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

2022 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 2022.

	2022	2021	Change in period
Product revenue:	**€'000**	**€'000**	
Sale of Mincon product	141,830	118,802	*+19%*
Sale of third-party product	28,178	25,560	*+10%*
Total revenue	170,008	144,362	+18%
Gross profit	54,070	48,763	+11%
EBITDA	27,531	25,212	+9%
Operating profit	19,749	18,107	+9%
Profit for the period	14,704	14,600	+1%

Financial Highlights

- 2022 Group revenue of €170 million, representing 18% growth over 2021:
  - Revenue across each of our three industries grew in 2022:
    - The stand out performance was in construction with revenue growth of 45%
    - Mining, our largest industry, had revenue growth of 6%
    - Waterwell/geothermal revenue grew by 7%
  - The vast majority of growth was organic, with the 2022 acquisition in the USA contributing 0.5% to our revenue growth for the year

- Gross profit grew by 11% in 2022 to €54.1 million, with gross margin for the year of 31.8% (2021:33.8%):
  - Price increases implemented in H2 2022 offset the well-reported manufacturing cost inflation experienced in H1 2022
  - 2022 gross margin is inclusive of significant Greenhammer and Subsea project costs absorbed during H2 2022

- EBITDA of €27.5 million in 2022, an increase of 9% over 2021
- Final dividend of 1.05c per ordinary share recommended, taking the total dividend for 2022 to 2.10c per ordinary share (2021: 2.10c per ordinary share)

Operational and Business Development Highlights

- Navigated the difficult environment in H1 2022 arising from raw materials and freight availability pressures and maintained our excellent customer service levels, conserving or growing market share in our key markets. These pressures started to ease in H2 2022 and as a result we have started to normalise our shipping arrangements and working capital position

- Signing of the first commercial contract for the Greenhammer system with a blue-chip mining contractor operating on a major gold mine in Western Australia

- Significant milestones achieved with our Subsea project and the large diameter drilling system in Malaysia

- The Group's order books are strong, and the opportunity for our large R&D projects is ever more evident with critical work continuing in 2023

Chief Executive's Review:

"Despite what was another challenging year characterised by volatility and uncertainty in the global markets in which we operate, I am pleased to report that Mincon delivered further growth in revenue and profitability in 2022.

Revenues

We achieved revenue growth across all our industries and finished the year ahead of 2021 by approximately 18%, driven by continued organic growth.

Our construction segment delivered strong growth levels with revenues up 45% on 2021 to €61.8 million as a result of a particularly strong performance in North America where our direct to market approach for mid-to-large projects delivered some excellent contract wins.

Revenue in our mining business was up 6% in the year to €81.4 million, mostly through organic growth. Again, North America was the standout here, while we also managed to grow our revenues in Africa as COVID-19 restrictions eased there at the beginning of 2022. Conversely, our mining business in the EME and APAC regions was more challenged during the period reflecting suspension of trading with Russian customers, decisions by some customers to reduce carried inventory and the effects of site access restrictions in Australia.

Finally, our Waterwell / Geothermal segment achieved 7% revenue growth in 2022 to €26.7 million, again primarily due to strong performance in North America where our direct sales approach to smaller contractors proved effective. Revenue in the EME region was broadly flat in the year but we managed to protect our market share in Geothermal consumables.

Profitability

2022 was characterised by heavy cost inflation globally, with the biggest effect being felt in Europe, largely due to the war in Ukraine. We continued to navigate poor freight conditions which hampered our ability to provide the excellent service-levels our customers expect, as well as requiring working capital investment due to the higher levels of inventory required to manage extended shipping transit times.

We introduced price increases in Q2 2022, and those were implemented in Q3 2022. These largely offset the cost increases in our manufacturing during the second half of 2022, however during that period we significantly increased our development spend through our Greenhammer and Subsea projects, as we continue to invest strategically in long-term growth projects.

Freight conditions did start to improve toward the end of the year, and this has encouraged us to look critically at our inventory levels across the group. This will be a strong focus for the year ahead and we have started a group wide project to unwind our working capital position by reducing our inventory to better match prevailing conditions.

As well as this we have largely succeeded in reducing our lead times from key factories such as Shannon which has given the breathing space to carefully plan our production based on forecasts and to reduce our reliance on more expensive air freight requirements which arose from time to time during 2022 to ensure product delivery to key customers.

Our strong regional management structure continued to work well throughout the year as it had previously demonstrated during the COVID crisis. The last business area to open for travel was Western Australia in March 2022. This opening up has meant that we have been able to return to on-the-ground business development to rebuild our revenues in the region.

Product Development

A significant part of rebuilding our revenues in the Australian market will be through our Greenhammer project. As previously announced in September 2022, we were pleased to announce the signing of the first commercial contract for the Greenhammer system with a blue-chip mining contractor operating on a major gold mine in Western Australia, an important milestone after many years of development work and a step toward revenue generation from this project.

We have been on site with the system drilling blastholes with our Mincon owned test rig. The Greenhammer system has performed to expectations when operating. However, it has been challenging to consistently deliver drilled metres due to reliability issues encountered with the drill rig. As a result, we had to carry out an extensive rebuild on the rig which we are confident will reliably support the system. While this delay has been frustrating in the short term, we remain confident in the long-term success of this project and believe that the system will be transformational for Mincon and the hard rock surface mining industry.

We believe that the successful roll out of this innovative drilling system will require that we closely collaborate with rig manufacturers to ensure the system is properly supported on a reliable drill rig platform. With that in mind we have engaged in discussions with rig manufacturers with a view to developing mutually beneficial working relationships.

We have made significant progress on our subsea project with a number of significant milestones achieved on the road to completing our project objectives for the Disruptive Technology Innovation Funded (DTIF) collaboration. The objective of the project is to deliver a load tested anchor solution for the offshore wind turbine industry. We remain confident that we will achieve the project objectives and in so doing, we can commence the commercialisation of this exciting opportunity in collaboration with our project partner, Subsea Micropiles Limited.

We have successfully drilled test holes with our full-size prototype water powered hammer system. This was test drilled in a quarry close to our manufacturing plant in Shannon using an excavator mounted drilling rig which was designed and manufactured in our plant in Benton. This drill rig is one of three units that will ultimately be assembled in our Shannon plant, to complete the subsea drilling rig. The assembly work will commence in the first half of 2023 with a view to being offshore for testing toward the end of this year. There is a significant interest in our solution from offshore developers and we have engaged with a top-class multifunctional team to develop the full commercial solution which will include expertise and delivery in areas such as large-scale fabrication, subsea electronics, grouting, mooring lines and vessel services including subsea remote operating vehicles.

Our engineering focus continues to be on more efficient drilling systems, and we have made progress in 2022 on continuous improvement initiatives for some of our current products which will serve us well for the year ahead. We also finally got onsite in Malaysia, after COVID-19 restrictions were lifted, to see our large diameter drilling system drilling 1750 mm diameter holes. We were very happy with the performance of the system and believe that there is a great future for this concept within our product offering for the large diameter construction piling industry.

Sustainability

In August 2022 we published our first sustainability report which outlined our commitment to report on carbon emissions across the group as well as targets to reduce them. Within the report, we outlined the measures and initiatives to meet the company's sustainability goals by 2040 and our intermediate goals by 2030. An Environment and Sustainability sub-committee of the Board, led by Dr. Pirita Mikkanen who joined the Board as a non-executive director in 2022, was formed to ensure that our sustainability goals are met, and appropriate new targets set. Key initial targets for Mincon include a 50% reduction in manufacturing CO_2 emissions by 2030, to achieve net zero carbon emissions by 2040 and to have 100% of Mincon manufacturing sites using a mix of fossil-fuel free energy sources by 2040. We look forward to reporting on the progress we are making on meeting our targets during our ongoing sustainability journey. Our next sustainability report is due to be published in line with our interim results in August 2023.

Concluding comments

It is pleasing to be able to report on a further year of revenue and profit growth for Mincon in 2022, during what proved to be a challenging environment and, I am particularly encouraged with the resilience displayed by the Company in meeting and overcoming the challenges presented by inflation, the global supply chain and residual market access restrictions due to COVID. Whilst these challenges delayed our ambitions to fully realise the opportunities and deliver on the growth platform we have created, we remain confident that we will deliver in the year ahead as well as make significant progress on our ambitious product development projects.

These ambitious projects challenge us, but they are essential to underpin our future, maintain our competitive advantages and to drive our profitability and return on capital employed. It also ensures our sustainability as we develop and attract future engineering leaders within the Group.

I am very pleased and appreciative of the efforts and perseverance of our global teams across engineering, manufacturing, and customer service, in delivering these results for last year. I would also like to acknowledge the continued support of our board and investors and look forward to the challenges and opportunities in the year ahead."

13 March 2023

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Consolidated Income Statement for the year ended 31 December 2022

	Notes	2022 €'000	2021 €'000
Continuing operations			
Revenue	4	170,008	144,362
Cost of sales	6	(115,938)	(95,599)
Gross profit		**54,070**	**48,763**
Operating costs	6	(34,321)	(30,656)
Operating profit		**19,749**	**18,107**
Finance costs	7	(1,479)	(927)
Finance income		26	20
Foreign exchange gain		469	630
Movement on deferred consideration	22	(31)	(2)
Profit before tax		**18,734**	**17,828**
Income tax expense	11	(4,030)	(3,228)
Profit for the period		**14,704**	**14,600**

Earnings per Ordinary Share			
Basic earnings per share,	20	6.92	6.87
Diluted earnings per share,	20	6.85	6.69

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

	2022 €'000	2021 €'000
Profit for the year	**14,704**	**14,600**
Other comprehensive loss:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	(418)	2,865
Other comprehensive (loss)/income for the year	(418)	2,865
Total comprehensive income for the year	**14,286**	**17,465**

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

Consolidated Statement of Financial Position as at 31 December 2022

	Notes	2022 €'000	2021 €'000
Non-Current Assets			
Intangible assets and goodwill	12	40,109	40,157
Property, plant and equipment	13	53,004	50,660
Deferred tax asset	11	1,994	1,075
Total Non-Current Assets		**95,107**	**91,892**
Current Assets			
Inventory and capital equipment	14	76,911	63,050
Trade and other receivables	15a	23,872	25,110
Prepayments and other current assets	15b	12,727	8,822
Current tax asset		361	521
Cash and cash equivalents	22	15,939	19,049
Total Current Assets		**129,810**	**116,552**
Total Assets		**224,917**	**208,444**
Equity			
Ordinary share capital	19	2,125	2,125
Share premium		67,647	67,647
Undenominated capital		39	39
Merger reserve		(17,393)	(17,393)
Share based payment reserve		2,505	2,695
Foreign currency translation reserve		(5,586)	(5,168)
Retained earnings		104,449	94,207
Total Equity		**153,786**	**144,152**
Non-Current Liabilities			
Loans and borrowings	18	26,971	23,265
Deferred tax liability	11	2,046	1,622
Deferred consideration	22	1,705	4,224
Other liabilities		833	852
Total Non-Current Liabilities		**31,555**	**29,963**
Current Liabilities			
Loans and borrowings	18	14,973	11,205
Trade and other payables	16	14,420	15,683
Accrued and other liabilities	16	8,699	6,027
Current tax liability		1,484	1,414
Total Current Liabilities		**39,576**	**34,329**
Total Liabilities		**71,131**	**64,292**
Total Equity and Liabilities		**224,917**	**208,444**

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 2022

	Notes	2022 €'000	2021 €'000
Operating activities:			
Profit for the period		**14,704**	**14,600**
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation	13	7,782	7,105
Amortisation of intellectual property	12	190	105
Amortisation of product development	12	121	-
Movement on deferred consideration		31	2
Finance cost		1,479	927
Finance income		(26)	(20)
Loss/(Gain) on sale of property, plant and equipment		32	(177)
Income tax expense		4,030	3,228
Other non-cash movements		(458)	(633)
		27,885	25,137
Changes in trade and other receivables		1,354	(2,695)
Changes in prepayments and other assets		(3,848)	(4,502)
Changes in inventory		(13,463)	(7,468)
Changes in trade and other payables		1,632	5,240
Cash provided by operations		13,560	15,712
Interest received		26	20
Interest paid		(1,479)	(927)
Income taxes paid		(4,042)	(3,627)
Net cash provided by operating activities		**8,065**	**11,178**
Investing activities			
Purchase of property, plant and equipment		(7,309)	(7,567)
Proceeds from the sale of property, plant and equipment		996	543
Investment in intangible assets		(286)	(1,139)
Proceeds from the issuance of share capital		-	8
Acquisitions of subsidiary, net of cash acquired		(1,014)	(681)
Investment in acquired intangible assets		(147)	(275)
Payment of deferred consideration		(2,628)	(2,082)
Proceeds from the sale of subsidiaries		-	111
Net cash used in investing activities		**(10,388)**	**(11,082)**
Financing activities			
Dividends paid		(4,462)	(6,693)
Repayment of borrowings	18	(4,107)	(3,262)
Repayment of lease liabilities	18	(3,993)	(3,590)
Drawdown of loans	18	11,478	15,236
Purchase of NCI		-	-
Net cash provided by/(used in) financing activities		**(1,084)**	**1,691**
Effect of foreign exchange rate changes on cash		297	217
Net increase in cash and cash equivalents		**(3,110)**	**2,004**
Cash and cash equivalents at the beginning of the year		19,049	17,045
Cash and cash equivalents at the end of the year		**15,939**	**19,049**

The accompanying notes are an integral part of these 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 Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2022. All subsidiaries have a reporting date of 31 December.

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 2022 and 31 December 2021.

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

New Standards adopted as at 1 January 2022

- IFRS 3 References to the Conceptual Framework
- IAS 16 Proceeds before Intended Use
- IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- IFRS 1, IFRS 9, IFRS 16, IAS 41 Annual Improvements to IFRS Standards 2018-2020 Cycle

Standards, amendments and Interpretations to existing Standards that are not yet effective

- IIAS 1 Classification of Liabilities as Current or Non-current
- IAS 1 Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- IAS 1 Disclosure of Accounting Policies
- IAS 8 Definition of Accounting Estimates

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

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. The operating result 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 (see Note 5). The Group is managed as a single business unit that sells drilling equipment, primarily manufactured by Mincon manufacturing sites.

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 products. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The Group has elected to apply IFRS 15 Practical expedient, the Group need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

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. Current government grants have no conditions attached.

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.

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:

- 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

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

Leases *(continued)*
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.

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.

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

Intangible Assets and Goodwill *(continued)*

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.

Recognising an internally developed intangible assets post the development phase once the company has assessed the development phase is complete and the asset is ready for use. Internally generated assets have an infinite life. They will be amortised over a fifteen-year period on a straight line basis. Currently there is fourteen years and nine months remaining on the amortisation.

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 22.

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.

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

Business combinations and consolidation *(continued)*

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

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

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

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

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

Property, plant and equipment

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

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

	Years
Buildings	20–30
Plant and equipment	3–10

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

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

Classification and initial measurement of financial assets financial liabilities.
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. 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.

The classification is determined by both:
• the entity's business model for managing the financial asset, and
• the contractual cash flow characteristics of the financial asset.

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

Financial Assets and Liabilities (*continued)*

Subsequent measurement of financial assets and financial liabilities
Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial liabilities at amortised cost
Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

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. Financial assets are assessed at each reporting date. The Group derecognises (fully or partially) a financial liability when the obligation specified in the contract is discharged or otherwise expires.

Impairment of financial assets
Financial assets are assessed from initial recognition and at each reporting date to determine whether there is a requirement for impairment. Financial assets require there expected lifetime losses to be recognised from initial recognition.

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost, trade and other receivables.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category (ie Stage 1) while 'lifetime expected credit losses' are recognised for the second category (ie Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables
The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade and other receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

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

Financial Assets and Liabilities (*continued)*

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

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.

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.

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.

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. It is reversed only where entitlements do not vest because all non-market performance conditions have not been met or where an employee in receipt of share entitlements leaves the Group before the end of the vesting period and forfeits those options in consequence.

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.

Climate-related matters
Consistent with the prior year, as at 31 December 2022, the Group has not identified significant risks induced by climate changes that could negatively and materially affect the estimates and judgements currently used in the Group's financial statements. Management continuously assesses the impact of climate-related matters.

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.

Useful life and residual values of Intangible Assets
Distinguishing the research and development phase, determining the useful life, and deciding whether the recognition requirements for the capitalisation of development costs of new projects are met all require judgement. These judgements are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances.

After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

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 and considered at each reporting date. 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.

	2022 €'000	2021 €'000
Product revenue:		
Sale of Mincon product	141,830	118,802
Sale of third party product	28,178	25,560
Total revenue	**170,008**	**144,362**

The Group's revenue disaggregated by primary geographical markets are disclosed in Note 5.

5. Operating Segment

The CODM assesses operating segment performance based on operating profit. Segment revenue for the year ended 31 December 2021 of €170 million (2020: €144.4 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):

	2022 €'000	2021 €'000
Region:		
Ireland	2,974	1,859
Americas	69,752	45,908
Australasia	16,882	17,327
Europe, Middle East, Africa	80,400	79,268
Total revenue from continuing operations	**170,008**	**144,362**

During 2022, Mincon had sales in the USA of €42.4 million (2020: €24.4 million), this contributed to more than 10% of the entire Group's sales for 2022.

	2022 €'000	2021 €'000
Region:		
Americas	17,752	14,682
Australasia	12,252	11,838
Europe, Middle East, Africa	63,109	64,297
Total non-current assets(1)	**93,113**	**90,817**

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

During 2022, Mincon held non-current assets (excluding deferred tax assets) in Ireland of €17.6 million (2021: €18.3 million), in the USA of €12.5 million (2021: €10.7 million) these separately contributed to more than 10% of the entire Group's non-current assets (excluding deferred tax assets) for 2022.

5. Operating Segment *(continued)*

	2022 €'000	2021 €'000
Region:		
Americas	6,839	4,577
Australasia	2,555	2,290
Europe, Middle East, Africa	20,115	21,474
Total non-current liabilities[1]	**29,509**	**28,341**

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

During 2022, Mincon held non-current liabilities (excluding deferred tax liabilities) in Ireland of €13.5 million (2021: €11.6 million), this contributed to more than 10% of the entire Group's non-current liabilities (excluding deferred tax liabilities) for 2022.

6. Cost of Sales and operating expenses

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

Cost of sales

	2022 €'000	2021 €'000
Raw materials	45,523	37,081
Third party product purchases	21,838	19,275
Employee costs	23,093	19,764
Depreciation (note 13)	5,194	4,801
In bound costs on purchases	4,759	3,772
Energy costs	3,116	2,188
Maintenance of machinery	2,120	1,711
Subcontracting	7,139	5,463
Amortisation of product development	121	-
Other	3,035	1,544
Total cost of sales	**115,938**	**95,599**

The Group invested approximately €4.4 million on research and development projects in 2022 (2021: €3.9 million). €4.1 million of this has been expensed in the period (2021: €2.8 million), with the balance of €285,000 of development costs capitalised (2021: €1.1 million) (note 12).

Operating costs

	2022 €'000	2021 €'000
Employee costs (including director emoluments)	20,370	18,615
Depreciation (note 13)	2,588	2,304
Amortisation of acquired IP	190	105
Travel	1,927	1,238
Professional costs	2,637	2,589
Administration	2,997	2,841
Marketing	706	694
Legal cost	846	629
Other	2,060	1,641
Total other operating costs	**34,321**	**30,656**

The Group recognised €119,000 in Government Grants in 2021 (2021: €450,000). These grants differ in structure from country to country, they primarily relate to personnel costs.

7. Finance costs

	2022 €'000	2021 €'000
Interest on lease liabilities	609	684
Interest on loans and borrowings	870	243
Finance costs	1,479	927

8. Employee information

	2022 €'000	2021 €'000
Wages and salaries – excluding directors	36,085	31,830
Wages, salaries, fees and retirement benefit – directors (note 10)	868	797
Social security costs	4,428	3,357
Retirement benefit costs of defined contribution plans	2,272	1,959
Share based payment expense (note 21)	(190)	436
Total employee costs	**43,463**	**38,379**

In addition to the above employee costs, the Group capitalised payroll costs of €151,000 in 2022 (2021: €700,000) in relation to development.

At 31 December 2022, there was €234,000 (2020: €256,000) accrued for and not in paid pension contributions.

The average number of employees was as follows:

	2022 Number	2021 Number
Sales and distribution	133	136
General and administration	75	75
Manufacturing, service and development	417	383
Average number of persons employed	**625**	**594**

Retirement benefit and Other Employee Benefit Plans

The Group operates various defined contribution retirement benefit plans. During the year ended 31 December 2022, the Group recorded €2.3 million (2021: €2 million) of expense in connection with these plans.

9. Acquisitions & Disposals

2022 Acquisition

In January 2022, Mincon acquired 100% shareholding in Spartan Drilling Tools, a manufacturer of drill pipe and related products based in the USA for a consideration of €1,014,000. Spartan Drilling Tools was acquired to manufacture drill pipe closer to the end user in the America's region.

A. Consideration transferred

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

	Spartan Drilling Tools €'000	Total €'000
Deferred consideration	1,014	1,014
Total consideration transferred	**1,014**	**1,014**

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	480
Right of use assets	455
Inventories	369
Trade receivables	133
Other assets	63
Trade and other payables	(83)
Right of use liabilities	(455)
Other accruals and liabilities	(109)
Fair value of identifiable net assets acquired	**853**

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.

Assets acquired	Valuation Technique
Trade receivables	All receivable balances were assessed and all are collectable.
Trade and other payables	All were accessed and deemed payable to credible suppliers
Other current assets	All were accessed for recoverability and all is recoverable
Other accruals and liabilities	All were assessed for credibility and deemed payable

The loss from the acquisition of Spartan Drilling Tools has been consolidated into the Mincon Group 2022 profit for the reporting period.

Goodwill
Goodwill of € 161,000 is primarily due to growth expectations, expected future profitability and expected cost synergies.

Goodwill arising from the acquisition has been recognised as follows.

	Spartan Drilling Tools €'000	Total 2022 €'000
Consideration transferred	1,014	1,014
Fair value of identifiable net assets	(853)	(853)
Goodwill	**161**	**161**

2021 Acquisition

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.

9. Acquisitions & Disposals *(continued)*

2021 Acquisition

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**

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 2022 €'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:

	2022 €'000	2021 €'000
Directors' remuneration		
Fees	210	220
Wages and salaries	599	522
Retirement benefit contributions	59	55
Total directors' remuneration	**868**	**797**

Auditor's remuneration	2022 €'000	2021 €'000
Auditor's remuneration – Fees payable to lead audit firm		
Audit of the Group financial statements	180	205
Audit of the Company financial statements	10	15
Other assurance services	13	20
	203	**240**
Auditor's remuneration – Fees payable to other firms in lead audit firm's network		
Audit services	35	149
Other assurance services	-	3
Tax advisory services	2	-
Total auditor's remuneration	**37**	**152**

11. Income tax

Tax recognised in income statement:

Current tax expense	2022 €'000	2021 €'000
Current year	4,409	3,427
Adjustment for prior years	172	(7)
Total current tax expense	4,581	3,420
Deferred tax expense		
Origination and reversal of temporary differences	(551)	(192)
Total deferred tax expense	(551)	(192)
Total income tax expense	**4,030**	**3,228**

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 €'000	2021 €'000
Profit before tax from continuing operations	18,734	17,828
Irish standard tax rate (12.5%)	*12.5%*	*12.5%*
Taxes at the Irish standard rate	2,342	2,229
Foreign income at rates other than the Irish standard rate	662	691
Losses created/utilised	304	277
Other	723	31
Total income tax expense	**4,030**	**3,228**

11. Income tax *(continued)*

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

	2022 €'000	2021 €'000
Deferred taxation assets:		
Reserves, provisions and tax credits	1,044	741
Tax losses and unrealised FX gains	1,006	334
Total deferred taxation asset	2,050	1,075
Deferred taxation liabilities:		
Property, plant and equipment	(1,808)	(1,332)
Profit not yet taxable	(238)	(290)
Total deferred taxation liabilities	(2,046)	(1,622)
Net deferred taxation asset/(liability)	4	(547)

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

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)

1 January 2022 – 31 December 2022	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	741	303	-	1,044
Accrued income	-	-	-	-
Tax losses	334	672	-	1,006
Total deferred taxation asset	1,075	975	-	2,050
Deferred taxation liabilities:				
Property, plant and equipment	(1,332)	(476)	-	(1,808)
Profit not yet taxable	(290)	52	-	(238)
Total deferred taxation liabilities	(1,622)	(424)	-	(2,046)
Net deferred taxation liability	(547)	551	-	4

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

	2022 €'000	2021 €'000
Tax losses	3,850	3,546
Total	3,850	3,546

12. Intangible assets and goodwill

	Product development €'000	Internally generated intangible asset €'000	Goodwill €'000	Acquired intellectual property €'000	Total €'000
Balance at 1 January 2021	**5,847**	**-**	**31,140**	**-**	**36,987**
Internally developed	1,139	-	-	-	1,139
Acquisitions	-	-	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**
Internally developed	285	-	-	-	285
Acquisitions (note 9)...	-	-	161	-	161
Transfer to internally generated intangible asset	(7,271)	7,271	-	-	-
Acquired intellectual property	-	-	-	147	147
Amortisation of intellectual property	-	-	-	(190)	(190)
Amortisation of product development.................	-	(121)	-	-	(121)
Translation differences	-	-	(378)	48	(330)
Balance at 31 December 2022..........................	**-**	**7,150**	**32,328**	**631**	**40,109**

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 acquisition of Spartan Drilling Tools in January 2022

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

12. Intangible assets and goodwill *(continued)*

The recoverable amount of goodwill has been assessed based on estimates of fair value less costs of disposal (FVLCD). The FVLCD 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.

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 costs of disposal by €52.4 million (2021: €42.9 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:

	2022	2021
WACC	12.60%	9.60%
EBIDTA margin	20.23%	16.69%
Long term growth rate	2.20%	2.24%
Terminal value capital expenditure	€10.6 million	€9.3 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 11.65% to 13.50%. This results in a midpoint WACC being used of 12.6%.

The Long term growth rate of 2.20% 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 20.23% for 2025 is assumed in the Terminal Value calculation used to arrive at the FVLCD.

Terminal value capital expenditure assumes no balance sheet growth is assumed in the terminal value, capital expenditure is assumed to equal depreciation of €10.6 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.

	2022	2021
WACC	14.80%	10.60%
Long term growth rate	1.35%	1.48%

Investment expenditure of €285,000, which has been capitalised, is in relation to ongoing product development within the Group. Amortisation began in October 2022 once the project was commercialised. Amortisation is charged into the income statement over fifteen years on a straight line basis.

13. Property, plant and equipment

	Land & Buildings €'000	Plant & Equipment €'000	ROU Assets €'000	Total €'000
Cost:				
At 1 January 2021	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**
Acquisitions through business combinations	9	471	455	935
Additions	1,146	6,164	2,880	10,190
Disposals and derecognition of ROU assets	(1,226)	(1,176)	(1,191)	(3,593)
Foreign exchange differences	181	274	(58)	397
At 31 December 2022	**18,157**	**64,508**	**11,531**	**94,196**
Accumulated depreciation:				
At 1 January 2021	(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)**
Charged in year	(577)	(5,046)	(2,159)	(7,782)
Disposals	381	994	1,134	2,509
Foreign exchange differences	(41)	(282)	11	(312)
At 31 December 2022	**(4,242)**	**(32,187)**	**(4,763)**	**(41,192)**
Carrying amount: 31 December 2022	**13,915**	**32,321**	**6,768**	**53,004**
Carrying amount: 31 December 2021	**14,042**	**30,922**	**5,696**	**50,660**
Carrying amount: 1 January 2021	**12,871**	**28,708**	**4,241**	**45,820**

ROU assets includes Property of €6 million (2021: €5 million) and Plant and Equipment of €800,000 (2021: € 700,000).

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

	2022 €'000	2021 €'000
Cost of sales	4,768	4,413
Cost of sales ROU assets	426	388
Operating expenses	852	796
Operating expenses ROU asset	1,736	1,508
Total depreciation charge for property, plant and equipment	7,782	7,105

14. Inventory and capital equipment

	2022 €'000	2021 €'000
Finished goods	47,983	42,396
Work-in-progress	12,943	9,596
Raw materials	15,985	11,058
Total inventory	76,911	63,050

The Group recorded an impairment of €128,000 against inventory to take account of net realisable value during the year ended 31 December 2022 (2021: €22,000). Write-downs are included in cost of sales.

15. Trade and other receivables and other current assets

a) Trade and other receivables

	2022 €'000	2021 €'000
Gross receivable	24,975	26,047
Provision for impairment	(1,103)	(937)
Net trade and other receivables	23,872	25,110

	Provision for impairment €'000
Balance at 1 January 2022	(937)
Increase in provision arising from prior years receivables impairment	(10)
Increase in ECL model	(156)
Balance at 31 December 2022	(1,103)

The following table provides the information about the exposure to credit risk and ECL's for trade receivables as at **31 December 2022**.

	Weighted average loss rate %	Gross carrying amount €'000	Loss allowance €'000
Current (not past due)	1%	17,929	179
1-30 days past due	5%	4,245	211
31-60 days past due	13%	1,459	189
61 to 90 days	21%	1,034	216
More than 90 days past due	100%	308	308
Net trade and other receivables		24,975	1,103

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

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

b) Prepayments and other current assets

	2022 €'000	2021 €'000
Plant and machinery prepaid and under commission	9,852	5,781
Prepayments and other current assets	2,875	3,041
Prepayments and other current assets	**12,727**	**8,822**

16. Trade creditors, accruals and other liabilities

	2022 €'000	2021 €'000
Trade creditors	14,420	15,683
Total creditors and other payables	**14,420**	**15,683**

	2022 €'000	2021 €'000
VAT	104	31
Social security costs	1,929	768
Other accruals and liabilities	6,666	5,228
Total accruals and other liabilities	**8,699**	**6,027**

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).

	2022 €'000	2021 €'000
Total liabilities	(71,131)	(64,292)
Less: cash and cash equivalents	15,939	19,049
Net debt	**(55,192)**	**(45,243)**
Total equity	**153,786**	**144,152**
Net debt to equity ratio	**0.36**	**0.31**

18. Loans and borrowings

	Maturity	2022 €'000	2021 €'000
Bank loans	2023-2036	30,848	23,391
Lease Liabilities	2023-2032	11,096	11,079
Total loans and borrowings		**41,944**	**34,470**
Current		14,973	11,205
Non-current		26,971	23,265

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 €13.5 million (2020: €10.5 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 4.89%

During 2022, the Group availed of the option to enter into overdraft facilities and to draw down loans of €11.5 million, €8.8 million in loans and €2.7 million in overdraft 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**

	Balance at 1 January 2022 €'000	Arising from acquisition €'000	Cash movements €'000	Non-cash movements €'000	Foreign exchange differences €'000	Balance at 31 December 2022 €'000
Loans and borrowings	**23,391**	109	7,372	-	(24)	**30,848**
Lease liabilities	**11,079**	455	(3,994)	3,604	(48)	**11,096**
Total	**34,470**	**564**	**3,378**	**3,604**	**(72)**	**41,944**

	Interest rate range	Effective interest rate
Bank loans	1% - 9%	4.5%
Lease Liabilities	3% - 15%	5.2%

19. Share capital and reserves

At 31 December 2022

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	212,472,413	2,125

	2022	**2021**
Opening Share Capital	212,472,413	211,675,024
Share Awards vested during year	-	797,389
Authorised Share Capital	**212,472,413**	**212,472,413**

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 2022, Mincon Group plc paid a final dividend for 2021 of €0.0105 (1.05 cent) per ordinary share (€2.2 million).

In September 2022, 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 19 August 2022.

The Directors recommend the payment of a final dividend of €0.0105 (1.05 cent) per share for the year ended 31 December 2022 (31 December 2021: 1.05 cent per share).

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.

20. 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:

20. Earnings per share *(continued)*

	2022	2021
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	14,704	14,600
Denominator (Number):		
Basic shares outstanding	212,472,413	212,472,413
Restricted share awards	2,030,000	5,820,000
Diluted weighted average shares outstanding	214,502,413	218,292,413
Earnings per Ordinary Share		
Basic earnings per share, €	6.92	6.87
Diluted earnings per share, €	6.85	6.69

21. 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.

Reconciliation of outstanding share options	**Number of Options in thousands**
Outstanding on 1 January 2022	**5,820**
*Forfeited during the year	(3,790)
Exercised during the year	-
Granted during the year	-
Outstanding at 31 December 2022	**2,030**

*Based on the conditions set out in the 2022 conditional awards agreement, all shares were forfeited as conditions were not met.

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

22. 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 2022 and 31 December 2021 were as follows:

a) Liquidity and capital

	2022 €'000	2021 €'000
Cash and cash equivalents	15,939	19,049
Loans and borrowings	41,944	34,470
Shareholders' equity	153,786	144,152

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.

22. 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 2022 €'000	31 December 2021 €'000
Ireland	3,668	4,760
Americas	3,039	3,136
Australasia	347	1,108
Europe, Middle East, Africa	8,885	10,045
Total cash, cash equivalents and short term deposits	15,939	19,049

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 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
At 31 December 2022:						
Deferred consideration	1,705	1,725	1,054	671	-	-
Loans and borrowings	30,848	31,443	11,024	6,805	13,306	308
Lease liabilities	11,096	11,309	3,949	4,695	2,082	584
Trade and other payables	14,420	14,420	14,420	-	-	-
Accrued and other financial liabilities	8,699	8,699	8,699	-	-	-
Total at 31 December 2022	66,769	67,596	39,146	12,170	15,387	892

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.

22. Financial risk management *(continued)*

b) Foreign currency risk *(continued)*

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.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into EURO at the closing rate:

	Short-term exposure			Long-term debt		
	USD	SEK	ZAR	USD	SEK	ZAR
	€'000	€'000	€'000	€'000	€'000	€'000
At 31 December 2022:						
Financial assets	31,075	12,476	10,790	-	-	-
Financial liabilities	(4,483)	(2,613)	(1,608)	(3,284)	(1,136)	(1,372)
Total Exposure	26,592	9,864	9,182	(3,284)	(1,136)	(1,372)
At 31 December 2021:						
Financial assets	25,316	11,655	10,119	-	-	-
Financial liabilities	(4,071)	(2,959)	(1,533)	(2,317)	(1,094)	(1,232)
Total Exposure	21,245	8,695	8,586	(2,317)	(1,094)	(1,232)

The following table illustrates the sensitivity of profit and equity in relating to the Group's financial assets and financial liabilities and the USD/EUR exchange rate, SEK/EUR exchange rate and ZAR/EUR exchange rate 'all other things being equal'. It assumes a +/- 4% change of the EUR/USD exchange rate for the year ended at 31 December 2022 (2021: 4%). A +/- 4% change is considered for the EUR/SEK exchange rate (2021: 4%). It assumes a +/- 4% change of the EUR/ZAR exchange rate for the year ended at 31 December 2022 (2021: 4%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous twelve months.

	Profit for the year			Equity		
	USD	SEK	ZAR	ZAR	ZAR	ZAR
	€'000	€'000	€'000	€'000	€'000	€'000
31 December 2022	(3)	35	14	218	244	98
31 December 2021	211	155	(9)	(1,016)	2,166	141

	Profit for the year			Equity		
	USD	SEK	ZAR	ZAR	ZAR	ZAR
	€'000	€'000	€'000	€'000	€'000	€'000
31 December 2022	12	(147)	(58)	(917)	(1,026)	(412)
31 December 2021	320	16	(84)	(2,135)	1,010	(292)

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.

22. Financial risk management *(continued)*

b) Foreign currency risk

The Group's worldwide presence creates currency volatility when compared year on year. During 2022, currencies were volatile due to ongoing war in the Ukraine, however the euro remained relatively steady against all major currencies the Group trades in.

In 2022, 56% (2021: 54%) of Mincon's revenue €170 million (2020: €144 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 €4.2 million was held in US dollar (USD 4.5 million), €3 million was held in Swedish krona (SEK 33.3 million), €1.5 million was held in South Africa rand (ZAR 27 million), and the euro equivalent of €1.2 million was held in Canadian dollar (CAD 1.8 million).

	2022		2021	
Euro exchange rates	**Closing**	**Average**	**Closing**	**Average**
US Dollar	1.07	1.05	1.13	1.18
Australian Dollar	1.57	1.52	1.56	1.57
South African Rand	18.18	17.19	18.06	17.47
Swedish Krona	11.15	10.63	10.26	10.14

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.

Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers. Where available, external credit ratings and/or reports on customers are obtained and used. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval. The ongoing credit risk is managed through regular review of ageing analysis.

Trade receivables consist of a large number of customers in various industries and geographical areas.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

22. Financial risk management *(continued)*

c) Credit risk *(continued)*

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.
The closing balance of the trade receivables loss allowance as at 31 December 2022 reconciles with the trade receivables loss allowance opening balance as follows:

	Trade receivables
	€'000
Opening loss allowance as at 1 January 2021	**1,190**
Loss allowance recognised during the year	**(253)**
Loss allowance as at 31 December 2021	**937**
Loss allowance recognised during the year	**166**
Loss allowance as at 31 December 2022	**1,103**

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.(Note 15)

The maximum exposure to credit risk for trade and other receivables at 31 December 2022 and 31 December 2021 by geographic region was as follows:

	2022	2021
	€'000	€'000
Americas	8,173	7,969
Australasia	3,300	3,330
Europe, Middle East, Africa	12,399	13,811
Total amounts owed	**23,872**	**25,110**

d) Interest rate risk

Interest Rate Risk on financial liabilities
There were no significant changes in interest rates during 2022 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 2021 or 2020.

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.

22. Financial risk management *(continued)*

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.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
• Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
• Level 3: unobservable inputs for the asset or liability.

Mincon Group plc only apply level 3 for fair value, using the detail displayed above.

Deferred consideration
The movements in respect of the deferred consideration value in the year to 31 December 2022 are as follows:

	Level 3
	€'000
Balance at 1 January 2022	4,224
Arising on acquisition	-
Cash payment	(2,629)
Foreign currency translation adjustment	79
Unwinding of discount on deferred consideration	31
Balance at 31 December 2022	**1,705**

Deferred consideration includes multiple deferred payments for prior acquisitions over a fixed period of time. These carry no significant observational inputs.

23. Subsidiary undertakings

At 31 December 2022, 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

23. 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
Spartan Drilling Tools Manufacturing facility	100%	1882 US HWY 6 & 50 Fruita, CO 81507, USA

23. 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

*All shares held are ordinary shares.

24. Leases

A. Leases as Lessees (IFRS 16)

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

Mincon Group PLC has elected to apply the practical expedient allowed under IFRS 16 for short-term leases by class of underlying asset to which the right of use relates. A class of underlying asset is a grouping of underlying assets of a similar nature and use in an entity's operations. The class of underlying assets this applies to short term leases of office equipment.

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

i) Right-of-use assets

	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)
Foreign exchange difference	49
Balance at 31 December 2021	**5,696**

	31 December 2022
	€'000
Balance at 1 January	5,696
Depreciation charge for the year	(2,159)
Additions to right of use assets	3,334
Disposal of right of use asset	(57)
Foreign exchange difference	(46)
Balance at 31 December 2022	**6,768**

ii) Amounts recognised in income statement.

	2022	2021
	€'000	€'000
Interest on lease liabilities	354	308
Expenses related to short term leases	245	311
Expenses related to leases of low value assets	10	65
-Leases under IFRS 16	609	684

iii) Amounts recognised in statement of cash flows

	2022	2021
	€'000	€'000
Total cash outflow for leases	3,994	3,590
Total cash outflow of leases	**3,994**	**3,590**

24. 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.

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

	31 December 2022 €'000
Less than one year	2,129
One to two years	3,068
Two to five years	1,525
More than 5 years	568
Total	**7,290**

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 €193,000.

The Group manages the risk to retain the right to the assets as they have a right to inspect the property, the right to enforce the contractual arrangement with the lessee and the right to perform maintenance.

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 2022 €'000	**31 December 2021 €'000**
Less than one year	147	192
One to two years	-	146
Balance at 31 December	**147**	**338**
Unearned finance income	**(10)**	**(22)**
Total undiscounted lease receivable	**137**	**316**

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 2022 was €180,000 (2021: €214,000).

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 2022 €'000
Less than one year	22
Total	**22**

25. Commitments

The following capital commitments for the purchase of property, plant and equipment had been authorised by the directors at 31 December 2022:

	31 December 2022 €'000	31 December 2021 €'000
Contracted for	3,360	2,837
Not-contracted for	229	772
Total	3,589	3,609

26. Litigation

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

27. Related parties

As at 31 December 2022, 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 2022, the Group paid a final dividend for 2021 of €0.0105 to all shareholders. The total dividend paid to Kingbell Company was €1,256,477.

In September 2022, the Group paid an interim dividend for 2022 of €0.0105 to all shareholders. The total dividend paid to Kingbell Company was €1,256,477 (September 2020: €1,261,385).

The Group has a related party relationship with its subsidiary undertakings (see note 23) 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 2022 and 2021. The Group has amounts owing to directors of €Nil as at 31 December 2022 and 2021.

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

	2022 €'000	2021 €'000
Short term employee benefits	1,561	1,514
Bonus and other emoluments	348	320
Post-employment contributions	149	145
Social security costs	110	109
Share based payment charged in the year	(153)	221
Total	**2,015**	**2,309**

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.

28. Events after the reporting date

The Board of Mincon Group plc is recommending the payment of a final dividend for the year ended 31 December 2022 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 2023. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 16 June 2023 to Shareholders on the register at the close of business on 26 May 2023.

29. Approval of financial statements

The Board of Directors approved the consolidated financial statements on 10 March 2023.