014 is current compared to 65% at year-end. This is reflective of the increase in demand in Q2 2014 compared to the first three months, when demand and invoiced sales were weak. The Group has invested an additional €1.3 million (in other current assets) in the advancement of capital equipment sales in southern Africa, which we believe will positively impact revenue and profits from the second half of 2014. Finished goods inventory levels have increased €0.8 million (6%) since December 2013 due to the establishment of a new distribution company in Peru and seasonality of manufacturing operations. Raw materials have increased €0.5 million (13%) to meet future demand and to avail of supply discounts. Management continue to focus on working capital management, and have an objective of generating consistent free cash flow from operations in future.

The Group had net cash of approximately €48.5 million at 30 June 2014 (December 2013: €48.6 million), with the €4.4 million profit for the period being reinvested in working capital as outlined above. Mincon has today announced its first investment of the IPO funds raised (€47.1 million), with the payment of €8.7 million for the acquisition of majority stakes in three companies.

Dividend

In line with the Group's stated policies at the time of the IPO, the Board of Mincon Group plc has recommended the payment of an interim dividend in the amount of €0.01 (1 cent) per ordinary share, which will be paid on 26 September 2014 to shareholders on the register at the close of business on 29 August 2014.

Outlook

In Q2 2014, we saw a growth in invoiced sales for the first time since Q2 2013 and we expect a similar level of activity for Q3 and Q4 2014. This does not include the impact of the acquisitions announced today, which will not impact profit significantly in the second half of the year as transaction costs are expensed and the companies are integrated into the Mincon Group. We believe these companies will be profit enhancing from H1 2015.

Furthermore, management have identified a number of additional acquisition investments, which offer the opportunity to further extend our existing product range and add new customers and new geographic markets. The Company is at an advanced stage of negotiation on some of these acquisitions that should extend the group into new products and customers, and we are ambitious about securing one or more on satisfactory terms before the end of the current financial year.

The risk posed by the volatility in currency markets remains a concern. We continue to increase our international sales network and maintain a strong emphasis on continued and new product development aimed at improving and expanding the existing product range.

ENDS

20 AUGUST 2014

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Unaudited condensed consolidated income statement
For the 6 months ended 30 June 2014

	Notes	2014 H1 €000	2013 H1 €000
Continuing operations			
Revenue	2	23,412	27,545
Cost of sales	4	(12,371)	(13,616)
Gross profit		11,041	13,929
Selling and distribution expenses	4	(2,603)	(2,474)
General and administrative expenses	4	(3,281)	(3,263)
Operating profit		5,157	8,192
Finance cost.....		(115)	(43)
Finance income		443	47
Foreign exchange gain/(loss).....		(27)	(535)
Profit before tax		5,458	7,661
Income tax expense.....	6	(1,003)	(1,874)
Profit for the period		4,455	5,787
Profit attributable to:			
- owners of the Parent		4,371	5,550
- non-controlling interests.....		84	237
Earnings per Ordinary Share			
Basic earnings per share, €	7	0.021	0.037
Diluted earnings per share, €.....	7	0.021	0.037
Weighted average number of ordinary shares in issue ('000)		207,471	150,000

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

Unaudited condensed consolidated statement of comprehensive income
For the 6 months ended 30 June 2014

	2014 H1 €000	2013 H1 €000
Profit for the period	4,455	5,787
<i>Other comprehensive income/(loss):</i>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation – foreign operations.....	407	(1,497)
Other comprehensive income/(loss) for the period	407	(1,497)
Total comprehensive income for the period	4,862	4,290
Total comprehensive income attributable to:		
- owners of the Parent	4,778	4,053
- non-controlling interests	84	237

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

Unaudited consolidated statement of financial position
As at 30 June 2014

	Notes	30 June 2014 €000	31 December 2013 €000
Non-Current Assets			
Goodwill		1,510	1,511
Property, plant and equipment	9	13,923	13,540
Deferred tax asset	6	147	264
Other non-current assets	8	550	530
Total Non-Current Assets		16,130	15,845
Current Assets			
Inventory	10	19,823	18,485
Trade and other receivables	11	9,845	8,492
Other current assets		2,593	2,085
Current tax asset	6	369	23
Short term deposits	15	43,000	40,000
Cash and cash equivalents	15	8,406	10,119
Total Current Assets		84,036	79,204
Total Assets		100,166	95,049
Equity			
Ordinary share capital		2,113	2,113
Share premium	13	65,736	145,036
Other reserve	13	-	(79,300)
Merger reserve.....		(17,393)	(17,393)
Capital contribution	13	-	953
Share based payment reserve	14	6	-
Foreign currency translation reserve		(1,527)	(1,934)
Retained earnings		41,207	35,883
Equity attributable to owners of Mincon Group plc		90,142	85,358
Non-controlling interests		1,063	979
Total Equity		91,205	86,337
Non-Current Liabilities			
Loans and borrowings	12	2,593	788
Deferred tax liability	6	681	872
Other liabilities		124	124
Total Non-Current Liabilities		3,398	1,784
Current Liabilities			
Loans and borrowings	12	338	731
Trade and other payables		2,808	2,189
Accrued and other liabilities		1,974	3,334
Current tax liability	6	443	674
Total Current Liabilities		5,563	6,928
Total Liabilities		8,961	8,712
Total Equity and Liabilities.....		100,166	95,049

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

Unaudited condensed consolidated statement of cash flows
For the 6 months ended 30 June 2014

	H1 2014 €000	H1 2013 €000
Operating activities:		
Profit for the period	4,455	5,787
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	907	899
Interest cost	115	43
Interest income	(443)	(47)
Income tax expense.....	1,003	1,874
Other non-cash movements	229	(208)
	6,266	8,348
Changes in trade and other receivables	(1,284)	(476)
Changes in prepayments and other assets	(1,461)	302
Changes in inventory	(1,386)	1,372
Changes in trade and other payables.....	619	674
Changes in accrued and other liabilities	(1,360)	(406)
Cash provided by operations	1,394	9,814
Interest received	443	47
Interest paid	(115)	(43)
Income taxes paid	(1,654)	(1,852)
Net cash provided by operating activities	68	7,966
Investing activities		
Purchase of property, plant and equipment	(1,123)	(1,848)
Investment in short term deposits.....	(3,000)	-
(Investment in)/proceeds from joint venture investments.....	(20)	33
Net cash used in investing activities	(4,143)	(1,815)
Financing activities		
Capital contribution.....	953	-
Directors loans.....	-	(38)
Repayment of loans and finance leases.....	(270)	(540)
Drawdown of loans	1,513	-
Net cash provided by financing activities	2,196	(578)
Effect of foreign exchange rate changes on cash	166	(307)
Net increase in cash and cash equivalents	(1,713)	5,266
Cash and cash equivalents at the beginning of the year	10,119	8,715
Cash and cash equivalents at the end of the period	8,406	13,981

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

Unaudited condensed consolidated statement of changes in equity for the 6 months ended 30 June 2014

	Share capital €000	Share premium €000	Merger reserve €000	Other reserve €000	Capital redemption reserve €000	Capital contribution €000	Share based payment reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Total €000	Non-controlling interests €000	Total equity €000
Balances at 31 December 2012	2,317	-	-	-	990	-	-	1,940	40,922	46,169	734	46,903
Comprehensive income:												
Profit for the period.....	-	-	-	-	-	-	-	-	5,550	5,550	237	5,787
Other comprehensive income/(loss):												
Foreign currency translation.....	-	-	-	-	-	-	-	(1,497)	-	(1,497)	-	(1,497)
Total comprehensive income	-	-	-	-	-	-	-	(1,497)	5,550	4,053	237	4,290
Balances at 30 June 2013	2,317	-	-	-	990	-	-	443	46,472	50,222	971	51,193
Comprehensive income:												
Profit for the period.....	-	-	-	-	-	-	-	-	4,411	4,411	8	4,419
Other comprehensive income/(loss):												
Foreign currency translation.....	-	-	-	-	-	-	-	(2,377)	-	(2,377)	-	(2,377)
Total comprehensive income	-	-	-	-	-	-	-	(2,377)	4,411	2,034	8	2,042
Transactions with Shareholders:												
Dividends paid to shareholders of Smithstown Holdings.....	-	-	-	-	-	-	-	-	(15,000)	(15,000)	-	(15,000)
Issue of shares by Mincon Group plc on incorporation.....	39	-	-	-	-	-	-	-	-	39	-	39
Shares issued by Mincon Group plc in share for share exchange for Smithstown Holdings.....	1,500	98,500	-	(79,300)	-	-	-	-	-	20,700	-	20,700
Capital reorganisation.....	(2,317)	-	(17,393)	-	(990)	-	-	-	-	(20,700)	-	(20,700)
Issuance of ordinary shares in initial public offering, net of costs.....	574	46,536	-	-	-	-	-	-	-	47,110	-	47,110
Capital contribution.....	-	-	-	-	-	953	-	-	-	953	-	953
Balances at 31 December 2013	2,113	145,036	(17,393)	(79,300)	-	953	-	(1,934)	35,883	85,358	979	86,337
Comprehensive income:												
Profit for the period.....	-	-	-	-	-	-	-	-	4,371	4,371	84	4,455
Other comprehensive income/(loss):												
Foreign currency translation.....	-	-	-	-	-	-	-	407	-	407	-	407
Total comprehensive income	-	-	-	-	-	-	-	407	4,371	4,778	84	4,862
Transactions with Shareholders:												
Share-based payments.....	-	-	-	-	-	-	6	-	-	6	-	6
Recycle of capital contribution to retained earnings.....	-	-	-	-	-	(953)	-	-	953	-	-	-
Reduction of share premium account.....	-	(79,300)	-	79,300	-	-	-	-	-	-	-	-
Balances at 30 June 2014	2,113	65,736	(17,393)	-	-	-	6	(1,527)	41,207	90,142	1,063	91,205

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

Notes to the condensed consolidated interim financial statements

1 General information and basis of preparation

Mincon Group plc ("the Company") is a company incorporated in the Republic of Ireland. The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2014 (the "Interim Financial Statements") include the Company and its subsidiaries (together referred to as the "Group"). The Interim Financial Statements were authorised for issue by the Directors on 19 August 2014.

The Interim Financial Statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the EU. The Interim Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013 as set out in the 2013 Annual Report (the "2013 Accounts").

The Interim Financial Statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 December 2013, extracts from which are included in these Interim Financial Statements, were prepared under IFRSs as adopted by the EU and will be filed with the Registrar of Companies with the Company's 2013 annual return. They are available from the Company, from the website www.mincon.com and, when filed, from the registrar of companies. The auditor's report on those statutory financial statements was unqualified.

The Interim Financial Statements are presented in Euro, rounded to the nearest thousand, which is the functional currency of the parent company and also the presentation currency for the Group's financial reporting.

The financial information contained in the Interim Financial Statements has been prepared in accordance with the accounting policies applied in the 2013 Accounts except for the application of IFRS 2: Share-based payment for the first time as outlined in the accounting policy below. None of the other new IFRSs or interpretations that are effective for the financial year ending 31 December 2014, as outlined on pages 36-37 of the 2013 Accounts, had an impact on the Group's reported income or net assets.

Share based payment transactions

Share-based compensation expense for equity-settled awards made to employees and directors is measured and recognised based on their estimated grant date fair values. These awards are restricted stock awards (RSAs). Share-based compensation cost for RSAs awarded to employees and directors is measured based on the closing fair market value of the Company's shares on the date of grant. The value of awards expected to vest is recognised as an expense in profit or loss over the requisite service periods.

Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates. In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2013 Accounts.

2. Revenue

	H1 2014 €000	H1 2013 €000
Product revenue:		
Sale of Mincon product	18,887	20,210
Sale of third party product	4,525	7,335
Total revenue	23,412	27,545

3. Operating Segments

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

Having assessed the aggregation criteria contained in IFRS 8 operating segments and considering how the Group manages its business and allocates resources, the Group has determined that it has one reportable segment. In particular the Group is managed as a single business unit that sells drilling equipment, primarily manufactured by Mincon manufacturing sites.

Entity-wide disclosures

The business is managed on a worldwide basis but operates manufacturing facilities and sales offices in Ireland, Australia and the United States and sales offices in six other locations including South Africa, Senegal, Ghana, Sweden, Poland and Peru. In presenting information on geography, revenue is based on the geographical location of customers and non-current assets based on the location of these assets.

Revenue by region (by location of customers):

	H1 2014 €000	H1 2013 €000
Region:		
Ireland	264	648
Americas	6,468	6,923
Australasia.....	3,449	2,813
Europe, Middle East, Africa	13,231	17,161
Total revenue from continuing operations	23,412	27,545

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

	30 June 2014 €000	31 December 2013 €000
Region:		
Ireland	5,408	5,730
Americas	2,954	2,492
Australasia.....	5,250	4,905
Europe, Middle East, Africa	2,371	2,454
Total non-current assets⁽¹⁾	15,983	15,581

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

4. 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

	H1 2014 €000	H1 2013 €000
Raw materials.....	4,454	4,742
Third party product purchases	3,448	5,215
Employee costs	2,235	2,566
Depreciation	723	550
Other	1,511	543
Total cost of sales	12,371	13,616

Other operating expenses

	H1 2014 €000	H1 2013 €000
Employee costs (including director emoluments)	3,038	2,801
Depreciation	325	349
Other	2,521	2,587
Total other operating costs.....	5,884	5,737

5. Employee information

	H1 2014 €000	H1 2013 €000
Wages and salaries – including directors	4,845	4,982
Social security costs	219	182
Pension costs of defined contribution plans	209	203
Total employee costs.....	5,273	5,367

The average number of employees was as follows:

	H1 2014 Number	H1 2013 Number
Sales and distribution	53	43
General and administration	27	25
Manufacturing, service and development	83	94
Average number of persons employed	163	162

6. Income Tax

The Group's consolidated effective tax rate in respect of operations for the six months ended 30 June 2014 was 18.4% (30 June 2013: 24.5%). The reduction in the effective rate of tax to 18.4% in 2014 was due to the change in the geographic spread of profits of the Group entities, reflective of (i) the impact on margins of the weakening of currencies in non-euro jurisdictions, and (ii) the reduction in sales of third party product in 2014 as compared to the prior period. The margin on third party product sales are primarily earned in countries with higher rates of tax than Ireland. The tax charge for the six months ended 30 June 2014 of €1.0m (30 June 2013: €1.9m) comprises a deferred tax charge relating to movements in provisions, net operating losses forward and the temporary differences for property, plant and equipment recognised in the income statement.

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

	30 June 2014	31 December 2013
	€000	€000
Current tax prepayments	369	23
Current tax payable	(443)	(674)
Net current tax	(74)	(651)

The net deferred tax liability at period-end was as follows:

	30 June 2014	31 December 2013
	€000	€000
Deferred tax asset	147	264
Deferred tax liability	(681)	(872)
Net deferred tax	(534)	(608)

7. 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 six months ended 30 June:

	H1 2014	H1 2013
Numerator (amounts in €000):		
Profit attributable to owners of the Parent	4,371	5,550
Earnings per Ordinary Share		
Basic earnings per share, €	0.021	0.037
Diluted earnings per share, €	0.021	0.037
Denominator (Number):		
Basic weighted-average shares outstanding	207,471,264	150,000,000
Diluted weighted-average shares outstanding	207,471,264	150,000,000

In accordance with IAS 33 *Earnings per Share*, the EPS disclosed for H1 2013 has been retrospectively adjusted for the shares issued in the reorganisation of the Group in August 2013, as disclosed in Note 1 and Note 18 of the 2013 Annual Report, as if those shares had been issued on 1 January 2013. The weighted average number of shares outstanding for H1 2014 includes the effect of the 57,471,264 shares issued and placed in the initial public offering on 26 November 2013. The restricted stock awards granted in the first half of 2014 were not dilutive at 30 June 2014.

8. Other non-current assets

	30 June 2014 €000	31 December 2013 €000
Other non-current assets:		
Amounts owing from joint venture	152	97
Loan outstanding from former joint venture partner	398	433
Total other non-current assets	550	530

- (1) Mincon Equipment Inc. was incorporated on 13 June 2013. This company is owned 50:50 by Mincon and the Gaudet family.
- (2) During prior periods, the Group had an investment in, TJM Inc. LLC ("TJM"). The Group invested in TJM, a drilling equipment and supplies company based in Pennsylvania, in September 2008. The Group disposed of its investment in March 2012. The consideration for sale of the Group's shareholding was a US\$700,000 interest bearing loan note repayable over 6 years. As at 30 June 2014, an amount of €398,434 was outstanding on this loan.

9. Property, Plant and Equipment

Capital expenditure in the first half-year amounted to €1.2 million (30 June 2013: €2.2 million) of which €0.5 million (30 June 2013: €0.4 million) was invested in buildings and €0.7 million (30 June 2013: €1.7 million) was invested in plant and machinery. The Group had outstanding capital commitments of less than €0.5 million at 30 June 2014.

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

	H1 2014 €000	H1 2013 €000
Cost of sales	582	550
Selling, and distribution expenses	124	82
General and administrative expenses	201	267
Total depreciation charge for property, plant and equipment	907	899

10. Inventory

	30 June 2014 €000	31 December 2013 €000
Finished goods and work-in-progress	15,443	14,600
Raw materials	4,380	3,885
Total inventory	19,823	18,485

There was no material write-down of inventories to net realisable value during the period ended 30 June 2014 (30 June 2013: €0.1). The write-downs are included in cost of sales.

11. Trade and other receivables

	30 June 2014	31 December 2013
	€000	€000
Gross receivable	9,944	8,570
Provision for impairment	(99)	(78)
Net trade and other receivables	9,845	8,492

	30 June 2014	31 December 2013
	€000	€000
Less than 60 days	7,278	5,560
61 to 90 days	1,166	1,731
Greater than 90 days	1,401	1,201
Net trade and other receivables.....	9,845	8,492

At 30 June 2014, €1.4 million (14%) of trade receivables of our total trade and other receivables balance was past due but not impaired (31 December 2013, €1.2 million (14%)).

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

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 by geographic region was as follows at the balance sheet dates presented:

	30 June 2014	31 December 2013
	€000	€000
Ireland	61	129
Americas	2,617	2,478
Australasia.....	1,516	1,599
Europe, Middle East, Africa	5,651	4,286
Total amounts owed	9,845	8,492

12. Loans and borrowings

	30 June 2014	31 December 2013
	€000	€000
Bank loans.....	2,811	1,279
Finance leases	120	240
Total Loans and borrowings.....	2,931	1,519
Current.....	338	731
Non-current.....	2,593	788

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

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

13. Share capital and reserves

Share premium and other reserve

As part of the Group reorganisation which is described in note 1 of the 2013 Annual Report, the Company, Mincon Group plc, became the ultimate parent entity of the Group. On 30 August 2013, the Company acquired 100% of the issued share capital in Smithstown Holdings and acquired (directly or indirectly) the shareholdings previously held by Smithstown Holdings in each of its subsidiaries.

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

As disclosed in note 18 of the 2013 Annual Report, the members of the Company passed a resolution on 1 November 2013 that, subject to the confirmation of the High Court of Ireland, the Company’s share capital be reduced by an amount of €79.3 million and that the reserve so created would be used to cancel the other reserve (or such part thereof as the High Court of Ireland may determine). The application to the High Court was heard on 1 May 2014 and, by order of the High Court, the Company reduced its share premium account by €79.3 million and used the reserve so created to eliminate its “other reserve”. As a result, the Company is capable, subject to it having distributable reserves, of declaring dividends.

Capital contribution

In December 2013, Kingbell Company (the largest shareholder in the Company) and Ballybell Limited (the second largest shareholder in the Company) agreed to provide, following consultation with and approval from the Board of Mincon, approximately €953,000, net of a tax benefit of €242,000, from their respective own private funds to be applied in a once off award to employees of the Mincon Group (other than the senior management team).

The award was treated as a short term employee benefit (once committed the employee has no further service to earn the award) of the Mincon Group resulting in a charge (current year employee expense) to the income statement in respect of the year ended 31 December 2013 and a corresponding credit to a capital contribution in equity.

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

14. Share based payment

During the six months ended 30 June 2014, the Remuneration Committee of the Board of Directors made its first grant of approximately 193,000 Restricted Share Awards (RSAs) to members of the senior management team, excluding executive directors. The terms and conditions of the Group’s Long Term Incentive Plan are disclosed in section 10 of Part IV of the Group’s Admission Document dated 20 November 2014. The fair value of services received in return for RSAs granted are measured by reference to the fair value of RSAs granted. The charge of €6,000 for the period is the fair value of RSAs granted, which are being recognised within the income statement as part of employee costs in accordance with employee services rendered.

15. Financial Risk Management

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

The half-year financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2013 Annual Report. There have been no changes in our risk management policies since year-end.

a) Liquidity and Capital

The Group defines liquid resources as the total of its cash, cash equivalents and short term deposits. There has been no material change in the Group's liquid resources since 31 December 2013. Capital is defined as the Group's shareholders' equity.

At 30 June 2014, the Group had €43.0 million (31 December 2013: €40.0 million) on fixed deposit with a government backed financial institution in Ireland, which can be withdrawn at any time for corporate purposes, but have a nominal maturity date of December 2014. IAS 7 *Statement of Cash Flows* requires any investment with a maturity date of greater than three months to be disclosed other than as cash or cash equivalents.

As disclosed in note 12, the Group drew down AUS\$2,400,000 (circa €1.5million) on a 15 year variable interest loan repayable in regular instalments over the 15 years.

b) Foreign currency risk

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

The Group's global operations create a translation exposure on the Group's net assets since the financial statements of entities with non-euro functional currencies are translated to euro when preparing the consolidated financial statements. The Group does not use derivative instruments to hedge these net investments. The principal foreign currency risks to which the Group is exposed relate to movements in the exchange rate of the euro against US dollar, South African Rand, Australian dollar. The Group has material subsidiaries with a functional currency other than the euro, such as US dollar, Australian dollar, South African Rand and Swedish Krona.

During the years presented average and closing exchange rates for the Group's primary currency exposures were as disclosed in the table below. Since the first half of 2013, the euro strengthened against all of the major currencies in which Mincon trades, as shown in the table below. This has had a significant impact on the Group's profitability for the period, with a reduction in revenue and operating margin.

There has been no material change in the euro exchange rate since 31 December 2013, with the exception of the Australian dollar, which has strengthened resulting in a gain of €407,000 being recognised in other comprehensive income and the foreign currency translation reserve.

	30 June 2014	H1 2014	31 December 2013	H1 2013
Euro exchange rates	Closing	Average	Closing	Average
US Dollar	1.37	1.37	1.38	1.31
Australian Dollar	1.45	1.50	1.55	1.30
South African Rand	14.45	14.64	14.44	12.07

There has been no material change in the Group's currency exposure since 31 December 2013. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved.

15. Financial Risk Management (continued)

c) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The contractual amounts receivable or payable for cash, cash equivalents, short-term deposits, receivables (less impairment provision of trade receivables), trade payables and other accrued liabilities approximate to their fair values. Under IFRS 7, the disclosure of fair values is not required when the carrying amount is the reasonable approximation of fair value.

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

	Carrying Amount €000	Fair Value €000
At 31 December 2013:		
Bank loans	1,279	1,290
Finance leases	240	240
At 30 June 2014:		
Bank loans	2,932	2,970
Finance leases	120	120

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

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

16. Litigation

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

17. Related Parties

We have related party relationships with our subsidiaries, directors and senior key management personnel. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

There were no related party transactions in the half year ended 30 June 2014 that materially affected the financial position or the performance of the Company during that period and there were no changes in the related party transactions described in the 2013 Annual Report that could have a material effect on the financial position or performance of the Company in the same period.

As at 30 June 2014 and 31 December 2013, the share capital of Mincon Group plc was 57.681% owned by Kingbell Company which is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director of the Company. Ballybell Limited, a company controlled by Kevin Barry, Chief Executive Officer holds 14.420% of the equity of the Company.

18. Events after the reporting date

Dividend

On 19 August 2014, the Board of Mincon Group plc approved the payment of an interim dividend in the amount of €0.01 (1 cent) per ordinary share, the Group's first as a public company. This amounts to a total dividend payment of €2,074,713, which will be paid on 26 September 2014 to shareholders on the register at the close of business on 29 August 2014.

18. Events after the reporting date *(continued)*

Acquisitions

On 19 August 2014, the Group completed the acquisition of three companies:

Rotacan

On 19 August 2014, Mincon entered into an agreement to acquire a 65% stake in Rotacan for an upfront cash payment of CAN\$10.2 million (€7.0 million), with an option to acquire the remaining 35% shareholding in five years (for consideration based on an EBITDA multiple). The 35% shareholder will also have put options beginning in three years' time.

Rotacan is headquartered in North Bay, Canada with a distribution company in Chile, servicing customers in Canada, Chile, and the US.

Rotacan specialises in the design, manufacture and sale of rotary blast hole drill bits, drill pipe and other ancillary products used primarily in the open pit mining industry. The business had revenues of €8.4 million for the financial year to June 2014 and recorded a profit after tax of €1.2 million (EBITDA: €1.7 million). The total enterprise value is approximately €11.0 million before working capital adjustments. Gross assets being acquired amounted to €6.7 million and net assets of approximately €4.9 million. Joseph Guido, the existing beneficial owner of Rotacan, will remain as a director of Rotacan and will be employed on a consultancy contract of CAN\$ 52,000 per annum until the remaining minority interest is purchased.

ABC Products (Queensland, Australia) and Omina Supplies (Windhoek, Namibia)

On 19 August 2014, Mincon entered into agreements to acquire majority stakes in two companies dedicated to the supply and support of quality products in the drilling and mining sectors. Both companies are existing authorised distributors of Mincon manufactured product.

Mincon has agreed to purchase a 65% stake in ABC Products for an upfront cash payment of AUS\$0.9 million (€0.6 million) and a capital contribution of AUS\$1.1 million (€0.8 million), with options to acquire an additional 30% shareholding in three to four years. ABC Products is headquartered in Rockhampton on the east coast of Australia and will serve to increase Mincon's market share of the Australian market and complement our existing distribution company in Perth on the west coast of Australia. Additionally, there is a significant rotary blast hole drilling market in the east coast of Australia, and the intention is that the Rotacan product will be made available through ABC Products.

Mincon has also agreed to purchase a 60% stake in Omina for an upfront cash payment of €0.3 million, with options to acquire the remaining 40% shareholding in three to four years. Omina is established in Windhoek, Namibia and will serve to increase our market share in the southern African market and complement our existing distribution company in Johannesburg, South Africa.

ABC and Omina will bring revenues in excess of €7.0 million, net of current Mincon sales and net assets of approximately €1.5 million to the Mincon Group.

The three acquisitions will be funded from Mincon's existing cash resources, which includes the €47.1 million net proceeds raised in November 2013 for the purposes of acquisitions.

19. Approval of financial statements

The Board of Directors approved the interim condensed consolidated financial statements for the six months ended 30 June 2014 on 19 August 2014.