Mincon Group plc
2016 Half Year Financial Results

Mincon Group plc *(ESM:MIO AIM:MCON),* the Irish engineering group specialising in the design, manufacture, sale and servicing of rock drilling tools and associated products, announces its half year results for the six months ended 30 June 2016.

	30 June 2016	30 June 2015	Percentage change in period
Product revenue:			
Sale of Mincon product (€'000)	27,877	25,460	9%
Sale of third party product (€'000)	8,436	7,280	16%
Total revenue (€'000)	36,313	32,740	11%
Sale of Mincon product as a % of total revenue	*77%*	*78%*	
Operating profit (€'000)	4,903	4,507	9%
Profit before tax (€'000)	5,008	4,499	11%
Profit attributable to shareholders of the parent company (€'000)	4,068	3,514	16%
Earnings per share (€)	0.019	0.017	12%

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

"Revenue for H1 was 11% ahead of last year at €36.3 million, which tracked through to an improvement of 11% in profit before tax to €5.0 million (H1 2015 €4.5 million), and a 12% improvement in earnings per share.

The gross profit margin in the first half of 2016 of 41% was consistent with the same period last year (H1 2015: 41%), the operating profit margin was 13.5% (H1 2015 13.8%), and the profit attributable to shareholders improved to 11.2% of sales (H1 2015 10.7%).

These are relatively satisfactory numbers against the backdrop of the cyclically depressed volumes and margins in some of the sectors we service.

These results were achieved after increasing provisions to continue building a robust balance sheet, increased R&D investment which we expense, and incurring a €0.4 million charge to reduce head count in operations. While some of these charges are not expected to repeat, we believe it is appropriate to approach our reserves on a considered basis while delivering organic growth in profits and sales.

We are seeing growth in the Americas and Australia, with only Africa retrenching in the first half. The instability of the South African rand, while relatively neutral in it's effect on our accounts during the first half of the year, has caused significant caution and margin pressure in the South African market in the short term and has had a knock on effect to neighbouring African countries.

We are investing in our factories to provide for the expansion of our product ranges, and new equipment is in the process of being commissioned in several of our manufacturing plants. We expect to begin to see sales growth from these products in the 2017 year, with the rest of 2016 being used to test and complete designs, and to develop marketing and sales plans.

In conjunction with the release of these half year results, the Board of Mincon Group plc has recommended the payment of an interim dividend in the amount of €0.01 (1 cent) per ordinary share, payable in September 2016".

Products & markets

Over 50% of Group revenue is derived from sales of Down The Hole (DTH) products and 77% of turnover is manufactured in the Mincon factories. Within the product line-up we have seen some cyclical lows in, for example, Reverse Circulation (RC) products for the exploration market, but on the other hand, some products have begun to grow quickly as drilling techniques change and new uses are found for existing and newly developed products.

We have been considering how to best develop the Group, and have followed up on our analysis by beginning to establish regional hubs in Chile for South America and in Perth for Australasia. Ireland acts as the base for Europe. In setting up these regional hubs we can locate inventory for onward distribution and facilitate better informed and timely decision making. Combining this with standardised, more operationally oriented reporting metrics and systems, we should see benefits in the years to come. The Americas and Australia are the fastest growing markets for the Group.

Since the majority of what we sell is Mincon-manufactured product, most of the inventory is either the raw materials that we use, our own products going through the factories as work in progress (WIP) or finished products located at our distribution points. Inventory reductions should be obtainable from redeploying our own inventory, and turning production over to back orders or tuning it down while we trade inventory down to target levels.

Acquisitions

We have been active in approaching potential acquisition targets, but we did not see value for the Group in the terms that were being sought by vendors, compared with the cost of investing in our own engineering competencies to build a competitive offering. We consider these opportunities on a case-by-case basis.

Through the cycle we have seen Private Equity owned companies being withdrawn from sale and refinanced, and other companies seeking unrealistic prices even while their sales and profits fall. However, we are still committed to growing both organically and by acquisition. We prefer to control our own products and our own channels to market.

We have elected to invest primarily in organic growth rather than exhaust our resources by buying that which we could competitively make ourselves. We also continue to invest in new products as they move into beta testing from the research stage, and in keeping with our R&D policy, we expense those costs as they are incurred.

Currency movements

We have put work into understanding and planning to mitigate the P&L impacts of currency movements, should these steps be required, but we have seen a broadly neutral position in the first half of the year. We make our decisions based on what the operations require for long term funding, and the standard operating terms between subsidiaries that allow predictability to our internal cash flows. We monitor this carefully with the aim of achieving neutrality in the P&L impact of movements.

Profit margins

The gross margin has been steady at 41% for the last few reporting periods as the growth of the Group normalises. Added volume delivers additional profit at these levels, and we continue to invest through the down cycle to improve our factories and the availability of our products to our customers. Our operating profit margin has been steady at 13.5% (H1 2015, 13.8%), and the profit attributable to shareholders at 11.2% (H1 2015, 10.7%) has improved over the same period last year.

Balance sheet and cash flows

The Mincon Group balance sheet remains strong with net assets of €99.9 million. Receivables have increased by €3.1 million in H1 this year, following the normal seasonal pattern, and 74% of these balances are current, which is not significantly different from usual.

Inventory has seen some growth since the year end, due to a number of factors including replacing inventory that was previously consignment inventory from third parties, and taking back inventory from distributors being replaced by our own subsidiaries. Raw materials also increased as orders reached a seasonal peak for volumes to be delivered in the second half. Working capital again absorbed approximately €5 million of cash in H1 as it did during the same period last year, and if the cycle follows through we should aim to recover this from working capital by the year end, subject to the requirements of the new product cycles.

The Group had net cash of €33.8 million at 30 June 2016, (31 December €38.6 million), with capital expenditure of c.€3 million (H1 2015, €0.84 million) replacing acquisition investment in the first half compared to last year. The investment is directed at expanding production of the current ranges, improved processes and equipment for the underinvested Marshall's factory and on the equipment for new products. We see this investment trend continuing for the next two years, subject to the strategy being successful, and itemised approval from the Board.

This engineering investment path is designed to result in external work being brought in-house and manufacturing being expanded and standardised to protect quality, deliver improved consistency and support production efficiency.

Dividend

The Board of Mincon Group plc has recommended the payment of an interim dividend in the amount of €0.01 (1 cent) per ordinary share, which will be paid on 26 September, 2016 to shareholders on the register at the close of business on 2 September, 2016.

Outlook

We are seeing growth in our sales, which we believe is due to increased market share rather than a general improvement in our target markets. Having said that, there are improvements in some commodity prices and certain end-markets appear to be beginning to return to growth. This should lead on to a recovery in the exploration businesses in due course and then across the mining sector. We believe that the underlying tone is improving, even if this is anecdotal rather than observable.

We continue to engage in dialogue with potential acquisitions and investments, but in some cases, the asking price is not supported by the earnings, and others have withdrawn to work through the down-turn in private. Nevertheless there are fine companies in the sector, worth acquiring, and we are actively continuing to identify and engage with those that we believe would add more than they would cost, and which would continue to fill out our geographic footprint, and our product and service offering.

19 AUGUST 2016

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Unaudited condensed consolidated income statement
For the 6 months ended 30 June 2016

	Notes	2016 H1 €'000	2015 H1 €'000
Continuing operations			
Revenue	2	36,313	32,740
Cost of sales	4	(21,381)	(19,262)
Gross profit		**14,932**	**13,478**
General, selling and distribution expenses	4	(10,029)	(8,971)
Operating profit		**4,903**	**4,507**
Finance cost		(85)	(98)
Finance income		90	179
Foreign exchange gain/(loss)		135	2
Fair value movement on contingent consideration		(35)	(91)
Profit before tax		**5,008**	**4,499**
Income tax expense		(930)	(951)
Profit for the period		**4,078**	**3,548**
Profit attributable to:			
- owners of the Parent		4,068	3,514
- non-controlling interests		10	34
Earnings per Ordinary Share			
Basic earnings per share, €	7	0.019	0.017
Diluted earnings per share, €	7	0.019	0.017

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

Unaudited condensed consolidated statement of comprehensive income
For the 6 months ended 30 June 2016

	2016 H1 €'000	2015 H1 €'000
Profit for the period	4,078	3,548
Other comprehensive income/(loss):		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	31	1,829
Other comprehensive income/(loss) for the period	31	1,829
Total comprehensive income for the period	**4,109**	**5,377**
Total comprehensive income attributable to:		
- owners of the Parent	**4,099**	**5,343**
- non-controlling interests	**10**	**34**

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

Unaudited consolidated statement of financial position
As at 30 June 2016

	Notes	30 June 2016 €'000	31 December 2015 €'000
Non-Current Assets			
Goodwill	9	11,901	11,459
Property, plant and equipment	10	18,690	17,277
Deferred tax asset	6	556	480
Other non-current assets		282	342
Total Non-Current Assets		**31,429**	**29,558**
Current Assets			
Inventory	11	33,776	32,045
Trade and other receivables	12	16,180	13,021
Other current assets		1,094	649
Current tax asset	6	484	733
Short term deposits	14(a)	30,860	30,781
Cash and cash equivalents		5,223	10,644
Total Current Assets		**87,617**	**87,873**
Total Assets		**119,046**	**117,431**
Equity			
Ordinary share capital		2,105	2,105
Share premium		67,647	67,647
Merger reserve		39	39
Capital redemption reserve		(17,393)	(17,393)
Share based payment reserve	8	26	16
Foreign currency translation reserve		(1,429)	(1,460)
Retained earnings		48,448	46,485
Equity attributable to owners of Mincon Group plc		99,443	**97,439**
Non-controlling interests		475	465
Total Equity		**99,918**	**97,904**
Non-Current Liabilities			
Loans and borrowings	13	1,586	2,141
Deferred tax liability	6	193	556
Deferred contingent consideration	14(c)	6,335	6,347
Other liabilities		670	722
Total Non-Current Liabilities		**8,784**	**9,766**
Current Liabilities			
Loans and borrowings	13	683	674
Trade and other payables		6,123	6,780
Accrued and other liabilities		3,023	2,009
Current tax liability	6	515	298
Total Current Liabilities		**10,344**	**9,761**
Total Liabilities		**19,128**	**19,527**
Total Equity and Liabilities		**119,046**	**117,431**

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

Unaudited condensed consolidated statement of cash flows
For the 6 months ended 30 June 2016

	H1 2016 €'000	H1 2015 €'000
Operating activities:		
Profit for the period	4,078	3,548
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	1,115	1,146
Finance cost	85	98
Finance income	(90)	(179)
Income tax expense	930	951
Other non-cash movements	(149)	128
	5,969	5,783
Changes in trade and other receivables	(3,090)	(2,925)
Changes in prepayments and other assets	(449)	(747)
Changes in inventory	(1,314)	(1,357)
Changes in capital equipment inventory	(122)	(498)
Changes in trade and other payables	365	246
Cash provided by operations	1,359	502
Interest received	90	179
Interest paid	(85)	(98)
Income taxes paid	(960)	(1,183)
Net cash provided by/(used in) operating activities	**404**	**(600)**
Investing activities		
Purchase of property, plant and equipment	(2,977)	(840)
Proceeds from sale of property, plant and equipment	86	-
Payment of deferred contingent consideration	(340)	-
Investment in short term deposits	(79)	(151)
(Investment in)/proceeds from joint venture investments	54	46
Acquisitions, net of cash acquired	-	(3,832)
Net cash provided by/(used in) investing activities	**(3,256)**	**(4,777)**
Financing activities		
Dividends paid	(2,105)	(2,105)
Repayment of loans and finance leases	(591)	(510)
Drawdown of loans	40	1,100
Net cash provided by/(used in) financing activities	**(2,656)**	**(1,515)**
Effect of foreign exchange rate changes on cash	87	91
Net increase/(decrease) in cash and cash equivalents	**(5,421)**	**(6,801)**
Cash and cash equivalents at the beginning of the year	10,644	14,082
Cash and cash equivalents at the end of the period	**5,223**	**7,281**

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

Unaudited condensed consolidated statement of changes in equity for the 6 months ended 30 June 2016

	Share capital €'000	Share premium €'000	Merger reserve €'000	Other reserve €'000	Capital redemption reserve €'000	Capital contribution €'000	Share based payment reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balances at 30 June 2015................................	**2,105**	**67,647**	**(17,393)**	**-**	**39**	**-**	**16**	**1,713**	**44,124**	**98,251**	**451**	**98,702**
Comprehensive income:												
Profit for the period..	-	-	-	-	-	-	-	-	4,466	**4,466**	14	**4,480**
Other comprehensive income/(loss):												
Foreign currency translation...............................	-	-	-	-	-	-	-	(3,173)	-	**(3,173)**	-	**(3,173)**
Total comprehensive income..........................								**(3,173)**	**4,466**	**1,293**	**14**	**1,307**
Transactions with Shareholders:												
Acquisition of non-controlling interest.................	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Recognition of non-controlling interest on acquisition	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Dividend payment	-	-	-	-	-	-	-	-	(2,105)	**(2,105)**	-	**(2,105)**
Share-based payments	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Redemption of subscriber shares.......................	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Balances at 31 December 2015.......................	**2,105**	**67,647**	**(17,393)**	**-**	**39**	**-**	**16**	**(1,460)**	**46,485**	**97,439**	**465**	**97,904**
Comprehensive income:												
Profit for the period..	-	-	-	-	-	-	-	-	4,068	**4,068**	10	**4,078**
Other comprehensive income/(loss):												
Foreign currency translation...............................	-	-	-	-	-	-	-	31	-	**31**		**31**
Total comprehensive income..........................								31	4,068	**4,099**	10	**4,109**
Transactions with Shareholders:												
Share-based payments	-	-	-	-	-	-	10	-	-	**10**	-	**10**
Dividend payment	-	-	-	-	-	-	-	-	(2,105)	**(2,105)**	-	**(2,105)**
Balances at 30 June 2016................................	**2,105**	**67,647**	**(17,393)**	**-**	**39**	**-**	**26**	**(1,429)**	**48,448**	**99,443**	**475**	**99,918**

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

Notes to the consolidated interim financial statements

1 General information and basis of preparation

Mincon Group plc ("the Company") is a company incorporated in the Republic of Ireland. The unaudited consolidated interim financial statements of the Company for the six months ended 30 June 2016 (the "Interim Financial Statements") include the Company and its subsidiaries (together referred to as the "Group"). The Interim Financial Statements were authorised for issue by the Directors on 18 August 2016.

The Interim Financial Statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the EU. The Interim Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015 as set out in the 2015 Annual Report (the "2015 Accounts").

The Interim Financial Statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 December 2015, extracts from which are included in these Interim Financial Statements, were prepared under IFRSs as adopted by the EU and will be filed with the Registrar of Companies with the Company's 2015 annual return. They are available from the Company website www.mincon.com and, when filed, from the registrar of companies. The auditor's report on those statutory financial statements was unqualified.

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

The financial information contained in the Interim Financial Statements has been prepared in accordance with the accounting policies applied in the 2015 Accounts.

Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates. In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2015 Accounts.

2. Revenue

	H1 2016 €'000	**H1 2015 €'000**
Product revenue:		
Sale of Mincon product	27,877	25,460
Sale of third party product	8,436	7,280
Total revenue	**36,313**	**32,740**

3. Operating Segments

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

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

Entity-wide disclosures

The business is managed on a worldwide basis but operates manufacturing facilities and sales offices in Ireland, Australia, the United States and Canada and sales offices in nine other locations including South Africa, Senegal, Ghana, Namibia, Tanzania, Sweden, Poland, 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):

	H1 2016 €'000	H1 2015 €'000
Region:		
Ireland	390	371
Americas	12,539	9,508
Australasia	8,521	7,083
Europe, Middle East, Africa	14,863	15,778
Total revenue from continuing operations	**36,313**	**32,740**

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

	30 June 2016 €'000	31 December 2015 €'000
Region:		
Ireland	6,176	5,681
Americas	13,659	12,303
Australasia	6,913	6,846
Europe, Middle East, Africa	4,125	4,248
Total non-current assets(1)	**30,873**	**29,078**

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

4. Cost of Sales and operating expenses

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

Cost of sales

	H1 2016 €'000	H1 2015 €'000
Raw materials	7,939	7,310
Third party product purchases	6,369	5,706
Employee costs	3,645	3,287
Depreciation	847	854
Other	2,581	2,105
Total cost of sales	**21,381**	**19,262**

Other operating expenses

	H1 2016 €'000	H1 2015 €'000
Employee costs (including director emoluments)	5,914	5,030
Depreciation	268	292
Gain on Sale of Fixed Asset	(86)	-
Other	3,933	3,649
Total other operating costs	**10,029**	**8,971**

5. Employee information

	H1 2016 €'000	H1 2015 €'000
Wages and salaries – including directors	8,175	7,276
Severance payments	400	-
Social security costs	601	622
Pension costs of defined contribution plans	373	418
Share based payments	10	-
Total employee costs	**9,559**	**8,316**

The average number of employees was as follows:

	H1 2016 Number	H1 2015 Number
Sales and distribution	75	79
General and administration	59	52
Manufacturing, service and development	164	144
Average number of persons employed	**298**	**275**

6. Income Tax

The Group's consolidated effective tax rate in respect of operations for the six months ended 30 June 2016 was 18.6% (30 June 2015: 21.3%). The decrease in the effective rate of tax to 18.6% in 2016 was due to the change in the geographic spread of profits of the Group entities, reflective of the impact on margins of the strengthening of currencies in non-euro jurisdictions. The tax charge for the six months ended 30 June 2016 of €0.9 million (30 June 2015: €1 million) comprises a deferred tax charge relating to movements in provisions, net operating losses forward and the temporary differences for property, plant and equipment recognised in the income statement.

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

	30 June 2016	31 December 2015
	€'000	€'000
Current tax prepayments	484	733
Current tax payable	(515)	(298)
Net current tax	(31)	435

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

	30 June 2016	31 December 2015
	€'000	€'000
Deferred tax asset	556	480
Deferred tax liability	(193)	(556)
Net deferred tax	363	(76)

7. Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit for the period available to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period. Diluted earnings per share is computed by dividing the profit for the period by the weighted average number of Ordinary Shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets forth the computation for basic and diluted net profit per share for the six months ended 30 June:

	H1 2016	H1 2015
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	4,068	3,514
Earnings per Ordinary Share		
Basic earnings per share, €	0.019	0.017
Diluted earnings per share, €	0.019	0.017
Denominator (Number):		
Basic weighted-average shares outstanding	210,541,102	210,541,102
Diluted weighted-average shares outstanding	210,554,991	210,541,102

8. Share based payment

During the half year ended 30 June 2016, the Remuneration Committee of the Board of Directors made a grant of approximately 500,000 Share Awards (SAs) to members of the senior management team, excluding executive directors. Vesting of awards is conditional on the Company attaining specified performance targets over a period of at least three financial years. Those targets will be aligned with the Company's long term business strategy. These awards will vest three years after the date of the award, subject to the group achieving compound growth in EPS of CPI plus 5% over 2016, 2017 and 2018.
The fair value of services received in return for SAs granted is measured by market value of the shares, at €0.70 per share, on the day the awards were granted.

9. Goodwill

	€'000
Balance at 1 January 2016	**11,459**
Acquisitions	-
Foreign currency translation differences	442
Balance at 30 June 2016	**11,901**

10. Property, Plant and Equipment

Capital expenditure in the first half-year amounted to €3 million (30 June 2015: €0.8 million) of which €0.2 million (30 June 2015: €0.1 million) was invested in buildings and €2.8 million (30 June 2015: €0.7 million) was invested in plant and machinery.

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

	H1 2016 €'000	H1 2015 €'000
Cost of sales	847	854
Selling, general and administrative expenses	268	292
Total depreciation charge for property, plant and equipment	**1,115**	**1,146**

11. Inventory

	30 June 2016 €'000	31 December 2015 €'000
Finished goods and work-in-progress	23,969	23,408
Capital equipment	3,928	3,805
Raw materials	5,879	4,832
Total inventory	**33,776**	**32,045**

There was no material write-down of inventories to net realisable value during the period ended 30 June 2016 (30 June 2015: €Nil).

12. Trade and other receivables

	30 June 2016	31 December 2015
	€'000	€'000
Gross receivable	17,025	13,669
Provision for impairment	(845)	(648)
Net trade and other receivables	**16,180**	**13,021**

	30 June 2016	31 December 2015
	€'000	€'000
Less than 60 days	11,900	9,607
61 to 90 days	2,177	1,931
Greater than 90 days	2,103	1,483
Net trade and other receivables	**16,180**	**13,021**

At 30 June 2016, €2.1 million (13%) of trade receivables of our total trade and other receivables balance was past due but not impaired (31 December 2015, €1.5 million (11%)).

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

Credit Risk

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

	30 June 2016	31 December 2015
	€'000	€'000
Ireland	69	51
Americas	5,791	3,693
Australasia	2,946	2,746
Europe, Middle East, Africa	7,374	6,531
Total amounts owed, net of provision for impairment	**16,180**	**13,021**

13. Loans and borrowings

	Maturity	30 June 2016	31 December 2015
		€'000	€'000
Bank loans	2016-2021	1,452	1,684
Finance leases	2016-2020	817	1,131
Total Loans and borrowings		**2,269**	**2,815**
Current		683	674
Non-current		1,586	2,141

The Group has a number of bank loans and finance leases in Australia, the United States, Canada, Chile and Namibia with a mixture of variable and fixed interest rates. The Group has been in compliance with all debt agreements during the periods presented. None of the debt agreements carry restrictive financial covenants. Bank loans are secured on land & buildings with a net book value of approximately AUS$3,500,000 (circa €2.3 million) and on plant and equipment with a net book value of US$682,000 (circa €0.6 million).

During the year there was a drawdown of €40,000 in new finance debt and repayment of €0.6 million of existing finace debt.

14. Financial Risk Management

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

The half-year financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2015 Annual Report. There have been no changes in our risk management policies since year-end and no material changes in our interest rate risk.

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 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	**31 December 2015**
	€'000	**€'000**
Cash and cash equivalents	5,223	10,644
Short term deposits	30,860	30,781
Loans and borrowings	(2,269)	(2,815)
Shareholders' equity	99,443	97,439

14. Financial Risk Management *(continued)*

b) Foreign currency risk

The Group is a multinational business operating in a number of countries and the euro is the presentation currency. The Group, however, does have revenues, costs, assets and liabilities denominated in currencies other than euros. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The resulting monetary assets and liabilities are translated into the appropriate functional currency at exchange rates prevailing at the reporting date and the resulting gains and losses are recognised in the income statement.

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

Almost 63% of Mincon's revenue is generated in these currencies, compared to less than 15% of the Group's cost of sales. This had a significant translational impact on revenue when sales in local currency are converted into euro with a knock-on impact on the Group's gross margin and net margin. The majority of the group's manufacturing base has a euro or US dollar cost base. While Group management makes every effort to reduce the impact of this currency volatility, it is impossible to eliminate or significantly reduce given the fact that the highest grades of our key raw materials are either not available or not denominated in these markets and currencies. Additionally, the ability to increase prices for our products in these jurisdictions is limited by the current market factors.

Currency also has a significant transactional impact on the group as outstanding balances in foreign currencies are retranslated at closing rates at each period end. The strengthening of the US Dollar and other currencies has impacted upon equity with an increase in recognised net assets of non-Euro reporting subsidiaries of €2 million due to foreign exchange movements in the year on the retranslation of the net investment in foreign operations.

Average and closing exchange rates for the Group's primary currency exposures were as disclosed in the table below for the period presented.

Euro exchange rates	**30 June 2016 Closing**	**H1 2016 Average**	**31 December 2015 Closing**	**H1 2015 Average**
US Dollar	1.11	1.12	1.09	1.12
Australian Dollar	1.49	1.52	1.49	1.93
South African Rand	16.40	17.19	16.93	13.31
Swedish Krona	9.41	9.30	9.18	9.34
Sterling	0.84	0.79	0.74	0.72

There has been no material change in the Group's currency exposure since 31 December 2015. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved.

14. Financial Risk Management *(continued)*

c) Fair values

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

There are no material differences between the carrying amounts and fair value of our financial liabilities as at 31 December 2015 or 30 June 2016.

Financial instruments carried at fair value

The deferred contingent consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential pay-out scenarios. The fair value of deferred contingent consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof. An increase and decrease of 10% in management's expectation as to the amounts that will be paid out would increase or decrease the value of contingent deferred contingent consideration at 30 June 2016 by €0.6 million. The significant unobservable inputs are the performance of the acquired businesses and the timing of the pay-out.

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

The movements in respect of the financial assets and liabilities carried at fair value in the year to 30 June are as follows:

	Deferred contingent consideration €'000
Balance at 1 January 2016	**6,347**
Cash payment	(340)
Fair value movement	35
Foreign currency translation differences	293
Balance at 30 June 2015	**6,335**

15. Litigation

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

16. Related Parties

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

As at 30 June 2016 and 31 December 2015, the share capital of Mincon Group plc was 56.84% owned by Kingbell Company which is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director of the Company. On 9 and 10 June 2016, Ballybell Ltd, a compay controlled by non-Executive Director Kevin Barry, reduced it’s shareholding in Mincon Group to 7.09% (31 December 2015 14.21%). In June 2016, the Group paid a final dividend of €0.01 to all shareholders on the register at 27 May 2016. The total dividend paid to Kingbell and Ballybell Limited was €1,196,712 and €299,178 respectively.

There were no other related party transactions in the half year ended 30 June 2016 that affected the financial position or the performance of the Company during that period and there were no changes in the related party transactions described in the 2015 Annual Report that could have a material effect on the financial position or performance of the Company in the same period.

17. Events after the reporting date

Dividend

On 18 August 2016, the Board of Mincon Group plc approved the payment of an interim dividend in the amount of €0.01 (1 cent) per ordinary share. This amounts to a total dividend payment of €2.1m which will be paid on 26 September 2016 to shareholders on the register at the close of business on 2 September 2016.

18. Approval of financial statements

The Board of Directors approved the interim condensed consolidated financial statements for the six months ended 30 June 2016 on 18 August 2016.