Mincon Group plc
("Mincon" or the "Group")

2021 Full Year Financial Results

Mincon Group plc (Euronext: MIO; AIM: MCON), the Irish engineering group specialising in the design, manufacture, sale and servicing of rock drilling tools and associated products, announces its results for the year ended 31 December 2021.

	2021	**2020**	**Percentage change in period**
Product revenue:	**€'000**	**€'000**	
Sale of Mincon product	118,802	108,556	*+9.4%*
Sale of third-party product	25,560	21,347	*+19.7%*
Total revenue	144,362	129,903	+11.1%
Gross profit	48,763	45,717	+6.7%
EBITDA	25,212	24,731	+1.9%
Profit before tax	17,828	17,069	+4.4%

Financial highlights

- Growth in revenues of 11.1% in 2021 over 2020.
  - 8% like-for-like revenue growth, including growth across all industries (mining, construction and waterwell/geothermal)
  - Strong H2 performance, with revenue growth of 19% on H2 2020 as the production challenges imposed by the COVID-19 pandemic eased.
- Gross margin for 2021 of 33.8% (2020: 35.2%) reflected higher freight costs and input cost inflation in the period, as well as an increase in the sale of third-party product to compensate for supply chain disruptions. Price increases were prudently implemented to pass on cost increases, with further price increases planned for Q1 2022
- EBITDA of €25.2 million, an increase of 1.9% on 2020
- Final dividend of 1.05c per ordinary share recommended, taking the total dividend for 2021 to 2.10c per ordinary share (2020: 2.10c per ordinary share)

Operational highlights

- Successfully managed the logistical and material availability challenges resulting from the pandemic, building inventory levels to maintain product availability and strong service levels for customers
- Completion of two acquisitions in 2021, adding IP in subsea drilling and distribution in eastern Canada
- Successful on-site testing of the hydraulic Greenhammer product and large diameter hammer system on site in Australia and Malaysia respectively. Greenhammer achieved outstanding results and the Group is determining the most appropriate commercialisation route for this product
- Disruptive Technology Innovation Fund award to a Mincon-led consortium involved in developing a certified anchor foundation solution for the offshore wind industry

Current trading and outlook

- Our order books for 2022 remain healthy as the markets remain strong. We are passing on inflationary manufacturing cost, such as increases in energy cost, through price increases to customers. The Group continues with the momentum from H2 2021 into 2022.

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

We are very pleased to report growth in revenue and profitability in 2021, following what was another year characterised by challenging and uncertain market conditions due to the COVID-19 pandemic.

The start of the year was particularly challenging due to the impact of the pandemic, but we worked hard to mitigate the impact by adapting our operations to suit the variable conditions. While strict COVID-19 health measures remained in place through the year in some areas, such as Western Australia, we still delivered a strong performance for the year, particularly in H2 where gross profits rose 16% on H2 2020.

Revenues

The Group continued its path of revenue growth during the year across all our industries and finished the year ahead of 2020 revenue by 11%, with 8% of this organically and 3% through contribution from acquisitions. Our strongest growth was in the mining industry where our organic revenue grew by 16%. We had fewer large construction supply contracts in 2021 versus 2020, however we achieved growth in smaller supply contracts in Europe and the Americas which drove overall revenue growth in the construction industry of 7%. The Waterwell/geothermal industry recovered somewhat from the COVID-19 impacts experienced in 2020 and the Group took the opportunity to recover some lost ground and grew revenue across our regions by 5% in the industry in 2021.

Profitability

As previously reported, the areas of procurement and logistics presented challenges during the period in terms of material availability, raw material price increases, higher freight costs and longer transit times (for example, we observed trans-ocean freight transit times roughly doubling in 2021). As a result, we chose to increase inventory levels of both raw materials and finished goods to ensure we maintain continued strong service to our customers who use our products for business-critical operations.

Supply chain challenges and increases in raw material prices had an impact on our margins during the year, along with additional operational costs brought about by the on-going pandemic. For instance, our overall manufacturing freight cost increased by 18%. We were also compelled to purchase local non-Mincon products to fulfil our customer requirements when Mincon manufactured products were subject to freight interruptions at seaports, and this also impacted our gross margin in 2021. We have passed on price increases to customers to offset increases in manufacturing and delivery costs, but only when it was considered appropriate to do so. Despite these challenges, we were able to maintain profit growth and finished the year 1.4% ahead of prior year profit after tax.

Our strong regional management structure and global coverage reduced the potential impact of COVID-19 on the business and has meant that we can continue to operate with minimal cross-regional travel. We are keeping this situation under review, and provided that the global situation continues in the current positive direction, we intend to ease our restrictions on travel. It is important to note that we will control travel expenditure carefully and continue to leverage the strength of our global organisation and regional hub structure.

Product Development

The pandemic impacted product development throughout 2021. However, we achieved some important milestones towards the end of the year:

- **Greenhammer** - Our hydraulic Greenhammer ran successfully on our own Mincon rig at a major open pit iron ore mine in north-western Australia during the year. Stringent COVID-19 restrictions in Western Australia materially curtailed our ability to put the outstanding results, in terms of penetration rate increases and reliability, to commercial use. As a result, and subject to pandemic restrictions easing in Western Australia, we are working on alternative routes to commercialising this transformational opportunity for the Group and the hard rock surface mining industry. It is important to note that protecting our hard-earned IP will be at the forefront of any agreements that we commit to.

- **Large diameter hammer system** - Another testing success was the drilling that was carried out in Malaysia with our new large diameter hammer system to drill 1750mm diameter rock socket friction piles. We believe that these are the largest holes ever drilled with a single hammer. While we need to drill more metres using the system, the performance, which is several times faster than the existing technology, gives us great encouragement. We believe that there is great potential for this product globally as the preferred method for drilling large diameter construction piles more efficiently.

Another important milestone during the year was the Disruptive Technology Innovation Fund award to a Mincon-led consortium involved in developing a certified anchor foundation solution for the offshore wind industry. We have made good progress on this project with our consortium partners, Subsea Micropiles, University of Limerick and University College Dublin. One of the key aspects of the project is the self-drilling seawater powered micropile anchor that we have designed in Mincon. A small-scale prototype has been test drilled onsite at the Shannon plant and we are continuing to refine this. We are also working with our partners to develop a seabed drill rig as part of an overall system to drill, load test and certify anchor installations at an offshore test site. The future global requirement for offshore wind power is well chronicled and we believe this provides a very attractive future market for Mincon.

Acquisitions

An important contributor towards our development of the seabed drill rig has been Hammer Drilling Rigs ("HDR"), a specialist in the supply of hard rock drilling attachments based in the USA. HDR has a specialism in drill mast attachments to heavy equipment that is used in a variety of applications, including the installation of anchor points for solar field projects. In January 2021, Mincon acquired the intellectual property including the knowledge and skillsets that the HDR team brings from designing and developing bespoke rigs for terrestrial applications. This has been, and will continue to be, very important in our subsea rig development.

There is also a growing interest in and growing order book for the rigs and masts produced by Hammer Drilling Rigs for terrestrial applications such as construction and solar field applications, which will complement the consumable range that we already have within the Group. We are very happy with the successful integration of the engineering and production teams into our facility in Benton, and we believe that the product range has a bright future within the Group.

In July 2021, we acquired Attakroc, a distribution company. Which has contributed positively to our revenue and profitability since joining the Group. The strong customer service ethos that the Attakroc team has brought will serve us well in our efforts to grow our market share in the three industries that the Group serves today in eastern Canada.

We paid a total of €3 million in 2021 to bring businesses into the Group, which is inclusive of 2021 acquisitions, non-business combinations and historical acquisitions.

Post year-end, in January 2022, we completed the acquisition of Spartan Drill Tools, based in Fruita Colorado, which produces high quality drill pipes and related products. This strategic acquisition introduces this capability into the Americas region to further strengthen our full package offering for the mining, construction, and waterwell/geothermal markets. An important aspect of this acquisition is that we can integrate certain aspects of drill pipe manufacturing with available capacity and skillsets that we already have in Benton to generate efficiencies and hence improve our margins.

Sustainability

Our engineering focus on the efficiency of the products that we manufacture means that we have always sought to minimise our carbon footprint. This is more obvious on projects such as Greenhammer and will be further emphasised by our move into renewables with solar energy and offshore wind installations. We are also increasing production efficiencies and are investing in new technologies in this area to further reduce our impact on the environment. We are in the process of conducting a detailed review of our carbon emissions and will be reporting on this and associated reduction targets in the first half of 2022.

As a truly global Group, we are embedded in a wide range of cultures and communities across our operations and markets. As a significant employer in these communities, Mincon has a meaningful role to play in these societies and we are committed to increasing opportunities for our employees as well as the wider communities. As with the carbon emissions project, we will be reporting on Corporate Social Responsibility (CSR) initiatives, on our website, in a more formal manner in the coming year to reflect our continued commitment to the communities in which we operate.

Dividend

The Board of Mincon Group plc is recommending the payment of a full year dividend for the year ended 31 December 2021 in the amount of €0.0105 (1.05 cent) per ordinary share, which will be subject to approval at the Annual General Meeting of the Company in May 2022. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 17 June 2022 to Shareholders on the register at the close of business on 27 May 2022.

Concluding Comments

Since our IPO in 2013, we have been on a journey that has filled out our product offering so that we can now supply a full range of consumables to the mining, construction, and waterwell/geothermal markets. Our engineering capacity has been transformed by adding to our team through acquisition and strategic hiring.

Our desire to focus on efficiency through ambitious product development projects that have challenged us, but which are now poised to deliver, has built a knowledge base and honed our abilities. These engineering skillsets can now be deployed for new product development in existing markets as well as new areas such as our move into the renewables space.

Our increased manufacturing capacity, combined with the global spread of our factories and customer service centres, means that we have created a platform for future growth. Of course, we remain cognisant of the challenges that the COVID-19 pandemic still presents, and we will endeavour to mitigate the effect on our people. On that note I wish to thank our Board and investors for their continued support, and all my colleagues for their work, vigilance and perseverance through these challenging times and look forward to better days ahead.

ENDS
14 March 2022

For further information, please contact:

Mincon Group plc Tel: +353 (61) 361 099
Joe Purcell CEO
Mark McNamara CFO

Davy Corporate Finance (Nominated Adviser, Euronext Growth Adviser and Joint Broker) Tel: +353 (1) 679 6363
Anthony Farrell
Daragh O'Reilly

Shore Capital (Joint Broker) Tel: +44 (0) 20 7408 4090
Malachy McEntyre
Mark Percy
Daniel Bush

Consolidated Income Statement for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Continuing operations			
Revenue	4	144,362	129,903
Cost of sales	6	(95,599)	(84,186)
Gross profit		**48,763**	**45,717**
Operating costs	6	(30,656)	(27,468)
Operating profit		**18,107**	**18,249**
Finance costs	7	(927)	(857)
Finance income		20	42
Foreign exchange gain/(loss)		630	(376)
Movement on deferred consideration	23	(2)	11
Profit before tax		**17,828**	**17,069**
Income tax expense	11	(3,228)	(2,683)
Profit for the period		**14,600**	**14,386**
Profit attributable to:			
- owners of the Parent		14,600	14,221
- non-controlling interests	19	-	165
Earnings per Ordinary Share			
Basic earnings per share,	21	6.87	6.72
Diluted earnings per share,	21	6.69	6.57

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

	2021 €'000	2020 €'000
Profit for the year	**14,600**	**14,386**
Other comprehensive loss:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	2,865	(4,165)
Other	-	156
Other comprehensive income/(loss) for the year	2,865	(4,009)
Total comprehensive income for the year	**17,465**	**10,377**
Total comprehensive income attributable to:		
- owners of the Parent	**17,465**	**10,212**
- non-controlling interests	-	165

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

Consolidated Statement of Financial Position as at 31 December 2021

	Notes	2021 €'000	2020 €'000
Non-Current Assets			
Intangible assets and goodwill	12	40,157	36,987
Property, plant and equipment	13	50,660	45,820
Deferred tax asset	11	1,075	1,093
Total Non-Current Assets		**91,892**	**83,900**
Current Assets			
Inventory and capital equipment	14	63,050	53,017
Trade and other receivables	15a	25,110	20,640
Prepayments and other current assets	15b	8,822	4,186
Current tax asset		521	311
Cash and cash equivalents	23	19,049	17,045
Total Current Assets		**116,552**	**95,199**
Total Assets		**208,444**	**179,099**
Equity			
Ordinary share capital	20	2,125	2,117
Share premium		67,647	67,647
Undenominated capital		39	39
Merger reserve		(17,393)	(17,393)
Share based payment reserve		2,695	2,259
Foreign currency translation reserve		(5,168)	(8,033)
Retained earnings		94,207	86,300
Total Equity		**144,152**	**132,936**
Non-Current Liabilities			
Loans and borrowings	18	23,265	14,789
Deferred tax liability	11	1,622	1,832
Deferred consideration	23	4,224	4,723
Other liabilities		852	503
Total Non-Current Liabilities		**29,963**	**21,847**
Current Liabilities			
Loans and borrowings	18	11,205	6,822
Trade and other payables	16	15,683	10,457
Accrued and other liabilities	16	6,027	5,529
Current tax liability		1,414	1,508
Total Current Liabilities		**34,329**	**24,316**
Total Liabilities		**64,292**	**46,163**
Total Equity and Liabilities		**208,444**	**179,099**

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

On behalf of the Board:

Hugh McCullough
Chairman

Joseph Purcell
Chief Executive Officer

Consolidated Statement of Cash Flows for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Operating activities:			
Profit for the period		**14,600**	**14,386**
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation	13	7,105	6,482
Amortisation of intangible assets	12	105	-
Fair value movement on deferred consideration		2	(11)
Finance cost		927	857
Finance income		(20)	(42)
(Gain)/Loss on sale of property, plant and equipment		(177)	18
Income tax expense		3,228	2,683
Other non-cash movements		(633)	1,092
		25,137	25,465
Changes in trade and other receivables		(2,695)	919
Changes in prepayments and other assets		(4,502)	1,209
Changes in inventory		(7,468)	(3,228)
Changes in trade and other payables		5,240	(1,812)
Cash provided by operations		15,712	22,553
Interest received		20	42
Interest paid		(927)	(857)
Income taxes paid		(3,627)	(2,389)
Net cash provided by operating activities		**11,178**	**19,349**
Investing activities			
Purchase of property, plant and equipment		(7,567)	(7,222)
Proceeds from the sale of property, plant and equipment		543	331
Investment in intangible assets		(1,139)	(1,065)
Proceeds from the issuance of share capital		8	7
Acquisitions of subsidiary, net of cash acquired		(681)	(7,156)
Investment in acquired intangible assets		(275)	-
Payment of deferred consideration		(2,082)	(2,460)
Proceeds from the sale of subsidiaries		111	706
Net cash used in investing activities		**(11,082)**	**(16,859)**
Financing activities			
Dividends paid		(6,693)	(2,222)
Repayment of borrowings	18	(3,262)	(1,536)
Repayment of lease liabilities		(3,590)	(3,455)
Drawdown of loans	18	15,236	6,622
Purchase of NCI		-	(1,000)
Net cash provided by/(used in) financing activities		**1,691**	**(1,591)**
Effect of foreign exchange rate changes on cash		217	(222)
Net increase in cash and cash equivalents		**2,004**	**677**
Cash and cash equivalents at the beginning of the year		17,045	16,368
Cash and cash equivalents at the end of the year		**19,049**	**17,045**

The accompanying notes are an integral part of these financial statemen

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	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 attributable to owner of the company €'000	Non-controlling interests €'000	Total equity €'000
Balances at 1 January 2020	**2,110**	**67,647**	**(17,393)**	**39**	**1,629**	**(3,868)**	**74,865**	**125,029**	**1,115**	**126,144**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	14,221	**14,221**	165	**14,386**
Other comprehensive income/(loss):										
Foreign currency translation	-	-	-	-	-	(4,165)	-	**(4,165)**	-	**(4,165)**
Other	-	-	-	-	-	-	156	**156**	-	**156**
Total comprehensive income						**(4,165)**	**14,377**	**10,212**	**165**	**10,377**
Transactions with Shareholders:										
Issuance of share capital	7	-	-	-	-	-	-	**7**	-	**7**
Share based payments	-	-	-	-	630	-	-	**630**	-	**630**
Dividends	-	-	-	-	-	-	(2,222)	**(2,222)**	-	**(2,222)**
Total transactions with Shareholders	**7**	**-**	**-**	**-**	**630**	**-**	**(2,222)**	**(1,585)**	-	**(1,585)**
Acquisition of non-Controlling Interest without a change in control (note 18)	-	-	-	-	-	-	(720)	**(720)**	(1,280)	**(2,000)**
Balances at 31 December 2020	**2,117**	**67,647**	**(17,393)**	**39**	**2,259**	**(8,033)**	**86,300**	**132,936**	**-**	**132,936**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	14,600	**14,600**	-	**14,600**
Other comprehensive income/(loss):										
Foreign currency translation	-	-	-	-	-	2,865	-	**2,865**	-	**2,865**
Total comprehensive income						**2,865**	**14,600**	**17,465**	**-**	**17,465**
Transactions with Shareholders:										
Issuance of share capital	8	-	-	-	-	-	-	**8**	-	**8**
Share-based payments	-	-	-	-	436	-	-	**436**	-	**436**
Dividends	-	-	-	-	-	-	(6,693)	**(6,693)**	-	**(6,693)**
Total transactions with Shareholders	**8**	**-**	**-**	**-**	**436**	**-**	**(6,693)**	**(6,249)**	-	**(6,249)**
Balances at 31 December 2021	**2,125**	**67,647**	**(17,393)**	**39**	**2,695**	**(5,168)**	**94,207**	**144,152**	**-**	**144,152**

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

Notes to the financial statements

1. Description of business

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

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

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

2. Basis of preparation

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

The accounting policies set out in note 3 have been applied consistently in preparing the Group and Company financial statements for the years ended 31 December 2021 and 31 December 2020.

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

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

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

3. Significant accounting principles, accounting estimates and judgements

The accounting principles as set out in the following paragraphs have, unless otherwise stated, been consistently applied to all periods presented in the consolidated financial statements and for all entities included in the consolidated financial statements. The Group has initially adopted Interest rate Benchmark Reform- Phase 2 (Amendments to IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16) and it has not had a significant impact on the Groups financial statements.

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

Effective 01/04/2021
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

Effective 01/01/2022
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Reference to Conceptual Framework (Amendments to IFRS 3).

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

Effective 01/01/2023
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).c
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8).

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

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

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

1. The goods have been picked up by the customer from Mincon's premises.
2. When goods have been shipped by Mincon, the goods are delivered to the customer and have been accepted at their premises, or;
3. The customer accepts responsibility of the goods during transit that is in line with international commercial terms.

Where the Group provides a service to a customer, who also purchases Mincon manufactured product from the Group, the revenue associated with this service is separately identified in a set period (typically one month) and is recognised in the Groups revenue as it occurs.

Invoices are generated when the above conditions are satisfied. Invoices are payable within the timeframe as set in agreement with the customer at the point of placing the order of the product or service. Discounts are provided from time-to-time to customers.

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

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

Government Grants
Amounts recognised in the profit and loss account are presented under the heading Operating Costs on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it is receivable.

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.

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

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

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

Taxation *(continued)*

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

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

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

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

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

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

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

Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

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

Leases *(continued)*

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) As a lessor
At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Short term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

Intangible Assets and Goodwill

Goodwill
The Group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 Business Combinations. Goodwill is not amortised and is tested annually.

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

Development expenditure is capitalised only if the Group can demonstrate 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.

Acquired IP which has been obtained at a cost that can be measured reliably, and that meets the definition and recognition criteria of IAS38, will be accounted for as an intangible asset.

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

Foreign Currency

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

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

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

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

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

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

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

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

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.

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

Business combinations and consolidation *(continued)*

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

Property, plant and equipment

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

Depreciation

Depreciation is calculated based on cost using the straight-line method over the estimated useful life of the asset. The following useful lives are used for depreciation:

	Years
Buildings	20–30
Plant and equipment	3–10

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

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

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 once the responsibility associated with control of the product has transferred to the customer. 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.

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

Financial Assets and Liabilities (*continued)*

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: Deferred consideration
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. These are set amounts detailed in each contract.

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

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

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

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

Defined contribution plans
A defined contribution retirement benefit 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 retirement benefit 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.

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

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 consideration

The deferred 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 consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof.

Goodwill

The initial recognition of goodwill represents management' best estimate of the fair value of the acquired entities value less the identified assets acquired.

During the annual impairment assessment over goodwill, management calculate the recoverable value of the group using their best estimate of the discounted future cash flows of the group. The fair values were estimated using management's current and future projections of the Mincon Group's performance as well as appropriate data inputs and assumptions

Trade and other receivables

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

The Group applies the simplified approach to providing for expected credit losses (ECL) permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive chains of non-payment to write-off.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. Where recoveries are made, these are recognised in the Consolidated Income Statement.

4. Revenue

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

	2021 €'000	2020 €'000
Product revenue:		
Sale of Mincon product	118,802	108,556
Sale of third party product	25,560	21,347
Total revenue	**144,362**	**129,903**

5. Operating Segment

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

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

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

The CODM assesses operating segment performance based on operating profit. Segment revenue for the year ended 31 December 2021 of €144.4 million (2020: €129.9 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, UK, Sweden, Finland, South Africa, Western Australia, the United States and Canada and sales offices in ten other locations including Eastern Australia, South Africa, France, Spain, Namibia, Sweden, Chile and Peru. In presenting information on geography, revenue is based on the geographical location of customers and non-current assets based on the location of these assets.

Revenue by region (by location of customers):

	2021 €'000	2020 €'000
Region:		
Ireland ………………………………………………………………………………	1,859	1,487
Americas	45,908	43,640
Australasia...	17,327	24,754
Europe, Middle East, Africa	79,268	60,022
Total revenue from continuing operations	**144,362**	**129,903**

During 2021, Mincon had sales in the USA of €24.4 million (2020: €24.7 million), Australia of €14.7 million (2020: €14.6 million, these separately contributed to more than 10% of the entire Group's sales for 2021.

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

	2021 €'000	2020 €'000
Region:		
Americas	14,682	11,310
Australasia...	11,838	11,338
Europe, Middle East, Africa	64,297	60,159
Total non-current assets(1)	**90,817**	**82,807**

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

During 2021, Mincon held non-current assets (excluding deferred tax assets) in Ireland of €18.3 million (2020: €18.3 million), in the USA of €10.7 million (2020: €9.4 million) these separately contributed to more than 10% of the entire Group's non-current assets (excluding deferred tax assets) for 2021.

6. Cost of Sales and operating expenses

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

Cost of sales

	2021 €'000	2020 €'000
Raw materials	37,081	32,860
Third party product purchases	19,275	16,098
Employee costs	19,764	17,504
Depreciation (note 13)	4,801	4,216
In bound costs on purchases	3,772	3,106
Energy costs	2,188	1,623
Maintenance of machinery	1,711	1,392
Subcontracting	5,463	5,364
Other	1,544	2,023
Total cost of sales	**95,599**	**84,186**

The Group invested approximately €3.9 million on research and development projects in 2021 (2020: €3.7 million). €2.8 million of this has been expensed in the period (2020: €2.6 million), with the balance of €1.1 million of development costs capitalised (2020: €1.1 million) (note 12).

Operating costs

	2021 €'000	2020 €'000
Employee costs (including director emoluments)	18,615	17,438
Depreciation (note 13)	2,304	2,266
Amortisation of acquired IP	105	-
Travel	1,238	964
Professional costs	2,589	2,291
Administration	2,841	2,007
Marketing	694	542
Legal cost	629	878
Other	1,641	1,082
Total other operating costs	**30,656**	**27,468**

The Group recognised €450,000 in Government Grants in 2021 (2020: €1.3 million). These grants differ in structure from country to country, they primarily relate to personnel costs.

Included in professional costs are acquisition costs of €63,000, relating to acquisition of Attakroc and the acquisition of the IP of Campbell's Welding and Fabrication. Also included in professional fees is costs relating to the Non-Business Combination of Hammer Drill Rigs.

7. Finance costs

	2021 €'000	2020 €'000
Interest on lease liabilities	684	741
Interest on loans and borrowings	243	116
Finance costs	927	857

8. Employee information

	2021 €'000	2020 €'000
Wages and salaries – excluding directors	31,830	28,753
Wages, salaries, fees and retirement benefit – directors (note 10)	797	795
Social security costs	3,357	3,029
Retirement benefit costs of defined contribution plans	1,959	1,735
Share based payment expense (note 22)	436	630
Total employee costs	**38,379**	**34,942**

In addition to the above employee costs, the Group capitalised payroll costs of €700,000 in 2021 (2020: 500,000) in relation to development.

At 31 December 2021, there was €256,000 (2020: €219,000) accrued for and not in paid pension contributions.

The average number of employees was as follows:

	2021 Number	2020 Number
Sales and distribution	136	126
General and administration	75	66
Manufacturing, service and development	383	360
Average number of persons employed	**594**	**552**

Retirement benefit and Other Employee Benefit Plans

The Group operates various defined contribution retirement benefit plans. During the year ended 31 December 2021, the Group recorded €2 million (2020: €1.7 million) of expense in connection with these plans.

9. Acquisitions & Disposals

In June 2021, Mincon acquired the business of Campbell's Welding & Fabrication, for a consideration of €421,000. This was made up of a cash consideration of €84,000 and deferred consideration of €337,000. Mincon acquired Campbell's Welding & Fabrication to bring in-house their knowhow and processes.

In June 2021, Mincon acquired 100% shareholding in Attakroc, a Canadian-based mining and construction product distributor, for a consideration of €1.8 million. The Group acquired Attakroc to bring in-house their vast experience in selling and servicing the mining and construction industries in western Canada. Attakroc brings their knowledge of the local market conditions and give Mincon a distinctive advantage in this region. The transaction included a cash consideration of €600,000 and deferred consideration of €1.2 million.

A. Consideration transferred

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

	Campbell Welding & Fabrication €'000	Attakroc €'000	Total €'000
Cash	84	597	681
Deferred consideration	337	1,227	1,564
Total consideration transferred	**421**	**1,824**	**2,245**

9. Acquisitions & Disposals *(continued)*

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	176
Right of use assets	39
Inventories	958
Trade receivables	1,174
Other assets	15
Trade and other payables	(699)
Right of use liabilities	(39)
Other accruals and liabilities	(615)
Fair value of identifiable net assets acquired	**1,009**

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.

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	Attakroc €'000	Total 2021 €'000
Consideration transferred	1,824	1,824
Fair value of identifiable net assets	(1,009)	(1,009)
Goodwill	**815**	**815**

10. Statutory and other required disclosures

Operating profit is stated after charging the following amounts:

	2021 €'000	2020 €'000
Directors' remuneration		
Fees	220	165
Wages and salaries	522	574
Retirement benefit contributions	55	56
Total directors' remuneration	**797**	**795**

Auditor's remuneration

	2021 €'000	2020 €'000
Auditor's remuneration – Fees payable to lead audit firm		
Audit of the Group financial statements	205	205
Audit of the Company financial statements	15	15
Other assurance services	20	20
	240	**240**
Auditor's remuneration – Fees payable to other firms in lead audit firm's network		
Audit services	149	112
Other assurance services	3	2
Tax advisory services	-	9
Total auditor's remuneration	**152**	**123**

11. Income tax

Tax recognised in income statement:

	2021	2020
Current tax expense	**€'000**	**€'000**
Current year	3,427	3,224
Adjustment for prior years	(7)	(103)
Total current tax expense	3,420	3,121
Deferred tax expense		
Origination and reversal of temporary differences	(192)	(438)
Adjustment for prior years	-	-
Total deferred tax expense	(192)	(438)
Total income tax expense	**3,228**	**2,683**

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:

	2021	2020
	€'000	**€'000**
Profit before tax from continuing operations	17,828	17,069
Irish standard tax rate (12.5%)	*12.5%*	*12.5%*
Taxes at the Irish standard rate	2,229	2,134
Foreign income at rates other than the Irish standard rate	691	849
Losses created/(utilised)	277	(843)
Other	31	543
Total income tax expense	**3,228**	**2,683**

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

	2021	2020
	€'000	**€'000**
Deferred taxation assets:		
Reserves, provisions and tax credits	741	585
Accrued income	-	31
Tax losses and unrealised FX gains	334	477
Total deferred taxation asset	1,075	1,093
Deferred taxation liabilities:		
Property, plant and equipment	(1,332)	(1,780)
Profit not yet taxable	(290)	(52)
Total deferred taxation liabilities	(1,622)	(1,832)
Net deferred taxation liability	(547)	(739)

11. Income tax *(continued)*

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

1 January 2020 – 31 December 2020	Balance 1 January €'000	Recognised in Profit or Loss €'000	Acquired in a Business combination €'000	Balance 31 December €'000
Deferred taxation assets:				
Reserves, provisions and tax credits	610	(25)	-	585
Accrued income	-	31	-	31
Tax losses	6	471	-	477
Total deferred taxation asset	616	477	-	1,093
Deferred taxation liabilities:				
Property, plant and equipment	(1,742)	(38)	-	(1,780)
Profit not yet taxable......................................	(52)	-	-	(52)
Total deferred taxation liabilities	(1,794)	(38)	-	(1,832)
Net deferred taxation liability..........................	(1,178)	439	-	(739)

1 January 2021 – 31 December 2021	Balance 1 January €'000	Recognised in Profit or Loss €'000	Acquired in a Business combination €'000	Balance 31 December €'000
Deferred taxation assets:				
Reserves, provisions and tax credits	585	156	-	741
Accrued income	31	(31)	-	-
Tax losses	477	(143)	-	334
Total deferred taxation asset	1,093	(18)	-	1,075
Deferred taxation liabilities:				
Property, plant and equipment	(1,780)	448	-	(1,332)
Profit not yet taxable.......................................	(52)	(238)	-	(290)
Total deferred taxation liabilities	(1,832)	210	-	(1,622)
Net deferred taxation liability...........................	(739)	192	-	(547)

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

	2021 €'000	2020 €'000
Tax losses	566	843
Total	566	843

12. Intangible assets and goodwill

	Product development	Goodwill	Acquired intellectual property	Total
	€'000	€'000	€'000	€'000
Balance at 1 January 2020	**4,782**	**27,155**	**-**	**31,937**
Internally developed	1,065	-	-	1,065
Acquisitions	-	4,533	-	4,533
Translation differences	-	(548)	-	(548)
Balance at 31 December 2020	**5,847**	**31,140**	**-**	**36,987**
Internally developed	1,139	-	-	1,139
Acquisitions (note 10)	-	815	-	815
Acquired intellectual property	-	-	696*	696
Amortisation of intellectual property	-	-	(105)	(105)
Translation differences	-	590	35	625
Balance at 31 December 2021	**6,986**	**32,545**	**626**	**40,157**

* Included is €275,000 for the Non-Business Combination of Hammer Drilling Rigs in January 2021. Also included is the acquisition of the IP of Campbell Welding & Fabrication €421,000.

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

- The remaining 60% of DDS-SA Pty Limited in November 2009.
- The 60% acquisition of Omina Supplies in August 2014.
- The 65% acquisition of Rotacan in August 2014.
- The acquisition of ABC products in August 2014.
- The acquisition of Ozmine in January 2015.
- The acquisition of Mincon Chile in March 2015.
- The acquisition of and Mincon Tanzania in March 2015.
- The acquisition of Premier in November 2016.
- The acquisition of Rockdrill Engineering in November 2016.
- The acquisition of PPV in April 2017.
- The acquisition of Viqing July 2017.
- The acquisition of Driconeq in March 2018.
- The acquisition of Pacific Bit of Canada in January 2019
- The acquisition of Lehti Group in January 2020
- The acquisition of Rocdrill in May 2020
- The acquisition of Attakroc in June 2021

The Group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 *Business Combinations*.

The businesses acquired were integrated with other Group operations soon after acquisition. Impairment testing (including sensitivity analysis) is performed at each period end. Group management has determined that the Group has one cash generating unit and 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 fair value less costs to sell (FVLCS). The FVLCS valuation is calculated on the basis of a discounted cash flow ("DCF") model. The most significant assumptions within the DCF are weighted average cost of capital ("WACC"), tax rates and terminal value assumptions. Goodwill impairment testing did not indicate any impairment during any of the periods being reported. Four sensitivities are applied as part of the analysis considering the effects of changes in:

1) the WACC,
2) the EBITDA margin,
3) the long term growth rate and
4) the level of terminal value capital expenditure.

12. Intangible assets and goodwill *(continued)*

The sensitivities calculate downside scenarios to assess potential indications of impairments due to changes in key assumptions. The results from the sensitivity analysis did not suggest that goodwill would be impaired when those sensitivities were applied.

The carrying amount of the CGU was determined to be lower than its fair value less cost to sell by €42.9 million (2020: €68.4 million), giving management substantial headroom and comfort in the above stated impairment assessment.

The key assumptions used in the estimation of the fair value less cost calculation were as follows:

	2021	**2020**
WACC	9.60%	10.50%
EBIDTA margin	16.69%	17.84%
Long term growth rate	2.24%	2.25%
Terminal value capital expenditure	€9.3 million	€7.1 million

The WACC calculation considers market data and data from comparable public companies. Peer group data was especially considered for the beta factor and assumed financing structure (gearing level). The analysis resulted in a discount rate range of 8.70% to 10.50%. This results in a midpoint WACC being used of 9.6%.

The Long term growth rate of 2.24% applied is based on a weighted average of the long term inflation rates of the countries in which Mincon generates revenues and earnings.

The budgeted EBITDA was based on expectations of future outcomes, taking account for past experience, adjusted for anticipated revenue growth as detailed in managements approved Budget. No EBITDA margin effect is assumed in the terminal value i.e. the budgeted EBITDA margin of 16.69% for 2024 is assumed in the Terminal Value calculation used to arrive at the FVLCS.

Terminal value capital expenditure assumes no balance sheet growth is assumed in the terminal value, capital expenditure is assumed to equal depreciation of €9.3 million.

The following table shows the amount by which the two assumptions below would need to change to individually for the estimated recoverable amount to be equal to the carrying amount.

	2021	**2020**
WACC	10.60%	13.28%
Long term growth rate	1.48%	1.50%

Investment expenditure of €1.1 million, which has been capitalised, is in relation to ongoing product development within the Group. Amortisation will begin at the stage of commercialisation and charged to the income statement over a period of three to five years, or the capitalised amount will be written off if the project is deemed no longer viable by management.

13. Property, plant and equipment

	Land & Buildings €'000	Plant & Equipment €'000	ROU Assets €'000	Total €'000
Cost:				
At 1 January 2020	16,228	45,829	4,832	66,889
Acquisitions through business combinations	95	2,542	3,385	6,022
Additions	387	6,835	102	7,324
Disposals and derecognition of ROU assets	-	(2,282)	(1,199)	(3,481)
Foreign exchange differences	(419)	(1,384)	(233)	(2,036)
At 31 December 2020	**16,291**	**51,540**	**6,887**	**74,718**
Acquisitions through business combinations	-	176	39	215
Additions	1,524	6,043	3,419	10,986
Disposals and derecognition of ROU assets	(264)	(570)	(1,022)	(1,856)
Foreign exchange differences	496	1,586	122	2,204
At 31 December 2021	**18,047**	**58,775**	**9,445**	**86,267**
Accumulated depreciation:				
At 1 January 2020	(3,027)	(21,346)	(1,344)	(25,717)
Charged in year	(461)	(4,205)	(1,816)	(6,482)
Disposals	-	1,969	432	2,401
Foreign exchange differences	68	750	82	900
At 31 December 2020	**(3,420)**	**(22,832)**	**(2,646)**	**(28,898)**
Charged in year	(524)	(4,685)	(1,896)	(7,105)
Disposals	18	450	866	1,334
Foreign exchange differences	(79)	(786)	(73)	(938)
At 31 December 2021	**(4,005)**	**(27,853)**	**(3,749)**	**(35,607)**
Carrying amount: 31 December 2021	**14,042**	**30,922**	**5,696**	**50,660**
Carrying amount: 31 December 2020	**12,871**	**28,708**	**4,241**	**45,820**
Carrying amount: 1 January 2020	**13,201**	**24,483**	**3,488**	**41,172**

ROU assets includes Property of €5 million (2020: €3.6 million) and Plant and Equipment of €700,000 (2020: €1.1 million).

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

	2021 €'000	2020 €'000
Cost of sales	4,413	3,744
Cost of sales ROU assets	388	472
Operating expenses	796	922
Operating expenses ROU asset	1,508	1,344
Total depreciation charge for property, plant and equipment	7,105	6,482

14. Inventory and capital equipment

	2021 €'000	2020 €'000
Finished goods	42,396	34,120
Work-in-progress	9,596	8,206
Raw materials	11,058	10,187
Capital equipment	-	504
Total inventory	63,050	53,017

The Group recorded an impairment of €22,000 against inventory to take account of net realisable value during the year ended 31 December 2021 (2020: €80,000). Write-downs are included in cost of sales.

At 31 December 2020, capital equipment are rigs held in South Africa for resale, during 2021 these rigs were sold.

15. Trade and other receivables and other current assets

a) Trade and other receivables

	2020 €'000	2020 €'000
Gross receivable	26,047	21,830
Provision for impairment	(937)	(1,190)
Net trade and other receivables	25,110	20,640

	Provision for impairment €'000
Balance at 1 January 2021	(1,190)
Reduction in provision arising from prior years receivables impairment	136
Reduction in ECL model	117
Balance at 31 December 2021	(937)

The following table provides the information about the exposure to credit risk and ECL's for trade receivables as at 31 December 2021.

	Weighted average loss rate %	Gross carrying amount €'000	Loss allowance …. €'000
Current (not past due)	1%	19,804	198
1-30 days past due	5%	3,749	187
31-60 days past due	14%	1,649	230
61 to 90 days	17%	628	106
More than 90 days past due	100%	216	216
Net trade and other receivables		26,047	937

The following table provides the information about the exposure to credit risk and ECL's for trade receivables as at 31 December 2020.

	Weighted average loss rate %	Gross carrying amount €'000	Loss allowance …. €'000
Current (not past due)	2%	12,709	254
1-30 days past due	5%	5,169	258
31-60 days past due	14%	1,350	189
61 to 90 days	9%	2,312	199
More than 90 days past due	100%	290	290
Net trade and other receivables		21,830	1,190

15. Trade and other receivables and other current assets *(continued)*

b) Prepayments and other current assets

	2021 €'000	2020 €'000
Plant and machinery prepaid	5,781	1,597
Prepayments and other current assets	3,041	2,589
Prepayments and other current assets	8,822	4,186

16. Trade creditors, accruals and other liabilities

	2021 €'000	2020 €'000
Trade creditors	15,683	10,457
Total creditors and other payables	**15,683**	**10,457**

	2021 €'000	2020 €'000
VAT	31	390
Social security costs	768	1,088
Other accruals and liabilities	5,228	4,051
Total accruals and other liabilities	**6,027**	**5,529**

17. Capital management

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

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

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

	2021 €'000	2020 €'000
Total liabilities	(64,292)	(46,163)
Less: cash and cash equivalents	19,049	17,045
Net debt	**(45,243)**	**(29,118)**
Total equity	**144,152**	**132,936**
Net debt to equity ratio	**0.31**	**0.22**

18. Loans and borrowings

	Maturity	2021 €'000	2020 €'000
Bank loans	2022-2036	23,391	11,090
Lease Liabilities	2022-2031	11,079	10,521
Total loans and borrowings		**34,470**	**21,611**
Current		11,205	6,822
Non-current		23,265	14,789

The Group has a number of bank loans and lease liabilities 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. The loans are secured against the assets for which they have been drawn down for.

The Group has been in compliance with all debt agreements during the periods presented. The loan agreements in Ireland of €10.5 million (2020: €4 million) carry restrictive financial covenants including, EBITA to be no less than €18 million at end of each reporting period, interest cover to be 3:1 and to maintain a minimum cash balance of €5 million.

Interest rates on current borrowings are at an average rate of 4.64%

During 2021, the Group availed of the option to enter into overdraft facilities and to draw down loans of €15.2 million, €12.4 million in loans and €2.8 million in overdraft facilities. At 31 December 2021, Mincon Group has €2.5 million to drawdown on existing loan facilities.

Loans are repayable in line with their specific terms, the Group has one bullet repayment due in 2026 of €5 million.

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

	Balance at 1 January 2021 €'000	Arising from acquisition €'000	Cash movements €'000	Non-cash movements €'000	Foreign exchange differences €'000	Balance at 31 December 2021 €'000
Loans and borrowings	**11,090**	83	11,974	-	244	**23,391**
Lease liabilities	**10,521**	39	(3,590)	3,943	166	**11,079**
Total	**21,611**	**122**	**8,384**	**3,943**	**410**	**34,470**

	Interest rate range	Effective interest rate
Bank loans	1% - 7.8%	3.4%
Lease Liabilities	2% - 15%	5.4%

19. Non-controlling interest

The following table summarises the information relating to the Group's subsidiary, Mincon West Africa SL, Mincon Group plc acquired the additional 20% interest in the voting shares of Mincon West Africa on 1 October 2020, increasing its ownership interest to 100%.

Non-controlling Interest 20%	2021 €'000	2020 €'000
Non-current assets	-	-
Current assets	-	-
Non-current liabilities	-	-
Current liabilities	-	-
Net assets	-	-
Net assets attributable to NCI	**-**	**-**
Revenue	-	6,919
Profit	-	826
OCI	-	-
Total comprehensive income	-	826
Profit allocated to NCI	**-**	**165**

20. Share capital and reserves

At 31 December 2021

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	212,472,414	2,125

	2021	2020
Opening Share Capital	211,675,02	210,973,102
Share Awards vested during year	797,390	701,922
Authorised Share Capital	**212,472,414**	**211,675,024**

Share issuances
On 26 November 2013, Mincon Group plc was admitted to trading on the Euronext Growth 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 June 2021, Mincon Group plc paid a final dividend for 2020 of €0.021 (2.10 cent) per ordinary share (€4.5 million).

In September 2021, Mincon Group plc paid an interim dividend in the amount of €0.0105 (1.05 cent) per ordinary share (€2.2 million total payment), which was paid to shareholders on the register at the close of business on 20 August 2021.

The Directors recommend the payment of a final dividend of €0.0105 (1.05 cent) per share for the year ended 31 December 2021 (31 December 2020: 1.05 cent per share).

20. Share capital and reserves *(continued)*

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

21. Earnings per share

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

	2021	2020
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	14,600	14,221
Denominator (Number):		
Basic shares outstanding	212,472,414	211,675,024
Restricted share awards	5,820,000	4,825,517
Diluted weighted average shares outstanding	218,292,414	216,500,544
Earnings per Ordinary Share		
Basic earnings per share, €	6,87	6.72
Diluted earnings per share, €	6.69	6.57

22. Share based payment

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.

i. Share Awards

In March 2021, 516,128 Restricted Share Awards (RSAs) met the vesting conditions set down by the board of directors and were allotted to the recipients of the awards.

In April 2021, a further 281,261 Restricted Share Awards (RSAs) met the vesting conditions set down by the board of directors and were allotted to the recipients of the awards**.**

Reconciliation of outstanding share awards	**Number of Awards in thousand**
Outstanding on 1 January 2021	**844**
Forfeited during the year	(47)
Exercised during the year	(797)
Granted during the year	-
Outstanding at 31 December 2021	**-**

22. Share based payment *(continued)*

ii. Share Options

During the year ended 31 December 2021, the Remuneration Committee made a grant of approximately 2,060,000 Restricted Share Options (RSAs) to members of the senior management team.

Reconciliation of outstanding share options	**Number of Options in thousands**
Outstanding on 1 January 2021	**3,981**
Forfeited during the year	(221)
Exercised during the year	-
Granted during the year	2,060
Outstanding at 31 December 2021	**5,820**

LTIP Scheme	**2021 Conditional Award at Grant Date**	**2020 Conditional Award at Grant Date**
Conditional Award Invitation date	April 2021	April 2020
Year of Potential vesting	2024/2028	2023/2027
Share price at grant date	€1.35	€0.80
Exercise price per share/share options	€1.35	€0.80
Expected Volatility	36.57%	36.81%
Expected life	7 years	7 years
Risk free rate	(0.53%)	(0.50%)
Expected dividend yield	1.58%	2.53%
Fair value at grant date	€0.39	€0.21
Valuation model	Black & Scholes Model	Black & Scholes Model

23. Financial risk management

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

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

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

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 2021 and 31 December 2020 were as follows:

	2021	2020
	€'000	€'000
Cash and cash equivalents	19,049	17,045
Loans and borrowings	34,470	21,611
Shareholders' equity	144,152	132,936

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

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

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

23. Financial risk management *(continued)*

a) Liquidity and capital *(continued)*

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

	31 December 2021 €'000	31 December 2020 €'000
Ireland	4,760	1,870
Americas	3,136	2,989
Australasia	1,108	1,723
Europe, Middle East, Africa	10,045	10,463
Total cash, cash equivalents and short term deposits	19,049	17,045

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.

In the normal course of business, the Group may investigate, evaluate, discuss and engage in future company or product acquisitions, capital expenditures, investments and other business opportunities. In the event of any future acquisitions, capital expenditures, investments or other business opportunities, the Group may consider using available cash or raising additional capital, including the issuance of additional debt. The maturity of the contractual undiscounted cash flows (including estimated future interest payments on debt) of the Group's financial liabilities at 31 December were as follows:

	Total Current Value of Cash Flows €'000	Total Undiscounted 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 2020:						
Deferred consideration	4,723	4,803	2,068	2,252	370	113
Loans and borrowings	11,090	11,313	3,666	3,991	1,937	1,719
Lease liabilities	10,521	10,742	3,155	5,534	1,936	117
Trade and other payables	10,457	10,457	10,457	-	-	-
Accrued and other financial liabilities	5,529	5,529	5,529	-	-	-
Total at 31 December 2020	42,320	42,844	24,875	11,777	4,243	1,949
At 31 December 2021:						
Deferred consideration	4,224	4,281	2,319	1,759	203	-
Loans and borrowings	23,391	23,866	7,565	7,163	4,409	4,729
Lease liabilities	11,079	11,302	3,640	5,249	1,699	714
Trade and other payables	15,683	15,683	15,683	-	-	-
Accrued and other financial liabilities	6,027	6,027	6,027	-	-	-
Total at 31 December 2021	60,404	61,159	35,234	14,171	6,311	5,443

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 the appropriateness of this policy.

23. Financial risk management *(continued)*

b) Foreign currency risk *(continued)*

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. Changes in the exchange rate year on year between the reporting currencies of these operations and the Euro, have an impact on the Group's consolidated reported result.

The Group's worldwide presence creates currency volatility when compared year on year. During 2021, currencies were volatile due to the COVID-19 Global pandemic, however the euro remained relatively steady against all major currencies the Group trades in.

- The US dollar increased by 7% against the closing 2020 euro rate (2020 decrease of 9% against 2019).
- The Australian dollar increased by 2% against the closing 2020 euro rated (2020 remained flat against 2019).
- The South African rand remained flat against the closing 2020 euro rated (2020 decrease of 14% against 2019).
- The Swedish Krona has decreased 2% against the closing 2020 euro rated (2020 increase of 4% against 2019).

In 2021, 54% (2020: 57%) of Mincon's revenue €144 million (2020: €130 million) was generated in AUD, SEK and USD. The majority of the Group's manufacturing base has a euro, US dollar or Swedish Krona cost base. While Group management makes every effort to reduce the impact of this currency volatility, it is impossible to eliminate or significantly reduce given the fact that the highest grades of our key raw materials are either not available or not denominated in these markets and currencies. Additionally, the ability to increase prices for our products in these jurisdictions is limited by the current market factors.

The Group is also exposed to foreign currency risk on its liquid resources (cash), of which the euro equivalent of €4.8 million was held in US dollar (USD 5.5 million), €2.5 million was held in Swedish krona (SEK 25.6 million) and the euro equivalent of €1.1 million was held in Australian dollar (AUD 1.7 million).

	2021		**2020**	
Euro exchange rates	**Closing**	**Average**	**Closing**	**Average**
US Dollar	1.13	1.18	1.22	1.14
Australian Dollar	1.56	1.57	1.59	1.66
South African Rand	18.06	17.47	17.91	18.76
Swedish Krona	10.26	10.14	10.06	10.48

23. Financial risk management *(continued)*

c) Credit risk

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

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

The maximum exposure to credit risk for trade and other receivables at 31 December 2021 and 31 December 2020 by geographic region was as follows:

	2021 €'000	2020 €'000
Americas	7,969	7,298
Australasia	3,330	2,540
Europe, Middle East, Africa	13,811	10,802
Total amounts owed	**25,110**	**20,640**

d) Interest rate risk

Interest Rate Risk on financial liabilities
There were no significant changes in interest rates during 2021 and therefore there was no significant impact. Movements in interest rates had no significant impact on our financial liabilities or finance cost recognised in either 2020 or 2021.

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.

f) Deferred consideration
The movements in respect of the deferred consideration value in the year to 31 December 2021 are as follows:

	Deferred consideration €'000
Balance at 1 January 2021	4,723
Arising on acquisition	1,564
Cash payment	(2,082)
Foreign currency translation adjustment	17
Unwinding of discount on deferred consideration	2
Balance at 31 December 2021	**4,224**

24. Subsidiary undertakings

At 31 December 2021, 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 PTY Ltd Manufacturer of rock drilling equipment	100%	8 Fargo Way, Welshpool, WA 6106, Australia
1676427 Ontario Inc. (Operating as Mincon Canada) Manufacturer of rock drilling equipment	100%	400B Kirkpatrick Street, North Bay, Ontario, P1B 8G5, Canada
Mincon Carbide Ltd Manufacturer of tungsten carbide	100%	Windsor St, Sheffield S4 7WB, United Kingdom
Mincon Inc. Sales company	100%	603 Centre Avenue, N.W. Roanoke, VA 24016, USA
Mincon Sweden AB Sales company	100%	Industrivagen 2-4, 61202 Finspang, Sweden
Mincon Nordic OY Sales company	100%	Hulikanmutka 6, 37570 Lempäälä, Finland
Mincon Holdings Southern Africa (Pty) Sales company	100%	1 Northlake, Jetpark 1469, Gauteng, South Africa
ABC Products (Rocky) Pty Ltd Sales company	100%	2/57 Alexandra Street, North Rockhampton, Queensland, 4701 Australia
Mincon West Africa SARL Dormant company	100%	Villa TF 4635 GRD, Almadies, Dakar B.P. 45534, Senegal
Mincon West Africa SL Sales company	100%	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
Mincon Canada – Western Service Centre (previously Pacific Bit of Canada) Sales company	100%	3568-191 Street, Unit 101, Surrey BC, V3Z 0P6, Canada

24. Subsidiary undertakings *(continued)*

Company	Group Share %	Registered Office & Country of Incorporation
Mincon Rockdrills Ghana Limited Dormant company	100%	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 Dormant company	100%	Gidgegannup, WA 6083, Australia
Mincon Chile Sales company	100%	Av. La Dehesa #1201, Torre Norte, Lo Barnechea, Santiago, Chile
Mincon Tanzania Dormant company	100%	Plot 1/3 Nyakato Road, Mwanza, Tanzania
Mincon Namibia Pty Ltd Sales company	100%	Ausspannplatz, Windhoek, Namibia
Mincon Russia Dormant Company	100%	4,4 Lesnoy In,125047 Moscow, Russia
Mincon Mining Equipment Inc Sales company	100%	19789-92a Avenue, Langley, British Columbia V1M3B3, Canada
Mincon Exports USA Inc. Group finance company	100%	603 Centre Ave, Roanoke VA 24016, USA
Mincon International Shannon Dormant company	100%	Smithstown, Shannon, Co. Clare, Ireland
Smithstown Holdings Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Canada Drilling Products Inc. Holding company	100%	Suite 1800-355 Burrard Street, Vancouver, BC V6C 268, Canada
Lotusglade Limited Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Floralglade Company Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland

24. Subsidiary undertakings *(continued)*

Company	Group Share %	Registered Office & Country of Incorporation
Castle Heat Treatment Limited Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Microcare Limited Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Driconeq AB Holding company	100%	Svetsarevägen 4, 686 33, Sunne, Sweden
Driconeq Production AB Manufacturing facility	100%	Svetsarevägen 4, 686 33, Sunne, Sweden
Driconeq Fastighet AB Property holding company	100%	Svetsarevägen 4, 686 33, Sunne, Sweden
Driconeq Do Brasil Sales company	100%	Rua Dr. Ramiro De Araujo Filho, 348, Jundai, SP, Brasil
Driconeq Africa Ltd Manufacturing facility	100%	Cnr of Harriet and James Bright Avenue, Driehoek. Germiston 1400
Driconeq Australia Holdings Pty Ltd Holding company	100%	47 Greenwich Parade, AU-6031 Neerabup, WA, Australia
Driconeq Australia Pty Ltd Manufacturing facility	100%	47 Greenwich Parade, AU-6031 Neerabup, WA, Australia
Mincon Drill String AB Holding company	100%	Svetsarevägen 4, 686 33, Sunne, Sweden
EURL Roc Drill Sales company	100%	Rue Charles Rolland, 29650 Guerlesquin, France
Attakroc Inc Sales company	100%	601, rue Adanac, Quebec, G1C 7G6, Canada
Mincon Quebec Holding company	100%	601, rue Adanac, Quebec, G1C 7G6, Canada

25. Leases

A. Leases as Lessees (IFRS 16)

The Group leases property, plant and equipment across its global operations.

During 2020, one of the leased properties in Finland was sublet. The lease and sublease expire in 2023

During 2019, one of the leased properties in Australia was sublet. The lease and sublease expire in 2024.

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

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

i) Right-of-use assets

	31 December 2020
	€'000
Balance at 1 January	3,488
Depreciation charge for the year	(1,816)
Additions to right of use assets	3,487
Disposal of right of use asset	(536)
Derecognition of right of use asset*	(231)
Foreign exchange difference	(151)
Balance at 31 December 2020	**4,241**

	31 December 2021
	€'000
Balance at 1 January	4,241
Depreciation charge for the year	(1,896)
Additions to right of use assets	3,458
Disposal of right of use asset	(156)
Derecognition of right of use asset*	-
Foreign exchange difference	49
Balance at 31 December 2021	**5,696**

*Derecognition of the right of use asset during 2020 is as a result of entering into a finance sub-lease.

ii) Amounts recognised in income statement.

	2021	2020
	€'000	€'000
Interest on lease liabilities	308	332
Expenses related to short term leases	311	314
Expenses related to leases of low value assets	65	95
-Leases under IFRS 16	684	741

iii) Amounts recognised in statement of cash flows

	2021	2020
	€'000	€'000
Total cash outflow for leases	3,590	3,455
Total cash outflow of leases	**3,590**	**3,455**

25. Leases *(continued)*

iv) Extension options

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

B. Leases as Lessor (IFRS 16)

i) Financing Lease

The group subleased a properties that had been recognised as a right of use asset in Finland and Australia. The group recognised income interest in the year in relation to this totalling €194,000.

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

	31 December 2021 €'000	**31 December 2020 €'000**
Less than one year	192	188
One to two years	146	185
Two to three years	-	140
Balance at 31 December 2021	**338**	**513**
Unearned finance income	**(22)**	**(43)**
Total undiscounted lease receivable	**316**	**470**

ii) Operating leases

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

Rental income recognised by the Group during 2021 was €214,000 (2020: €213,000).

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

	31 December 2021 €'000
Less than one year	65
One to two years	20
Total	**85**

26. Commitments

The following capital commitments for the purchase of property, plant and equipment had been authorised by the directors at 31 December 2021:

	31 December 2021 €'000	31 December 2020 €'000
Contracted for	2,837	3,044
Not-contracted for	772	521
Total	3,609	3,565

27. Litigation

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

28. Related parties

As at 31 December 2021, the share capital of Mincon Group plc was 56.32% owned by Kingbell Company which is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director of the Company.

In June 2021, the Group paid a final dividend for 2020 of €0.210 to all shareholders. The total dividend paid to Kingbell Company was €2,411,545.

In September 2021, the Group paid an interim dividend for 2021 of €0.0105 to all shareholders. The total dividend paid to Kingbell Company was €1,261,385 (September 2020: €1,256,551).

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

Transactions with Directors
The Group is owed €Nil from directors and shareholders at 31 December 2021 and 2020. The Group has amounts owing to directors of €Nil as at 31 December 2021 and 2020.

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

	2021 €'000	2020 €'000
Short term employee benefits	1,514	1,441
Bonus and other emoluments	320	347
Post-employment contributions	145	126
Social security costs	109	86
Share based payment charged in the year	221	96
Total	**2,309**	**2,096**

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

29. Events after the reporting date

The Board of Mincon Group plc is recommending the payment of a full year dividend for the year ended 31 December 2021 in the amount of €0.0105 (1.05 cent) per ordinary share, which will be subject to approval at the Annual General Meeting of the Company in May 2022. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 17 June 2022 to Shareholders on the register at the close of business on 27 May 2022.

Acquisition of the Spartan Drilling Tools

On 1 January 2022, the Group acquired 100% shareholding in Spartan Drilling Tools, a manufacturer of drill pipe and related products based in the USA for a consideration of €925,000. The goodwill arising on acquisition is circa €200,000, with expected 2022 revenue of €3 million.

30. Approval of financial statements

The Board of Directors approved the consolidated financial statements on 11 March 2022.