

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 half year results for
the six months ended 30 June 2020.

Mincon's comprehensive range
of hard-rock drilling solutions



2020 HALF YEAR FINANCIAL RESULTS

H1 2020 KEY FINANCIAL HIGHLIGHTS (COMPARISON TO H1 2019*):		
Revenue	up 8%	to €64.7 million
Mincon manufactured product	up 10%	to €55.6 million
Non-Mincon manufactured product	down 4%	to €9.1 million
Gross profit	up 13%	to €23.5 million
Operating profit	up 21%	to €8.3 million
*Excluding H1 2019 write off's and exceptional items		



JOE PURCELL, CHIEF EXECUTIVE OFFICER, COMMENTING ON THE RESULTS, SAID:

“The first half of 2020 was a return to increasing revenue, profitability and cash generation for the Mincon Group. This was achieved despite the challenging operating environment due to the Covid-19 crisis.

In January we completed the substantial acquisition of Lehti Group to bring the manufacturing margin for our Geotech products inhouse. This, coupled with increasing our capacity to support large Geotech contracts in the construction industry, has helped to increase our gross margin in a growing and important sector for the Group. Indeed, this growth has helped to offset weakness in other markets due to Covid-19.

The strategic shift in 2019 to the regional management structure has meant that we can have a more fluid and immediate response to global supply and service issues as they arise. Our strong local representation has also meant that where we can safely get onsite, we will endeavour to do so in order to provide the essential support required, managed within the prevailing local conditions and regulations. This has been essential in supporting day to day business as well as dealing with the large Geotech and full-service mining contracts that are continuing to come our way.

To protect our personnel around the globe, we have increased our focus on operational health & safety which includes a Group embargo on International travel. This has pushed the Group to a growing efficiency in remote working both internally with our factories and customer service centres, and our customer base.

All our factories have remained operational with the exception of our factory in South Africa where the mining sector there was in lockdown during March/April 2020, however our South Africa factory reopened during May 2020. The Group’s factories are the cash generating engines of our business and it is vital that they continue to operate in the coming challenges that Covid-19 will present.

Product development has also been affected by the crisis, most notably with our customer in Australia for the hydraulic Greenhammer. Site access to the Greenhammer test site is still restricted, and with the re-imposition of lockdowns in Victoria and New South Wales we are waiting to hear when we can get back onsite. Once we get this confirmation, we will mobilise our team to get the 10” system up and running and move to commercialisation of this exciting product for Mincon and the hard rock surface mining market. Other product development has also been delayed due to restricted testing opportunities, but the engineering work continues, and we have a number of projects that will be ready for field testing once restrictions ease.

CONCLUDING COMMENTS

When we consider the shape of our business today it becomes clear that the ambition and strategy to use our engineering knowhow, to grow our product offering and support in the Geotech sector, effectively reducing our overall exposure to the mining sector, is starting to work. This does not mean that we will be reducing our efforts to increase market share in the mining sector, the opposite is the case, and we will continue to work hard and chase the opportunities that we know are out there. Regarding the effects to the Group of the Covid-19 crisis, the continued investment in our manufacturing capacity and service levels within the regions that we operate has helped to alleviate these. During the challenges ahead, the health and safety of our most important asset, our people, will be at the forefront of my concerns, and with that in my mind I would like to acknowledge and give thanks for the commitment that everyone in the Group has shown throughout this crisis.

I would also like to thank the board and our shareholders for their support over the last few years and in particular more recently, and hope to see a return to a more normal way of life in the not too distant future”.

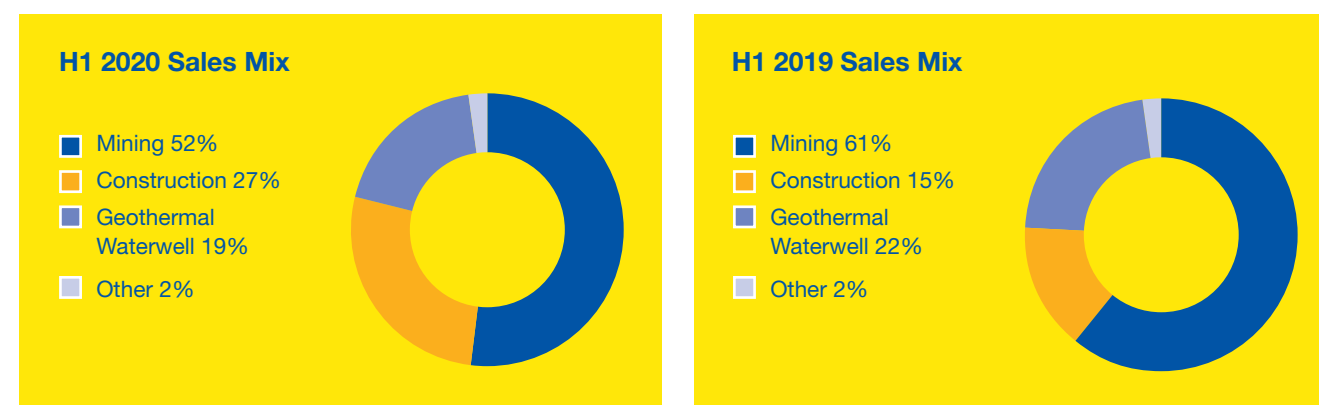
Joseph Purcell
Chief Executive Officer

KEY FINANCIAL COMMENTARY

MARKET INDUSTRIES AND PRODUCT MIX

The Group's industry mix has changed during the period as the Group continues to win Geotech contracts in the construction industry.

Industry mix (by revenue)



Construction contracts won during 2019 continued into 2020 in North America, as did the supply of other projects in Europe. The winning of additional contracts in North and South America during H1 2020, together with the acquisitions in the period, has accelerated the Group's growth in the construction market where revenue has almost doubled (+98% growth, with 74% being organic growth) versus the same period in the prior year.

The Group's supply and service to the mining industry contracted in the period by 9% due to the impact of temporary mine closures in the efforts to suppress the spread of Covid-19. This was mostly experienced in Southern Africa, Central and South America. The Group also experienced a weakness in the APAC mining industry due to the lockdowns in these areas where mining activity was affected by several lockdown related factors, namely:

- > Mines operating on reduced staffing due to social distancing requirements
- > Inability to get on some mines to continue product testing and provide support
- > Severely restricted global freight capacity

The Geothermal and Waterwell industry that is mainly concentrated in Europe and North America experienced a decline and this was felt mostly in Central Europe where some business ceased completely as a result of the Covid-19 pandemic. The overall effect on supply to this industry for the Group saw revenue contract by 6% in the period.

The sale of Mincon manufactured product grew by 10% in H1 2020 and that has contributed to the Group's overall revenue growth to €64.7 million, an increase of 8% on the same period in 2019, with organic growth of 4.5%. The acquisitions in 2020 are within the construction sector and accounted for 3.5% of overall revenue growth.

EARNINGS

The Group's gross profit for the period increased by 13% to €23.5 million (H1 2019: €20.8 million excluding impairments). The increase in margin was due to Mincon DTH and Mincon Geotech products together accounting for a larger amount of the sales mix in the current period. These two product ranges now earn comparative margins since the Group acquired the remaining manufacturing of the Geotech products through the strategic acquisition of the Lehti Group in January 2020.

KEY FINANCIAL COMMENTARY CONTINUED

EARNINGS (CONTINUED)

Operating profits for the period increased by 21% to €8.3 million (H1 2019: €6.8 million excluding reorganisation costs and impairments). The increase in profits are attributable to better gross margins and the improved operating leverage arising from the reorganisation of the business undertaken in 2019. The Group also incurred less travel costs due to the international travel ban imposed across the Group in light of the global Covid-19 pandemic.

Finance costs increased through the finance borrowings and right of use asset finance costs within the companies acquired in 2020 together with additional Group borrowings in January 2020. The South African Rand, Australian Dollar and British Sterling have seen a negative impact in the period and have contributed to an overall FX loss for the Group, this has pushed the earnings per share to 2.93 cent for the period.

BALANCE SHEET AND CASH

Net Working capital increased in the period by 5%, mostly due to acquisitions. The business generated €10.9 million from operations in the period and this was invested in acquisitions and capital equipment, most notably on heat treatment facilities in Australia as the Group continues to add more agility to business operations and regional independence. Total cash generation in the period remained flat with a negative FX effect being the net difference.

COVID-19

During the first half of 2020 the Group had experienced regional disruption to order intake due to measures brought in by local governments to control the spread of Covid-19. In particular the Group has witnessed mining customers in Southern African countries, Australia and parts of Central and South American countries operations being interrupted as a result. The Mincon Group has done everything in its control to supply its customers across all regions and industries during this Covid-19 pandemic and will continue to do so while maintaining the safety of all Mincon employees.

Towards the end of Q2 2020 the Group has observed Covid-19 government measures being slowly unwound in most countries where the Group has a presence, though it is expected that parts of these restrictions will remain in place for some time to come and that will continue to have a bearing on supply to the Groups customers. The regions that the Group serves may be affected further depending on how governments and business confront the Covid-19 challenge that is now ahead of us all.

The Group has put in place additional lines of credit during Q2 2020 with its banking partners as the impact and duration of the Covid-19 pandemic remains uncertain. The industries that the Group supplies to are robust and some local governments have brought in measures to ensure resilience in their economies during the Covid-19 pandemic. The Group balance sheet remains very strong and the Group has not experienced any Covid-19 material asset effects.

DIVIDEND

The final dividend for 2019 in the amount of €0.0105 (1.05 cent) was approved by shareholders at the Annual General Meeting held on 23 July 2020. This amounts to a dividend payment of €2.2 million which will be paid on 4 September 2020 to shareholders on the register at the close of business on 14 August 2020. In light of the global Covid-19 pandemic, the board of directors have adopted a prudent approach and have decided to postpone a decision on an interim dividend to later in the year.

10 AUGUST 2020

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GROUP FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 6 months ended 30 June 2020

	Notes	Unaudited 2020 €'000	Excluding exceptional items €'000	Unaudited 2019 Exceptional items (Note 8) €'000	Including exceptional items €'000
Continuing operations					
Revenue	6	64,654	59,922	-	59,922
Cost of sales	8	(41,197)	(41,098)	-	(41,098)
Gross profit		23,457	18,824	-	18,824
Operating costs	8	(15,194)	(14,595)	(2,842)	(17,437)
Operating profit		8,263	4,229	(2,842)	1,387
Finance income	18	18	72	-	72
Finance cost		(412)	(303)	-	(303)
Foreign exchange gain/(loss)		(227)	41	-	41
Contingent consideration		13	(50)	-	(50)
Profit before tax		7,655	3,989	(2,842)	1,147
Settlement gain		-	-	7,261	7,261
Income tax expense		(1,297)	(1,223)	-	(1,223)
Profit for the period		6,358	2,766	4,419	7,185
Profit attributable to:					
- owners of the Parent		6,198			7,144
- non-controlling interests		160			41
Earnings per Ordinary Share					
Basic earnings per share,	13	2.93			3.39
Diluted earnings per share,	13	2.86			3.35

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 June 2020

	Unaudited 2020 H1 €'000	Unaudited 2019 H1 €'000
Profit for the year	6,358	7,185
<i>Other comprehensive income/(loss):</i>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation – foreign operations	(3,734)	878
Other comprehensive profit / (loss) for the period	(3,734)	878
Total comprehensive income for the period	2,624	8,063
Total comprehensive income attributable to:		
- owners of the Parent	2,464	8,022
- non-controlling interests	160	41

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited 30 June 2020 €'000	31 December 2019 €'000
Non-Current Assets			
Intangible assets and goodwill	15	36,281	31,937
Property, plant and equipment	16	47,849	41,172
Deferred tax asset	11	637	616
Total Non-Current Assets		84,767	73,725
Current Assets			
Inventory and capital equipment	17	53,504	48,590
Trade and other receivables	18	22,922	20,346
Prepayments and other current assets		2,870	6,098
Current tax asset	11	40	589
Cash and cash equivalents		16,035	16,368
Total Current Assets		95,370	91,991
Total Assets		180,138	165,716
Equity			
Ordinary share capital	12	2,117	2,110
Share premium		67,647	67,647
Undenominated capital		39	39
Merger reserve		(17,393)	(17,393)
Restricted equity reserve		420	419
Share-based payment reserve	14	1,945	1,629
Foreign currency translation reserve		(7,602)	(3,868)
Retained earnings		80,644	74,446
Equity attributable to owners of Mincon Group plc		127,817	125,029
Non-controlling interests		1,275	1,115
Total Equity		129,092	126,144
Non-Current Liabilities			
Loans and borrowings	19	16,813	10,879
Deferred tax liability	11	458	1,794
Deferred contingent consideration	20	5,357	4,962
Other liabilities		2,025	153
Total Non-Current Liabilities		24,653	17,788
Current Liabilities			
Loans and borrowings	19	6,459	4,043
Trade and other payables		11,197	10,853
Accrued and other liabilities		6,843	5,827
Current tax liability	11	1,894	1,061
Total Current Liabilities		26,393	21,784
Total Liabilities		51,046	39,572
Total Equity and Liabilities		180,138	165,716

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ended 30 June 2020

	Unaudited H1 2020 €'000	Unaudited H1 2019 €'000
Operating activities:		
Profit for the period	6,358	7,185
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	3,149	2,551
Fair value movement on deferred contingent consideration	(13)	50
Finance cost	412	303
Finance income	(18)	(72)
Gain on sale of operations, net of tax	-	(7,261)
Income tax expense	1,297	1,223
Other non-cash movements	(244)	(438)
	10,941	3,541
Changes in trade and other receivables	422	(2,079)
Changes in prepayments and other assets	3,160	(948)
Changes in inventory	(3,440)	1,071
Changes in trade and other payables	189	1,587
Cash provided by operations	11,272	3,172
Interest received	18	72
Interest paid	(412)	(303)
Income taxes paid	(1,153)	(2,027)
Net cash provided by/(used in) operating activities	9,725	914
Investing activities		
Purchase of property, plant and equipment	(4,469)	(3,746)
Investment in intangible assets	(459)	(589)
Proceeds from the issuance of share capital	7	5
Payment of deferred contingent consideration	(1,023)	(500)
Acquisitions, net of cash required	(7,225)	(800)
Proceeds from sale of discontinued operations	-	8,075
Net cash provided by/(used in) investing activities	(13,169)	2,445
Financing activities		
Dividends paid	-	(2,210)
Repayment of loans and finance leases	(1,984)	(891)
Drawdown of loans	5,441	5,472
Net cash provided by/(used in) financing activities	3,457	2,371
Effect of foreign exchange rate changes on cash	(346)	(10)
Net increase/(decrease) in cash and cash equivalents	(333)	5,720
Cash and cash equivalents at the beginning of the year	16,368	8,042
Cash and cash equivalents at the end of the period	16,035	13,762

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2020

	Share capital €'000	Share premium €'000	Merger reserve €'000	Restricted equity reserve €'000	Un- denominated capital €'000	Share based payment reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interests €'000	Unaudited Total equity €'000
Balances at 1 July 2019	2,110	67,647	(17,393)	459	39	1,706	(5,143)	71,477	120,902	1,102	122,004
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	7,395	7,395	13	7,408
Other comprehensive income/(loss):											
Foreign currency translation	-	-	-	-	-	-	1,275	-	1,275	-	1,275
Total comprehensive income											
Non-taxable income	-	-	-	(40)	-	-	1,275	7,395	8,670	13	8,683
Transactions with Shareholders:											
Share-based payments	-	-	-	-	-	(77)	-	-	(77)	-	(77)
Dividend payment	-	-	-	-	-	-	-	(4,426)	(4,426)	-	(4,426)
Balances at 31 December 2019	2,110	67,647	(17,393)	419	39	1,629	(3,868)	74,446	125,029	1,115	126,144
Comprehensive income:											
Profit for the period	-	-	-	-	-	-	-	6,198	6,198	160	6,358
Other comprehensive income/(loss):											
Foreign currency translation	-	-	-	-	-	-	(3,734)	-	(3,734)	-	(3,734)
Total comprehensive income											
Non-taxable income	-	-	-	1	-	-	(3,734)	6,198	2,464	160	2,624
Transactions with Shareholders:											
Equity-settled share-based payments	7	-	-	-	-	-	-	-	-	-	7
Share-based payments	-	-	-	-	-	316	-	-	316	-	316
Dividend payment	-	-	-	-	-	-	-	-	-	-	-
Balances at 30 June 2020	2,117	67,647	(17,393)	420	39	1,945	(7,602)	80,644	127,817	1,275	129,092

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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 2020 (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 7 August 2020.

2. BASIS OF PREPARATION

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 2019 as set out in the 2019 Annual Report (the “2019 Accounts”). The Interim Financial Statements do, however, include selected explanatory notes to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The Interim Financial Statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 December 2019, extracts from which are included in these Interim Financial Statements, were prepared under IFRS as adopted by the EU and will be filed with the Registrar of Companies together with the Company’s 2019 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 2019 Accounts.

3. USE OF 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 judgements, 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 2019 Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

There have been no changes in significant accounting policies applied in these interim financial statements, they are the same as those applied in the last annual audited financial statements.

5. FINANCIAL REPORTING IMPACT DUE TO THE COVID-19 PANDEMIC:

a) Government Grants

The Group received government grants in certain countries where the Group operates. These grants differ in structure from country to country but primarily relate to personnel costs.

b) Expected Credit losses

The Group has not witnessed any trends in its analysis of its customers that would indicate an adjustment to its trade receivables as at the 30 June 2020 due to the Covid-19 pandemic.

c) Inventory

The Group has not experienced any material impact on its valuation of inventory as of 30 June 2020, that can be directly attributable to the Covid-19 pandemic.

d) Risk Assessment

The Mincon Group's operations are spread globally. This brings various exposures, such as trading and financial, and strategic risks. The primary trading risks would encompass operational, legal, regulatory and compliance. Strategic risks would cover long term risks effecting the business such as evolving industry trends, technological advancements, and global economic developments. Financial risks extend to but are not limited to pricing risks, currency risks, interest rate volatility and taxation risks. The risk of managing Covid-19 is encompassed with the abovementioned risks and therefore the Group considers its management of these risks as a whole.

6. REVENUE

	H1 2020 €'000	H1 2019 €'000
Product revenue:		
Sale of Mincon product	55,565	50,464
Sale of third-party product	9,089	9,458
Total revenue	64,654	59,922

7. 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, Sweden, Finland, South Africa, UK, Australia, the United States and Canada and sales offices in other locations including Australia, South Africa, Finland, Spain, Namibia, France, Sweden, Canada, 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 2020 €'000	H1 2019 €'000
Region:		
Ireland	647	392
Americas	21,509	17,202
Asia Pacific	10,572	12,773
Europe, Middle East, Africa	31,926	29,555
Total revenue from continuing operations	64,654	59,922

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

	30 June 2020 €'000	31 December 2019 €'000
Region:		
Ireland	46,886	42,830
Americas	12,635	12,839
Asia Pacific	11,813	9,493
Europe, Middle East, Africa	12,796	7,947
Total non-current assets⁽¹⁾	84,130	73,109

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. 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 2020 €'000	H1 2019 €'000
Raw materials	17,517	16,888
Third party product purchases	7,122	7,743
Employee costs	8,438	8,370
Depreciation	2,024	1,567
Impairment of finished goods inventory	257	1,992
Other	5,839	4,538
Total cost of sales	41,197	41,098

The level of finished goods inventory impairment within cost of sales amounted to €257,000 (30 June 2019: €2 million).

General and selling expenses

	H1 2020 €'000	H1 2019 €'000
Employee costs	8,880	8,564
Depreciation	1,125	984
Acquisition and related costs	343	136
Impairment of trade receivables	-	582
Reorganisational costs (note 9)	-	2,842
Other	4,846	4,329
Total other operating costs	15,194	17,437

The Group provides for all receivables where there is objective evidence, including historical loss experience, that amounts are irrecoverable. The Group considers all receivables fully recoverable.

8. COST OF SALES AND OPERATING EXPENSES (CONTINUED)

Employee information

	H1 2020 €'000	H1 2019 €'000
Wages and salaries	14,591	13,925
Social security costs	1,648	1,592
Pension costs of defined contribution plans	763	985
Redundancy payments (note 9)	-	1,241
Share based payments (note 14)	316	432
Total employee costs	17,318	18,175

The Group capitalised payroll costs of €250,000 in H1 2020 in relation to research and development.

The average number of employees was as follows:

	H1 2020 €'000	H1 2019 €'000
Sales and distribution	126	130
General and administration	61	58
Manufacturing, service and development	340	329
Average number of persons employed	527	517

9. EXCEPTIONAL ITEMS

	H1 2020 €'000	H1 2019 €'000
Operating costs		
Reorganisational costs	-	(2,842)
Total operating costs	-	(2,842)
Profit from discontinued operations	-	7,261
Total exceptional items	-	4,419

During 2019 the Group undertook a reorganisation of its activities across all regions and incurred costs of €2.8 million in doing so. The reorganisation included relocation of activities; closing of regional offices; and, redundancies where necessary. Redundancy costs amounted to €1.2 million for H1 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. ACQUISITIONS AND DISPOSALS

Acquisitions

In January 2020, Mincon acquired 100% shareholding in Lehti Group, a Finland based construction product manufacturer and distributor, for a consideration of €7.7 million. This was made up of a cash consideration of €7 million and deferred consideration of €0.7 million.

In May 2020, Mincon acquired 100% shareholding in Rocdrill, a French-based construction product distributor and drilling specialist, for a consideration of €1 million. This was made up of a cash consideration of €225,000 and deferred consideration of €775,000. €225,000 of the deferred consideration at the end of H1 2020 will be paid during H2 2020.

A. Consideration transferred for acquisitions

	Lehti Group €'000	Rocdrill €'000	Total €'000
Cash	7,000	225	7,225
Deferred contingent consideration	706	775	1,481
Total consideration transferred	7,706	1,000	8,706

B. Goodwill

Goodwill arising from the acquisition of Lehti Group and Rocdrill has been recognised as follows:

	Lehti Group €'000	Rocdrill €'000	Total €'000
Consideration transferred	7,706	1,000	8,706
Fair value of identifiable net assets	(3,742)	(357)	(4,099)
Goodwill	3,964	643	4,607

11. INCOME TAX

The Group's consolidated effective tax rate in respect of operations for the six months ended 30 June 2020 was 17% (30 June 2019: 15%). The effective rate of tax is forecast at 17% for 2020. The tax charge for the six months ended 30 June 2020 of €1.3 million (30 June 2019: €1.2 million) includes deferred tax 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 2020 €'000	31 December 2019 €'000
Current tax prepayments	40	589
Current tax payable	(1,894)	(1,061)
Net current tax	(1,854)	(472)

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

	30 June 2020 €'000	31 December 2019 €'000
Deferred tax asset	637	616
Net deferred tax	(458)	(1,794)
Net deferred tax	179	(1,178)

12. SHARE CAPITAL

Allotted, called- up and fully paid up shares	Number	€'000
01 January 2020	210,973,102	2,110
Allotted in June 2020	701,922	7
30 June 2020	211,675,024	2,117

Share issuances

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

In April 2020, 701,922 Restricted Share Awards (RSAs) met the vesting conditions set down by the board of directors and were allotted to the recipients of the awards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. 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 30 June:

	H1 2020	H1 2019
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	6,198	7,144
Denominator (Number):		
Basic shares outstanding	211,675,024	210,973,102
Restricted share awards	844,000	2,037,176
Restricted share options	3,981,000	-
Diluted weighted average shares outstanding	216,500,024	213,010,278
Earnings per Ordinary Share		
Basic earnings per share, €	2.93c	3.39c
Diluted earnings per share, €	2.86c	3.35c

14. 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 Awards in thousand
Outstanding on 1 January 2020	1,546
Forfeited during the year	-
Exercised during the year	(702)
Granted during the year	-
Outstanding at 30 June 2020	844

Reconciliation of outstanding share options	Number of Options in thousands
Outstanding on 1 January 2020	-
Forfeited during the year	-
Exercised during the year	-
Granted during the year	3,981
Outstanding at 30 June 2020	3,981

15. INTANGIBLE ASSETS

	Product development €'000	Goodwill €'000	Total €'000
Balance at 1 January 2020	4,782	27,155	31,937
Investments / Internally developed	459	-	459
Acquisitions	-	4,607	4,607
Disposals	-	-	-
Impairment of goodwill	-	-	-
Foreign currency translation differences	-	(722)	(722)
Balance at 30 June 2020	5,241	31,040	36,281

16. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure in the first half-year amounted to €4.5 million (30 June 2019 €3.7 million). The acquisition of Lehti Group has brought €2.7 million into Property, Plant and Equipment, and Rocdrill have brought €143,000 into Property, Plant and Equipment from the date of acquisition. The depreciation charge for property, plant and equipment is recognised in the following line items in the income statement:

	H1 2020 €'000	H1 2019 €'000
Cost of sales	2,024	1,567
Operating Costs	1,125	984
Total depreciation charge for property, plant and equipment	3,149	2,551

17. INVENTORY

	30 June 2020 €'000	31 December 2019 €'000
Finished goods and work-in-progress	41,055	38,212
Capital equipment	463	962
Raw materials	11,986	9,416
Total inventory	53,504	48,590

The Group recorded an impairment of €257,000 against inventory to take account of net realisable value during the period ended 30 June 2020 (30 June 2019: €2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. TRADE AND OTHER RECEIVABLES

	30 June 2020 €'000	31 December 2019 €'000
Gross receivable	24,396	21,424
Provision for impairment	(1,474)	(1,078)
Net trade and other receivables	22,922	20,346

	Provision for impairment €'000
Balance at 1 January 2020	(1,078)
Additions	(396)
Balance at 30 June 2020	(1,474)

	30 June 2020 €'000	31 December 2019 €'000
Less than 60 days	21,263	17,112
61 to 90 days	637	1,659
Greater than 90 days	1,022	1,575
Net trade and other receivables	22,922	20,346

At 30 June 2020, €1.7 million (7%) of trade receivables balance were past due but not impaired (31 December 2019, €3.2 million (16%).

19. LOANS, BORROWINGS AND LEASE LIABILITIES

		30 June 2020 €'000	31 December 2019 €'000
Loans and borrowings	2019-2026	12,068	4,879
Lease liabilities	2019-2025	5,173	5,903
ROU lease liability	2020-2028	6,031	4,140
Total Loans, borrowings and lease liabilities		23,272	14,922
Current		6,459	4,043
Non-current		16,813	10,879

The Group has a number of bank loans and lease liabilities in Ireland, the United Kingdom, USA, Sweden, Peru, Australia, Namibia and Chile with a mixture of variable and fixed interest rates. The Group has been in compliance with all debt agreements during the periods presented. The loan agreements in Ireland carry restrictive financial covenants.

20. FINANCIAL RISK MANAGEMENT

The Group is 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 2019 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 2020 and 31 December 2019 were as follows:

	30 June 2020 €'000	31 December 2019 €'000
Cash and cash equivalents	16,035	16,368
Loans and borrowings	23,272	14,922
Shareholders' equity	127,817	125,029

b) Foreign currency risk

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

The Group's global operations create a translation exposure on the Group's net assets since the financial statements of entities with non-euro functional currencies are translated to euro when preparing the consolidated financial statements. The Group does not use derivative instruments to hedge these net investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Foreign currency risk (continued)

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, Swedish krona and Canadian dollar.

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.

In 2020, 67% (2018: 56%) of Mincon's revenue €64 million (30 June 2019: €60 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.

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 changes in the South African Rand, Australian Dollar, Swedish Krona and British Pound have either weakened or strengthened, resulting in a foreign exchange loss being recognised in other comprehensive income and a significant movement in foreign currency translation reserve.

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 2020 Closing	H1 2020 Average	31 December 2019 Closing	H1 2019 Average
US Dollar	1.12	1.12	1.12	1.13
Australian Dollar	1.63	1.65	1.59	1.61
Great British Pound	0.91	0.90	0.85	0.89
South African Rand	19.49	18.31	15.72	16.16
Swedish Krona	10.47	10.48	10.51	10.59

There has been no material change in the Group's currency exposure since 31 December 2019. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved.

c) Fair values

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 not dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 period ended to 30 June 2020 are as follows:

	Deferred contingent consideration €'000
Balance at 1 January 2019	4,962
Arising on acquisition	1,481
Cash payment	(1,023)
Fair value movement	-
Foreign currency translation differences	(63)
Balance at 30 June 2020	5,357

21. COMMITMENTS

The following capital commitments for the purchase of property, plant and equipment had been authorised by the directors at 30 June 2020:

	Total €'000
Contracted for	958
Not contracted for	610
Total	1,568

22. LITIGATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. RELATED PARTIES

The Group has relationships with its subsidiaries, directors and senior key management personnel. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

As at 30 June 2020, the share capital of Mincon Group plc was 56.54% owned by Kingbell Company (31 December 2019 56.72%), this company is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director of the Company. The Group has not yet paid the final dividend for 2019, however it has been approved by shareholders at the 2020 AGM, when paid Kingbell Company will receive €1.3 million.

There were no other related party transactions in the half year ended 30 June 2020 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 2019 Annual Report that could have a material effect on the financial position or performance of the Company in the same period.

24. EVENTS AFTER THE REPORTING DATE

Dividend

The final dividend for 2019 in the amount of €0.0105 (1.05 cent) was approved by shareholders at the Annual General Meeting held on 23 July 2020. This amounts to a dividend payment of €2.2 million which will be paid on 4 September 2020 to shareholders on the register at the close of business on 14 August 2020.

25. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the interim condensed consolidated financial statements for the six months ended 30 June 2020 on 07 August 2020.

