

PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 AUGUST 2019
28 November 2019

Donegal Investment Group plc ('DIG') ('Group') reports its results for the year ended 31 August 2019.

FINANCIAL PERFORMANCE

- The Group's Produce and Dairy segment delivered a strong performance for the 12 months ending 31 August 2019. Group revenue increased by 11.4% (€4.6m) to €45.2m - driven by continued double-digit growth in our speciality dairy business as well as strong demand for our produce businesses' seed potato varieties – and segmental profit increased by 47.0% to €4.0m.
- Group profit from operating activities (before exceptionals) increased by 61.6% (€1.3m) for the year to €3.4m.
- Profit after tax from continuing operations was €4.0m an increase of €2.3m on the prior year.
- Our seed potato business while constrained by weather related seed availability, experienced revenue growth through increased demand which generated improved trading margins.
- Speciality dairy, which trades under the NOMADIC brand, continued to deliver to management expectation with double digit growth in a competitive marketplace.
- The Group completed the sale of its animal feeds business Robert Smyths and Sons ("Smyths") (including subsidiaries) on 22 August 2019 and this is classified as a discontinued operation in this year's results.
- Adjusted EPS increased by 61.9c to 89.3c.

FINANCIAL POSITION

- The Group has a cash position, net of debt, of €21.3m at year end compared to a €0.1m net position in 2018.
- Proceeds (net of disposal costs) received following the completion of the sale of our animal feeds business Smyths were €16.7m.

RETURN OF CAPITAL

- The Group purchased 42,045 shares in the year ended 31 August 2019 at a cost of €0.4m. The Group currently has issued share capital of 4,760,807 with 612,614 of those shares held as treasury shares.

FINANCIAL HIGHLIGHTS

Continuing operations – pre-exceptional		2019	2018*	Change
Operating profit	€'000	3,442	2,130	+€1.3m
Adjusted operating profit**	€'000	3,725	2,193	+€1.5m
Adjusted earnings per share**	Cent	89.3c	27.4c	+61.9c
Profit before tax – continuing operations	€'000	3,181	2,027	+€1.2m
Profit after tax – continuing operations	€'000	4,040	1,755	+€2.3m
Continuing operations				
Revenue - continuing operations	€'000	45,229	40,611	+€4.6m
Operating cash flow before interest & tax	€'000	4,902	3,979	+€0.9m
Operating profit	€'000	3,687	1,838	+€1.8m
Profit before tax	€'000	2,612	21,127	-€18.5m
Profit after tax	€'000	3,471	20,795	+€17.3m
Basic earnings per share – continuing operations	Cent	76.63c	258.26c	-181.63c
Cash at bank less overdraft	€'000	25,327	5,314	+€20.0m
Debt	€'000	(4,061)	(5,223)	-€1.2m
Investment property carrying value	€'000	2,510	2,480	+€0.03m
Net asset value per share**	€	8.03	6.84	+€1.19

* As restated to reflect the effect of the animal feed discontinued operations

** Adjusted operating profit and adjusted earnings per share before the impact of exceptional items, change in fair value of investment properties and the related deferred tax

*** Net assets are total equity attributable to equity holders of the Company

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Chairman's Statement

The Board is very pleased by the performance of the Group's trading businesses over the course of the year as well as the successful completion of the sale of our animal feeds business Smyths.

Adverse weather conditions in European growing areas impacted the 2018/2019 potato crops which led to poor availability of seed in the wider market. Our seed potato business experienced growing demand for its proprietary varieties which combined with strong trading margins delivered an excellent performance for the year. We continue to invest in the development of innovative seed potato with six new varieties commencing commercialisation in the coming year.

Speciality dairy continued to experience double digit (volume and sales) growth in both the UK and Ireland in 2019 with a significant capital project currently underway which will double capacity in our Killygordon based business.

Overall, Group revenue was €45.2m for the year with operating profit of €3.4m. This resulted in adjusted earnings per share of 89.3c, an increase of 61.9c on the 12 months to 31 August 2018.

Following the completion of the sale of Smyths and the underlying performance of our trading businesses the Group had a cash position, net of debt, of €21.3m at year-end with a net asset value per share of €8.03, an increase of €1.19 per share on the prior year.

The Group will continue its strategic review to assess all options available to the Group to maximise shareholder value, and shareholders will be updated at the appropriate time.

AGM

The Group will announce in due course the date of its next AGM.

Geoffrey Vance
Chairman

Managing Director's Review

Produce and Dairy

The Group's Produce and Dairy segment has delivered a strong performance for the 12 months ending 31 August 2019. Revenue grew by 11.4% to €45.2m and segmental profit increased by 47.0% to €4.0m.

Our Produce business comprises the seed potato business Irish Potato Marketing ('IPM'), AJ Allan in Scotland, IPM Portugal and Kirinyaga Seeds Limited. **IPM** is an agile and innovative agri-tech business developing potato genetics to create value-added varieties. The largest business within our Produce division currently has 36 proprietary potato varieties including names such as Rooster, Burren, Banba, Slaney, Nectar and Electra which it produces and exports to over 40 countries worldwide. Key markets include North Africa, the Middle East, the UK and Ireland. Seed production takes place in dedicated growing areas including Scotland, England, Ireland, France and Holland. Both production and sales only take place in territories which recognise and embrace variety copyright regulation.

As noted in our Interim results announcement, seed potato crops across Europe were impacted by the extreme weather conditions experienced during the summer of 2018. As expected, this resulted in a reduction in the availability of seed in the wider market with the lack of supply driving a significant increase in the price of both seed and ware (table) potatoes. IPM experienced significant demand for its proprietary seed potato varieties from key markets which allowed the business to deliver both revenue growth and improved trading margins.

It is expected that yields of harvested crops for the 2019/2020 season will return to higher levels compared to 2018. Demand for seed is generally expected to remain strong with a possible tightening of margins due to the increased level of supply into the wider market.

IPM has a unique and deeply integrated R&D partnership with Teagasc, the Agriculture and Food Development Authority of Ireland. The 45-year exclusive partnership has consistently developed new varieties for commercialisation that address key demands of yield performance and adaptability/tolerance in specific climatic conditions, dormancy, disease resistance, processing qualities and cooking performance. IPM and Teagasc signed a new fifteen-year agreement in July 2019 continuing this successful partnership and collaboration.

IPM is committed to bringing new innovative seed potato varieties to market and have recently undergone successful commercial trialling of six new varieties which have been granted Plant Breeders Rights.

The Group has also recently invested in shareholdings in two growth platforms in Kenya and India to leverage IPM's expertise and proprietary varieties via licensing to develop the East African and Indian markets. The Group has a majority ownership of Kirinyaga Seeds in Kenya alongside a leading Kenyan food business. In India, the Group has taken a minority equity stake in Utkal Tubers, an integrated seed innovation business.

We believe potato will play an integral role in the challenge to feed a growing global population given the westernisation of diets in emerging markets and issues around water availability. IPM's proprietary varieties have the potential to produce more carbohydrate per unit of water than most of the global carbohydrate staples. IPM is well positioned to benefit from this global growth in demand for seed potato especially in developing countries.

Our speciality dairy business **NOMADIC**, located in Killygordon, Co. Donegal has delivered a very satisfactory performance for the year ended 31 August 2019.

NOMADIC continued to deliver double-digit revenue growth during the year against a background of UK Grocery/Wholesaler consolidation and the ongoing uncertainty of Brexit. NOMADIC has now consolidated its position as the number one yogurt brand in GB Convenience and Impulse channel, which has been a key strategic ambition over the last 5 years.

In August 2019 the NOMADIC brand was updated with a new design and website, better reflecting its mission to bring a little balance to everyday life. Furthermore, and in response to the broad consumer concerns re sustainability, the business will undergo a significant change to its pack format in early 2020 which will remove 200+ tonnes per year of plastic from the supply chain. This innovation which has taken over two years of research and planning has been very well received by trade customers and will be supported by a significant investment in consumer marketing in early 2020 to further support our growth agenda.

The business is also undertaking a significant capital expenditure programme which will double manufacturing capacity at our site in Donegal, Ireland in support of the Boards ambition to double the size of the business by the end of FY24.

Managing Director's Review *(continued)*

Finally, NOMAIDC is very mindful of the challenges posed by Brexit as well as consolidation in the UK retail sector but remains confident in the strength of its brand, consumer proposition, trade relationships and management's ability to deliver continued double-digit growth.

Finance and Balance Sheet

The Group has committed bank facilities of €13.8m (31 August 2018: €14.8m), including a Group overdraft facility of €9.8m (31 August 2018: €9.8m) for working capital requirements. Subsequent to year end, the Group has repaid the outstanding term debt of €4m in full.

Substantial Shareholdings

The shareholdings as at 28 November 2019 in excess of 3% of the issued share capital of the Company are as follows:

• Donegal Investment Group plc	616,318	12.95%
• Pageant Investments Limited	395,916	7.30%
• Goodbody Stockbrokers Nominees Limited	387,146	8.13%
• Quaero Capital SA	336,241	7.06%

Ian Ireland

Managing Director

Donegal Investment Group plc
Condensed consolidated statement of profit or loss and comprehensive income
for the year ended 31 August 2019

	Note	Pre- Exceptional €'000	Note 12 Exceptional €'000	2019 Total €'000	Restated* Pre- Exceptional €'000	Note 12 Exceptional €'000	Restated* 2018 Total €'000
Continuing operations							
Revenue	6	45,229	-	45,229	40,611	-	40,611
Cost of sales		(28,845)	-	(28,845)	(27,034)	-	(27,034)
Gross profit		16,384	-	16,384	13,577	-	13,577
Other income		110	-	110	338	-	338
Other expenses		-	-	-	(24)	-	(24)
Distribution expenses		(4,621)	-	(4,621)	(4,882)	-	(4,882)
Administrative expenses		(8,431)	245	(8,186)	(6,879)	(292)	(7,171)
Profit from operating activities		3,442	245	3,687	2,130	(292)	1,838
Finance income	5	5	-	5	74	-	74
Finance expenses		(266)	(814)	(1,080)	(177)	-	(177)
Net finance expense		(261)	(814)	(1,075)	(103)	-	(103)
Profit on disposal of asset held for sale		-	-	-	-	19,392	19,392
Profit/(loss) before income tax		3,181	(569)	2,612	2,027	19,100	21,127
Income tax credit/(charge)		859	-	859	(272)	(60)	(332)
Profit/(loss) for the year – continuing operations	6	4,040	(569)	3,471	1,755	19,040	20,795
Profit/(loss) for the year – from discontinued operations, net of tax	10	1,054	(30)	1,024	(227)	(676)	(903)
Profit/(loss) for the year		5,094	(599)	4,495	1,528	18,364	19,892

* As restated to reflect the effect of discontinued operations

Donegal Investment Group plc
Condensed consolidated statement of profit or loss and comprehensive income
for the year ended 31 August 2019

	2019	2018
	Total	Total
	€'000	€'000
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences for foreign operations	(29)	26
Recycle of currency translation differences for foreign operations	818	676
Recycle of change in fair value of available for sale financial asset	-	(51)
Tax on recycle of change in fair value of available for sale financial asset	-	13
Recycle of currency translation differences in asset held for sale	-	(615)
Recycle of revaluation of financial instrument in asset held for sale	-	1,900
Total comprehensive income for the year	5,284	21,841
Profit attributable to:		
Equity holders of the Company	4,222	19,757
Non-controlling interest	273	135
	4,495	19,892
Total comprehensive income attributable to:		
Equity holders of the Company	5,010	21,702
Non-controlling interest	274	139
	5,284	21,841
Earnings/(loss) per share		
Basic earnings/(loss) per share (euro cent):		
Continuing	76.63	258.26
Discontinued	24.54	(11.29)
	101.17	246.97
Diluted earnings/(loss) per share (euro cent):		
Continuing	74.18	251.68
Discontinued	23.76	(11.29)
	97.94	240.39

Donegal Investment Group plc
Condensed consolidated statement of financial position
As at 31 August 2019

	Note	31 August 2019 €'000	31 August 2018 €'000
Assets			
Property, plant and equipment	8	3,158	8,807
Investment property	9	2,510	2,480
Goodwill		2,324	3,324
Intangible assets		301	329
Investment in associates		257	255
Other investments	14	591	9
Total non-current assets		9,141	15,204
Inventories		2,085	3,835
Trade and other receivables		10,239	22,949
Cash at bank		25,735	6,978
Deferred tax asset	13	958	-
Current financial instrument		-	43
Total current assets		39,017	33,805
Total assets		48,158	49,009
Equity			
Share capital		619	705
Share premium		2,975	2,975
Other reserves		(4,067)	(7,420)
Retained earnings		33,996	32,409
Total equity attributable to equity holders		33,523	28,669
Non-controlling interest		838	1,188
Total equity		34,361	29,857
Liabilities			
Loans and borrowings		41	5,174
Deferred income		300	308
Deferred tax liabilities		-	626
Total non-current liabilities		341	6,108
Loans and borrowings		4,020	49
Trade and other payables		8,799	11,257
Bank overdraft		408	1,664
Current tax		182	74
Current financial instrument		47	-
Total current liabilities		13,456	13,044
Total liabilities		13,797	19,152
Total equity and liabilities		48,158	49,009

Donegal Investment Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 August 2019

	Share capital €'000	Other undeno- minated capital	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 September 2018	705	632	2,975	(2,699)	(9,018)	3,382	283	32,409	28,669	1,188	29,857
IFRS 9 transition adjustment (note 5)	-	-	-	-	-	-	-	(181)	(181)	(15)	(196)
Balance at 1 September 2018 (restated)	705	632	2,975	(2,699)	(9,018)	3,382	283	32,228	28,488	1,173	29,661
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	4,222	4,222	273	4,495
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	-	(30)	-	-	-	-	(30)	1	(29)
Acquisition of non-controlling interest											
Recycle of currency translation differences for foreign operations	-	-	-	818	-	-	-	-	818	-	818
Other comprehensive income	-	-	-	788	-	-	-	440	1,228	(574)	654
Total comprehensive income for the year	-	-	-	788	-	-	-	4,662	5,450	(301)	5,149
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners											
Dividends paid	-	-	-	-	-	-	-	-	-	(34)	(34)
Cancellation of treasury shares	(86)	86	-	-	2,894	-	-	(2,894)	-	-	-
Acquisition of treasury shares	-	-	-	-	(415)	-	-	-	(415)	-	(415)
Total contributions by and distributions to owners	(86)	86	-	-	2,479	-	-	(2,894)	(415)	(34)	(449)
Changes in ownership interests											
Acquisition of non-controlling interest											
								440	440	(575)	(135)
Total changes in ownership interests	-	-	-	-	-	-	-	440	440	(575)	(135)
Total transactions with owners of the Company	(86)	86	-	-	-	-	-	440	440	(575)	(135)
Balance at 31 August 2019	619	718	2,975	(1,911)	(6,539)	3,382	283	33,996	33,523	838	34,361

Donegal Investment Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 August 2018

	Share capital €'000	Other undenominated capital	Share premium €'000	Translation reserve €'000	Reserve for own shares €'000	Revaluation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 September 2017	1,337	-	2,975	(2,782)	(3,023)	3,694	(1,862)	638	57,236	58,213	1,083	59,296
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	19,757	19,757	135	19,892
Other comprehensive income												
Foreign currency translation differences for foreign operations	-	-	-	22	-	-	-	-	-	22	4	26
Recycle of currency translation differences for foreign operations	-	-	-	676	-	-	-	-	-	676	-	676
Recycle of change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	-	(38)	-	-	(38)	-	(38)
Recycle of currency translation differences in asset held for sale	-	-	-	(615)	-	-	-	-	-	(615)	-	(615)
Recycle of revaluation of financial instrument in asset held for sale	-	-	-	-	-	-	1,900	-	-	1,900	-	1,900
Recycle of change in fair value of property, net of tax	-	-	-	-	-	(312)	-	-	312	-	-	-
Other comprehensive income	-	-	-	83	-	(312)	1,862	-	312	1,945	4	1,949
Total comprehensive income for the year	-	-	-	83	-	(312)	1,862	-	20,069	21,702	139	21,841
Transactions with owners recorded directly in equity												
Contributions by and distributions to owners												
Dividends paid	-	-	-	-	-	-	-	-	-	-	(34)	(34)
Share redemption	(632)	632	-	-	-	-	-	-	(44,959)	(44,959)	-	(44,959)
Acquisition of treasury shares	-	-	-	-	(6,047)	-	-	-	-	(6,047)	-	(6,047)
Shared based payments	-	-	-	-	52	-	-	(355)	63	(240)	-	(240)
Total contributions by and distributions to owners	(632)	632	-	-	(5,995)	-	-	(355)	(44,896)	(51,246)	(34)	(51,280)
Balance at 31 August 2018	705	632	2,975	(2,699)	(9,018)	3,382	-	283	32,409	28,669	1,188	29,857

Donegal Investment Group plc
Condensed consolidated statement of cash flows
for the year ended 31 August 2019

	2019 €'000	2018 €'000
Cash flows from operating activities		
Profit for the year	4,495	19,892
Adjustments for:		
Depreciation	933	975
Amortisation of intangibles	58	52
Change in fair value of investment property	(30)	(43)
Change in fair value of other investments	-	61
Net finance expense	1,075	75
Gain on sale of asset held for sale	-	(19,392)
Gain on sale of property, plant and equipment	(12)	(106)
Gain on sale of other investments	-	(57)
Loss on sale of investment property	-	24
Loss on sale of subsidiary	30	-
Share-based payment transactions	586	616
Income tax (credit)/expense	(859)	611
Change in inventories	(599)	786
Change in trade and other receivables	(3,063)	(1,168)
Change in trade and other payables	2,288	1,653
	<u>4,902</u>	<u>3,979</u>
Interest paid	(122)	(116)
Income tax paid	(646)	(1,725)
	<u>(768)</u>	<u>(1,841)</u>
Net cash from operating activities	<u>4,134</u>	<u>2,138</u>
Cash flows from investing activities		
Interest received	4	13
Dividends received	1	1
Proceeds from sale of investment property, property, plant and equipment	30	1,331
Proceeds from disposal of other investments	-	117
Proceeds from disposal of subsidiary, net of disposal costs and overdraft disposed	16,708	-
Proceeds from disposal of asset held for sale	2,000	41,488
Repayment of loan to associate	-	532
Acquisition of minority interest	(135)	-
Acquisition of other investments	(582)	-
Acquisition of property, plant and equipment	(785)	(1,135)
Acquisition of intangibles	(30)	(15)
	<u>17,211</u>	<u>42,332</u>
Net cash from investing activities	<u>17,211</u>	<u>42,332</u>

Donegal Investment Group plc
Condensed consolidated statement of cash flows *(continued)*
for the year ended 31 August 2019

	2019	2018
	€'000	€'000
Cash flows from financing activities		
Repayment of borrowings	(1,000)	-
Payment of finance lease liabilities	(20)	(35)
Acquisition of treasury shares	(415)	(6,047)
Share based payments	-	(538)
Share redemption	-	(44,958)
Dividend paid to non-controlling interest	(34)	(34)
	<hr/>	<hr/>
Net cashflow from financing activities	(1,469)	(51,612)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	19,876	(7,142)
Cash and cash equivalents at start of year	5,314	12,206
Effect of exchange rate fluctuations on cash held	137	250
	<hr/>	<hr/>
Cash and cash equivalents at end of year, net of overdraft	25,327	5,314
	<hr/>	<hr/>

(1) Reporting entity

Donegal Investment Group Plc (the “Company”) is a public company incorporated, domiciled and tax resident in Ireland. The condensed consolidated financial statements of the Group as at and for the year ended 31 August 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

(2) Basis of preparation

General information and accounting policies

The consolidated financial statements for the year ended 31 August 2019 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (together IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (‘EU IFRS’).

The financial information presented in this report has been prepared using accounting policies consistent with EU IFRS and as set out in the Group’s annual financial statements in respect of the year ended 31 August 2018 except as noted below. The financial information does not include all the information and disclosures required in the annual financial statements. The Annual Report will be distributed to shareholders and made available on the Company’s website www.donegaligroup.com in due course. It will also be filed with the Company’s annual return in the Companies Registration Office. The auditors have reported on the financial statements for the year ended 31 August 2019 and their report was unqualified and did not contain any matters to which attention was drawn by way of emphasis. The financial information for the year ended 31 August 2018 represents an abbreviated, restated (see note 5) version of the Group’s statutory financial statements on which an unqualified audit report was issued and which have been filed with the Companies Registration Office.

The financial statements are presented in euro, which is the Company’s functional currency. All financial information presented in euro is rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets classified as available-for-sale and investment property and biological assets.

(3) Accounting policies

The accounting policies and methods of computation and presentation adopted in the preparation of the Group financial information are consistent with those described and applied in the Annual Report for the year ended 31 August 2018 with the exception of IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers which are described below. A number of other changes to IFRS became effective in 2018, however they did not have a material effect on the financial information included in this report.

New and amended standards and interpretations effective during 2019

Financial instruments

The Group adopted *IFRS 9 Financial Instruments*, which addresses the classification, measurement and recognition of financial assets and liabilities, effective for the reporting period beginning 1 September 2018. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. In particular, IFRS 9 introduces a new model for recognising bad debt provisions based on expected credit losses (ECL). The impact of adopting IFRS 9 was to increase for impairment losses against receivable by €196,000. This adjustment has been recognised at 1 September 2018 and comparative numbers have not been restated (see note 5).

Revenue recognition

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue and IAS 11 Construction Contracts and associated interpretations. The standard applies a single control model to be applied to all contracts with customers. Under IFRS 15, revenue is recognised when control of the goods has been transferred to the buyer at an amount that reflects the consideration that the Group expects to receive for the transfer of those goods.

(3) Accounting policies (continued)

The Group has considered the impact on its consolidated financial statements resulting from the application of IFRS 15. The Group recognises revenue at a point in time when control of the goods has transferred to the customer, which can either be on shipping or delivery depending on the terms of trade with the customer. The Group measures revenue recognised as the consideration that it expects to receive from its customers for the sale of these goods. The Group assessed all of its material contracts with suppliers and customers under the revised IFRS 15, including in particular, principal versus agent considerations and concluded that the accounting for all material arrangements continued to be appropriate. Following our review, it was concluded that the impact of adopting IFRS 15 on the consolidated financial statements was not material for the Group.

The Group has adopted the modified retrospective approach on transition to IFRS 15. There has been no adjustment to retained earnings at 1 September 2018 and 2017 comparatives have not been restated.

New and amended standards and interpretations issued but not yet effective

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model whereby all leases are accounted for as finance leases, with some exemptions for short-term and low-value leases. It also includes an election which permits a lessee not to separate non-lease components (e.g. maintenance) from lease components and instead capitalise both the lease cost and associated non-lease cost. The lessee will recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and the Group will apply IFRS 16 from 1 September 2019.

The standard will primarily affect the accounting for the Group's operating leases. The application of IFRS 16 will result in the recognition of additional assets and liabilities in the consolidated statement of financial position and in the consolidated income statement it will replace the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities.

The Group has completed an initial assessment of the potential impact of IFRS 16 on its consolidated financial statements. The Group will adopt the new standard by applying the modified retrospective approach and will avail of the recognition exemption for short-term and low-value leases. The Group's non-cancellable operating lease commitments on an undiscounted basis at 31 August 2018 are detailed in Note 29 to the consolidated financial statements of the Group's 2018 Annual Report and provides an indication of the scale of leases held by the Group.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of approximately €0.75m as at 1 September 2019. A corresponding right-of-use asset will also be recognised.

In addition to IFRS 16, the following standards, amendments and interpretations will be applicable in the financial period beginning 1 September 2019:

- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayments with Negative Compensation

(4) Estimates

The preparation of 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 expense. Actual results may differ from these estimates. In preparing these 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 in prior periods (in respect of the carrying value of goodwill, deferred tax, financial assets and liabilities).

(5) Restatement

Impairment of trade receivables

The Group adopted IFRS 9 Financial Instruments from 1 September 2018. In accordance with the transitional provisions of IFRS9, comparative figures have not been restated. The impact of adopting IFRS 9 was to increase for impairment losses against receivable by €196,000. This adjustment has been recognised at 1 September 2018 and comparative numbers have not been restated.

(6) Segment Information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segments and to assess their performance.

As a result of the disposal of the Group's Agri business during the year ended 31 August 2019, the Group has revised the basis on which it identifies its reportable operating segments which is in line with changes in its internal organisation. Accordingly, the Group has restated the previously reported segment information for the year ended 31 August 2018.

The Group now comprises of one reportable business segment:

- Produce and dairy: The growing, sales and distribution of seed potatoes and organic produce, the manufacture, sale and distribution of dairy products and management of related property assets.

Information regarding the results of the reportable segment is included below. Performance is measured based on segment operating profit/(loss) as included in the internal management reports that are reviewed by the Group's CODM, being the Board. Segment operating profit is used to measure performance; as such information is the most relevant in evaluating the results of the Group's segments. Segment results, assets and liabilities include all items directly attributable to a segment. Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

(6) Segment information (continued)

Business segments *(continued)*

	Produce and Dairy		Total-Group	
	2019	Restated 2018*	2019	Restated 2018*
	€'000	€'000	€'000	€'000
Total revenues	45,229	40,611	45,229	40,611
Segment result before exceptional items & property devaluations	4,058	2,784	4,058	2,784
Property revaluations	(30)	(43)	(30)	(43)
Segmental result from continuing operations before exceptional items	4,028	2,741	4,028	2,741
Gain on disposal of asset held for sale			-	19,392
Other exceptional items			(569)	(352)
Net finance expense			(261)	(103)
Income tax credit/(expense)			859	(272)
Share-based payment expense			(586)	(611)
Profit for the year – continuing operations			3,471	20,795

* As restated to reflect the effect of discontinued operations

(6) Segment Information (continued)
Business segments (continued)

	Produce and Dairy		Total-Group	
	31 August	31 August	31 August	31 August
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Segment assets	21,465	41,988	21,465	41,988
Cash at bank (unallocated)	-	-	25,735	6,978
Current financial instrument (unallocated)	-	-	-	43
Deferred tax	958	-	958	-
Total assets	22,423	41,988	48,158	49,009
Segment liabilities	9,281	11,639	9,281	11,639
Bank overdraft (unallocated)	-	-	408	1,664
Loans and borrowings (unallocated)	-	-	4,061	5,223
Current financial instrument (unallocated)	-	-	47	-
Deferred tax	-	626	-	626
Total liabilities	9,281	12,265	13,797	19,152
Capital expenditure	815	1,150	815	1,150
Depreciation and amortisation	991	581	991	581
Revaluation of investment property and other assets	(30)	19	(30)	19

(6) Segment Information (continued)

Entity-wide disclosures

Section 1: Information about products and service

The Group determines that the categories used in investor presentations can be used to meet the objective of the disaggregation disclosure requirement in paragraph 114 of IFRS 15, which is to disaggregate revenue from contracts with customers into categories that depicts how the nature, amount, timing and uncertainty of revenue and cashflows are affected by economic factors.

The following table illustrates the disaggregation disclosure by principal products and services to external customers.

	Produce and Dairy	
	2019	Restated 2018*
	€'000	€'000
Seed potatoes	27,347	25,731
Dairy products	17,882	14,880
	<hr/> 45,229	40,611

* As restated to reflect the effect of discontinued operations

The Group had one customer that comprised 18% of its total revenue in the year ended 31 August 2019 (2018: 22%).

(7) Earnings per share

The calculation of basic and diluted earnings/(loss) per share is set out below:

	31 August 2019	31 August 2018
	€'000	€'000
Profit for the year - continuing operations	3,471	20,795
Profit/(loss) for the year - discontinued operations	1,024	(902)
	<hr/>	<hr/>
Profit for the year	4,495	19,893
	<hr/>	<hr/>
Profit attributable to ordinary shareholders	4,222	19,757
	<hr/>	<hr/>
Weighted average number of ordinary shares	31 August 2019	31 August 2018
In thousands of shares		
Weighted average number of ordinary shares in issue for the year	4,923	8,887
Weighted average number of treasury shares	(750)	(888)
	<hr/>	<hr/>
Denominator for basic earnings per share	4,173	7,999
Effect of share options in issue	137	209
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 August	4,310	8,209

During the year, the Group purchased 42,045 treasury shares at a total purchase price of €415,250 including transaction costs, in a number of transactions, intended to be used to settle the Group share option scheme.

As the Group incurred a loss on discontinued operations in 2018, share options have an anti-dilutive impact and as such were not included in the diluted earnings/(loss) per share calculation.

	31 August 2019	31 August 2018
Basic earnings/(loss) per share (euro cent)		
Continuing	76.63	258.26
Discontinued	24.54	(11.29)
	<hr/>	<hr/>
	101.17	246.97
	<hr/>	<hr/>
Diluted earnings/(loss) per share (euro cent)		
Continuing	74.18	251.68
Discontinued	23.76	(11.29)
	<hr/>	<hr/>
	97.94	240.39
	<hr/>	<hr/>

(8) Property, plant and equipment

Additions and disposals – continuing and discontinued operations

During the year ended 31 August 2019, the Group acquired assets for €815,000 (31 August 2018: €1,133,000). Assets with a net book value of €30,000 were disposed of during the year ended 31 August 2019 (31 August 2018: €90,000), resulting in a gain on disposal of €12,000 (31 August 2018: gain of €106,000).

(9) Investment property

	31 August 2019	31 August 2018
	€'000	€'000
Balance at beginning of year	2,480	3,552
Change in fair value	30	43
Disposal	-	(1,115)
Balance at end of year	2,510	2,480

Investment property includes the Oatfield site in Letterkenny and property in Donegal and Dublin.

Additions and disposals

During the year ended 31 August 2019, the Group did not acquire any investment properties (31 August 2018: €Nil). The Group did not dispose any investment property during the year (31 August 2018: €1,115,000) resulting in a no gain/(loss) on disposal during the year (31 August 2018: loss of €24,000).

(10) Discontinued operations

During the year, the Group disposed of its agri-activities, namely its animal feeds business and therefore the trade for the year is presented as discontinued operations. During 2018, the Group discontinued its Brazilian produce operations and the trade in 2018 is presented as a discontinued operation.

The profit incurred in respect of its Agri operations in 2019 was €1,054,000 and the 2018 results have been restated on a comparable basis as required. The revenue, results and cashflows of the Group's discontinued operations were as follows:

	2019	2018
	€'000	€'000
Revenue	33,117	35,949
Cost of sales	(27,372)	(29,798)
Gross profit	5,745	6,151
Other income/(expense)	-	7
Distribution expenses	(2,628)	(2,637)
Administrative expenses	(1,808)	(3,484)
Profit from operating activities	1,309	37
Finance income	11	28
Finance expense	(101)	(13)
Net finance expense	(90)	15
Results for the period before taxation and exceptional	1,219	52
Income tax	(165)	(279)
Exceptional item	-	(676)
Results for the period after taxation	1,054	(903)
Loss on disposal of discontinued operations	(30)	-
Profit/(loss) for the period on discontinued operations	1,024	(903)
Cashflow		
Profit/(loss) for the period:	1,054	(903)
Depreciation	410	447
Income tax expense	165	279
Net finance expense/(income)	90	(15)
Profit on disposal of fixed assets	(12)	(7)
Acquisition of property plant & equipment	(456)	(631)
Income tax paid	(180)	(336)
Changes in inventory	(438)	27
Changes in trade and other receivables	(1,469)	(2,269)
Changes in trade and other payables	(79)	2,826
Net decrease in cash and cash equivalents	(915)	(582)

(11) Disposal of subsidiary

	Note	2019 €'000	2018 €'000
Loss on disposal of subsidiary, net	10	(30)	-

The Group disposed of its agri-activities, namely its animal feeds business, on 22 August 2019 for €17,250,000 on a cash and debt free basis plus an adjustment in respect of actual completion working capital versus the agreed target working capital.

The carrying value of net identifiable assets disposed of amounts to €16,839,000, resulting in a loss on disposal of €30,000.

The net assets of the businesses disposed of were as follows:

	2019 €'000
Assets	
Intangible assets	1,000
Property, plant & equipment	5,398
Inventories	2,222
Trade & other receivables	13,271
Cash & cash equivalents	1,445
Total assets	23,336
Liabilities	
Trade and other payables	(4,605)
Bank overdraft	(1,598)
Deferred tax liabilities	(294)
Total liabilities	(6,497)
Total enterprise value	16,839

(12) Exceptional items

Exceptional items are those that, in management’s judgement, should be disclosed by virtue of their nature or amount. Such items are included in the statement of profit or loss and comprehensive income caption to which they relate and are separately disclosed in the notes to the Group Financial Statements. The Group reports the following exceptional items:

		2019	2018
		€’000	€’000
Gain on disposal of asset held for sale – MMM	a	-	19,392
Reversal of legal costs payable in respect of the option over financial asset held in MMM	b	-	240
Legal costs in respect of the legal case with MMM	c	-	(413)
Restructuring costs	d	-	(50)
Other legal costs	e	-	(69)
Award of other legal costs	f	245	-
Non-cash recycle of currency translation differences	g	(814)	-
Income tax expense in respect of exceptional items		-	(60)
Exceptional costs – continuing operations		(569)	19,040
Loss on disposal of subsidiaries, net	h	(30)	-
Non-cash recycle of currency translation differences	i	-	(676)
Total exceptional costs for the year		(599)	18,364

a) Gain on disposal of the Group’s interest in Monaghan Middlebrook Mushrooms (MMM) in 2018. The first of two deferred payments of €2m in respect of the disposal was received during the year, in February 2019.

b) Reversal of legal costs payable in respect of the option over the financial asset held in MMM and were associated with the legal case with MMM which was settled during the year as a result of the settlement referred to above.

c) Legal costs are costs in respect of the settled legal case with MMM.

d) Restructuring costs include legal and professional advice in respect of costs associated with restructuring the Group.

e) Other legal costs are costs in respect of the share redemption incurred during 2018.

f) Awarding of legal costs, accrued in previous periods, as a result of costs and damages awarded by the Courts in respect of other legal cases.

g) Non cash recycle of foreign exchange translation reserves in respect struck off subsidiaries in 2019.

h) Loss on disposal of agri-activities, namely the Group’s animal feeds business, disposed during 2019.

i) Non cash recycle of foreign exchange translation reserves in respect discontinued operations in 2018.

(13) Deferred tax asset

The Group re-evaluated the recoverability of certain deferred tax assets which resulted in the recognition of an asset in respect of tax losses carried forward of €1,268,000 in the year on the basis that as it is probable that future taxable profit will be available against the losses which the Group can utilise the benefit from.

(14) Investments

The Group acquired the minority interest 25% shareholding in McCorkell Holdings Limited on 25 October 2018 and the total interest was disposed of on 22 August 2019 (see Note 11).

The Group acquired 17.12% shareholding in Utkal Seeds Limited, a produce company based in India, on 8 March 2019.

(15) Events after the balance sheet date

The Group purchased 3,704 ordinary shares of 13 cent held as treasury shares subsequent to the year end, for a total cost of €40,949.

The Group repaid the secured bank loan in full post year end.

There have been no other significant events subsequent to the year end which would require adjustment to, or disclosure in, the financial statements.