



Donegal 

Donegal Investment Group plc

Annual Report & Financial Statements

for the year ended 31 August 2019

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

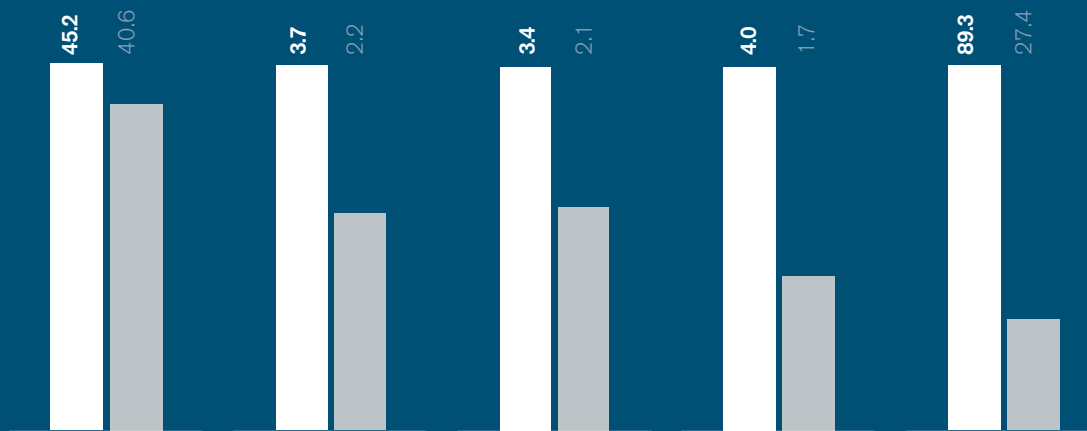
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Financial Highlights

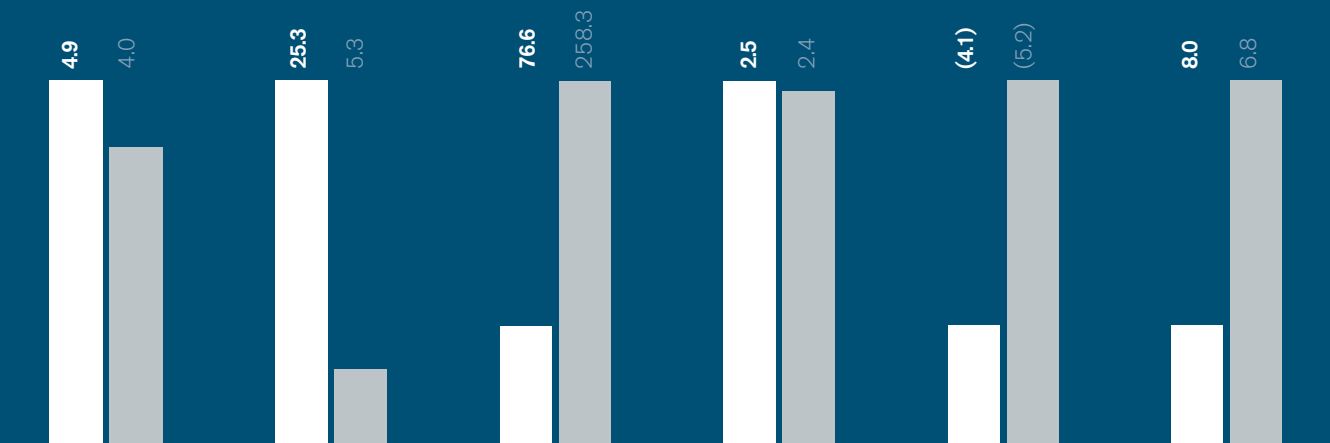
Continuing Operations – Pre-exceptional

Revenue – continuing operations	Adjusted operating profit	Operating profit – continuing operations	Profit after tax – continuing operations	Adjusted earnings per share*
€45.2m	€3.7m	€3.4m	€4.0m	89.3c
€4.6m ▲	€1.5m ▲	€1.3m ▲	€2.3m ▲	61.9c ▲



Continuing Operations

Operating cash flow before interest & tax	Cash at bank less overdraft	Basic earnings per share – continuing operations, post exceptional	Investment property carrying value	Debt	Net asset value per share**
€4.9m	€25.3m	76.6c	€2.5m	(€4.1m)	€8.0
€0.9m ▲	€20.0m ▲	(181.6c) ▼	€0.1m ▲	(€1.2m) ▼	€1.2 ▲



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

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

The Directors present their report and the audited financial statements for the year ended 31 August 2019. The comparative amounts relate to the 12 months ended 31 August 2018.

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.

Board of Directors and Other Information

The Board of Directors of Donegal Investment Group plc currently comprises seven Non-Executive Directors and two Executive Directors.

Non-Executive Directors



Geoffrey Vance (aged 68) is Chairman of Donegal Investment Group plc. He has served on the Board of Donegal Investment Group plc since its conversion from a society in 1989. Prior to this, he served for a number of years on the Committee of management of Donegal Co-operative Creameries Limited.



Frank Browne (aged 66), was appointed to the Board on 29 June 2011. Frank previously served on the Board of Donegal Investment Group plc from 1996 to 2006. He holds no other directorships.



Michael Griffin (aged 72) was appointed to the Board on 1 March 2010. Michael is a graduate of UCC and has over 36 years experience in the food industry in Ireland and the UK. Prior to this, he served as an executive director of the Kerry Group plc from 1990 until his retirement in 2004.



Patrick Kelly Jnr (aged 46) was appointed to the Board on 7 July 2004. He is chairman of the Audit Committee. He is also a former director of Teagasc and former National Chairman of Macra na Feirme.



Geoffrey McClay (aged 54) was appointed to the Board on 1 July 2010. Geoffrey previously served on the Board of Donegal Investment Group plc during the period 2001 to 2006. He is also a director of Mullinacross Enterprises Limited.

Executive Directors



Henry McGarvey (aged 52) was appointed to the Board on 28 August 2013. Henry was previously Managing Director of Pramerica Systems Ireland Limited and is currently a board member of the Western Development Commission. Previously, he worked in senior executive positions with Almarai in Saudi Arabia and Motorola and Accenture in Dublin.



Norman Witherow (aged 67) was appointed to the Board on 2 July 2003. He is vice chairman of the Board and chairman of the Remuneration Committee.



Ian Ireland (Managing Director), BSC, MBA, Chartered Director (aged 58) joined Donegal Investment Group plc in January 2005. Prior to that, he had spent over 20 years working in the food industry in Ireland and the UK.



Padraic Lenehan (Finance Director) BCOMM, FCCA (aged 45) was appointed to the Board on 1 July 2015. Padraic joined Donegal Investment Group plc in 2008 as Financial Controller of its Dairy business, where he subsequently became Financial Controller of the merged Aurivo and Donegal Creameries milk business. In 2013 he returned to Donegal Investment Group plc as Head of Finance. Prior to that, he worked for RTÉ, Accenture and in financial services in Dublin.

Secretary and registered office

P Lenehan
Ballyraine
Letterkenny
Co Donegal

Independent auditor

KPMG
Chartered
Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Solicitors

VP McMullin & Son
Letterkenny
Co Donegal

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

Mason Hayes
Curran
Barrow Street
Dublin 4

Principal Bankers

Allied Irish Bank plc
Letterkenny
Co Donegal

Registered number

162921

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.



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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

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.



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.

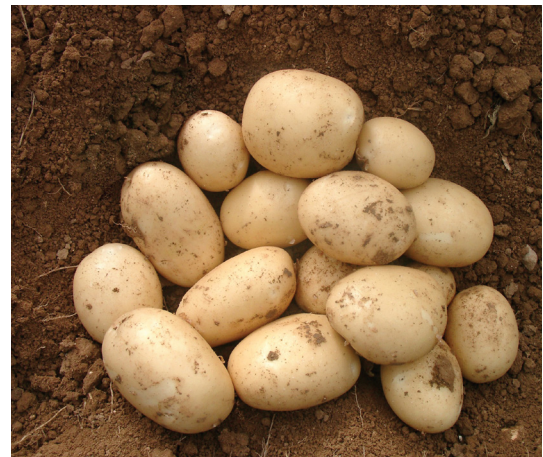
Our Produce business comprises the seed potato business Irish Potato Marketing ('IPM'), AJ Allan in Scotland, IPM Portugal and Kirinyaga Seeds Limited. **IPM** is an agile and innovative agri-tech business developing potato genetics to create value-added varieties. The largest business within our Produce 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 world-wide. 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.



Managing Director's Review *(continued)*

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.

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:

Name	Holding	%
Donegal Investment Group plc	616,318	12.95%
Pageant Investments Limited	395,916	7.30%
Goodbody Stockbrokers Nominees Limited	387,146	7.14%
Quaero Capital SA	336,241	7.06%

Ian Ireland
Managing Director



Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 August 2019. Donegal Investment Group plc is an ESM listed company, ISIN Code IE00BD97C178.

Principal activities

During the year, the Group was engaged in the development, purchase and sale of seed potatoes, the manufacture, sale and distribution of dairy products and the rental and sales of property assets.

During the year, the Group disposed of its agri-activities, namely its animal feeds business and therefore the trade of this business for the year is presented as discontinued operations.

Business review

The Chairman's statement and Managing Director's review include a comprehensive review of the Group's businesses. Turnover from continuing operations in the year was €45.2m (2018: €40.6m). The Group recorded an operating profit of €3.4m before exceptional items for the year ended 31 August 2019 in comparison with an operating profit of €2.1m in 2018. In monitoring performance the Directors and management have regard to a range of key performance indicators (KPIs), including the following:

Financial KPI's	2019	2018*	Change
Continuing operations – pre-exceptional			
Operating profit	€3.4m	€2.1m	+€1.3m
Profit before tax	€3.2m	€2.0m	+€2.2m
Continuing operations			
Revenue - continuing operations	€45.2m	€40.6	+€4.6m
Operating cash flow before interest & tax	€4.9m	€4.0m	+€0.9m
Operating profit	€3.7m	€1.8m	+€1.9m
Profit before tax	€2.6m	€21.1m	-€18.5m
Profit after tax	€3.5m	€20.8m	-€17.3m
Basic earnings per share – continuing operations	76.63c	258.26c	-181.63c
Cash and overdraft, net	€25.3m	€5.3m	+€20.0m
Debt	(€4.1m)	(€5.2m)	(€1.1m)
Net assets attributable to shareholders	€33.5m	€28.7m	+€4.8m

* As restated to reflect the effect of discontinued operations

Profits and dividends

Profit for the financial year amounted to €4.5m (2018: profit of €19.9m). A dividend is not declared in respect of 2019 or 2018. The results for the financial year ended 31 August 2019 are set out in detail on pages 30 to 94.

Directors' Report *(continued)*

Principal risks and uncertainties

Under Irish company law, the Group and Company are required to give a description of the principal risks and uncertainties which they face. These principal risks, and the actions taken to mitigate them are set out below. This is not intended to be an exhaustive analysis of all risks currently facing the Group and does not list the risks in any order or priority.

Risk and risk description	Key control and mitigation activities
<p>Brexit The uncertainty in respect of cross border trade and taxation issues associated with the United Kingdom leaving the EU.</p>	Local and senior management across the Group are actively managing the Group's mitigation plans to ensure that the risk is minimised in the event of the UK leaving the EU.
<p>Unusual weather patterns The disruption of supply and demand of produce due to unusual weather conditions.</p>	<p>The Groups diversified product sourcing activities mitigates the risk.</p> <p>Management monitor and plan for expected weather conditions in growing areas.</p>
<p>Consumer demand Excess supply and/or reduced consumer demand resulting in reduced selling prices.</p>	The market is continually monitored and reviewed by management to ensure appropriate measures in place.
<p>Regulation and compliance Exposure to changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which the Group operates.</p>	Regular monitoring and review of any changes in laws and regulations including ongoing employee training and use of experts.
<p>Food safety Contamination of product cycle.</p>	<p>Regular review of policies and procedures to ensure they are effective and adequate.</p> <p>Continuous development of high level food safety culture.</p>
<p>Key customer relationships Ability to sustain commercial relationships with key customers in a competitive environment.</p>	Customer relationships are developed and maintained by operational management focusing on added value, choice, price and service.
<p>Credit risk Default of counterparties in respect of money owed to the Group.</p>	Credit limits are regularly reviewed in accordance with credit control procedures in place across the Group.
<p>Foreign currency Adverse changes to sterling relative to the euro.</p>	Foreign currency risk is managed by utilising forward contracts to cover committed exposures.
<p>IT systems and cyber security Security of information technology including cyber security in supporting the group's business activity.</p>	<p>Information security policies and procedures are in place to protect business and personal information.</p> <p>A policy is in place in respect of backups across the Group, which is regularly tested.</p>
<p>Retention of key personnel The ability to retain key talented staff across the Group.</p>	<p>Recruitment policies, management incentives and training programmes are in place across the Group to encourage retention of key personnel.</p> <p>Board composition and succession plans are assessed by the Nomination committee.</p>

The Directors have analysed these and other risks and appropriate plans are in place to manage and mitigate these risks. The corporate governance report on pages 15 to 19 sets out the policies and approach to risk management adopted by the Group and the related internal control procedures and responsibilities.

Financial management

Our financial risk management objectives and policies and exposure to market risk are outlined in Note 5 to the consolidated financial statements.

Going concern

The Directors have reviewed the Group's business plan for the next 12 months and other relevant information and have a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

Future developments in the business

A review of future developments in the business is included in the Managing Director's Review on pages 8 to 10.

Events since the year end

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.

Board of Directors

The Directors of the Company on 31 August 2019 are listed on pages 4 and 5. Ian Ireland, Patrick Kelly Jnr, Frank Browne and Henry McGarvey retire by rotation, and intend to stand for re-election at the AGM.

The interest of the Directors and secretary are disclosed in the report of the remuneration committee on pages 21 to 24.

Purchase of own shares

The Constitution of the Company enables it to purchase treasury shares. The Company also seeks annual authorisation from shareholders to make market purchases of the Company's shares (as defined by Section 328 of the Companies Act 2014). The maximum number of shares which may be acquired under such authorisation is 15% of the Company's issued shares. This authority has continued to be renewed at the Annual General Meeting of the Company.

At the year ended 31 August 2019, 612,614 ordinary shares of 13 cent each were held as treasury shares by Donegal Investment Group plc (2018: 1,235,016). This represented 11.3% of the called up share capital of the Company (2018: 22.8%). The Group purchased 42,045 (2018: 697,443) treasury shares at a total price of €415,250 (2018: €6,047,000) including transaction costs, in a number of transactions.

On 28 November 2018, the Board approved the cancellation of 53.7% or 664,447 treasury shares in line with the pro-rata conversion and redemption applied to all other shareholders under the Return of Capital.

Substantial holdings

As at 28 November 2019, the Company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
Donegal Investment Group plc	616,318	12.95%
Pageant Investments Limited	395,916	7.30%
Goodbody Stockbrokers Nominees Limited	387,146	7.14%
Quaero Capital SA	336,241	7.06%

Save for the interests referred to above, the Company is not aware of any person who is, directly or indirectly, interested in 3% or more of the issued ordinary share capital of the Company.

Accounting records

The Directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to maintaining adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at Ballyraine, Letterkenny, Co Donegal.

Research and development

The Group subsidiary, IPM Potato Group Limited, has invested in potato variety innovation for over 30 years by funding the variety breeding programme at Oak Park Research Centre, Carlow, Ireland. The breeding programme uses the most current breeding techniques and does not utilise genetic modification (G.M.). The development of new and better potato varieties is one of the key elements for a vibrant and resourceful potato industry. IPM consistently release new varieties to cater for the ever-changing requirements of our customers worldwide. Nomadic Dairy is also committed to continuous research & development in respect of our added value dairy products through the development of new yogurt products range for the Irish, UK and European markets.

Relevant audit information

The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's statutory auditors are unaware.

Directors' Report *(continued)*

Audit Committee

The Group has an audit committee in place and full details are included in the corporate governance report on Page 17.

Directors Compliance Statement

The directors acknowledge their responsibility for securing the Group's compliance with its relevant obligation in accordance with Section 225(2)(a) of the Companies Act 2014 and tax laws ("relevant obligations") and confirm the following:

- a compliance policy statement was reviewed during the year setting out the Group's policies;
- appropriate arrangements and structures that are, in the directors' opinion, designed to secure material compliance have been put in place;
- and a review was conducted, during the financial year, of the arrangements and structures that have been put in place to secure the Group's compliance with its relevant obligations.

Corporate Governance

The Group's corporate governance policies and procedures including its system of internal control is set out on pages 15 to 19. The report on Corporate Governance is deemed to form part of the Directors Report.

Auditor

The auditor, KPMG, has expressed its willingness to be re-appointed in accordance with Section 383(2) of the Companies Act 2014.

Tax status

The Company is not a close company under the provisions of the Taxes Consolidation Act 1997.

Subsidiary and associated undertakings

Information relating to subsidiary and associated undertakings is included in note 36 to the financial statements.

Political contributions

The Group did not make any political donations or incur any political expenditure during the year (2018: €Nil)

AGM

The Company's Annual General Meeting will take place at the Silver Tassie Hotel, Letterkenny, Co. Donegal on a date which will be announced at a later date.

On behalf of the Board

Geoffrey Vance

Director

Ian Ireland

Director

28 November 2019

Corporate Governance Report

Maintaining high standards of corporate governance continues to be a priority of the Directors of Donegal Investment Group plc. The Group has adopted corporate governance policies and procedures which the Board regard as being appropriate to the scale and complexity of the Group.

The Directors are accountable to the shareholders for good corporate governance and this report addresses how the Group's policies and procedures have been applied.

The Board

The Group is controlled through its Board of Directors. The Board's main role is to oversee the operation of the Group, to provide leadership to the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives. The Board meet on a regular basis throughout the year and certain matters are specifically reserved to the Board for its decision.

The current specific responsibilities reserved to the Board include; setting Group strategy and approving an annual budget; reviewing operational and financial performance; approving major capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; reviewing the environmental, health and safety performance of the Group; and ensuring that a satisfactory dialogue takes place with shareholders.

The Board has delegated the following responsibilities to management; the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring of the operating and financial results against plans and budgets; prioritising the allocation of technical and human resources; and developing and implementing risk management systems.

Membership of the Board

It is our practice that a majority of the Board comprises Non-Executive Directors, considered by the Board to be independent (criteria for independence set out below), and that the Chairman is Non-Executive. At present, there are two Executive and seven Non-Executive Directors. Biographical details are set out on pages 4 and 5.

We consider the current size and composition of the Board to be within a range which is appropriate. We also believe that the current size of the Board is sufficiently large to enable its Committees to operate effectively, while being dynamic and responsive to the needs of the Company.

The roles of the Chairman and the Managing Director

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of all Directors and constructive relations between the Executive Directors and the other Directors, ensures that Directors receive accurate, timely and clear information and manages effective communication with shareholders.

The Managing Director has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

Senior Independent Director

The Board has decided that it will not designate a recognised senior member other than the Chairman to whom concerns of other Board members can be conveyed as it does not consider it necessary.

Directors and Directors' Independence

All appointments to the Board are approved by the Nomination Committee. There are no formal time limits for service as Director although service periods are kept under ongoing review and at each annual general meeting of the Company, every Director who has been in office at the completion of each of the three preceding annual general meetings and who has not been submitted for re-election at any of the three preceding annual general meetings, shall retire from office. No Non-Executive Director has a service contract with any Group company.

Corporate Governance Report *(continued)*

The Board currently comprises the Chairman (non-Executive), two Executive Directors and six Non-Executive Directors. The positions of Chairman and Managing Director are held by different persons. The Non-Executive Directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

The Group's policy requires the Chairman to hold meetings with the Non-Executive Directors without the Executive Directors being present. Procedures in this regard are formalised, took place in 2019 and are held on a periodic basis and as requested by individual Directors.

Directors have the right to ensure that any concerns they have, which cannot be resolved, about the running of the Group or a proposed action, are recorded in the Board minutes. In addition, upon resignation, a Non-Executive Director will be asked to provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns.

The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it necessary in order for them to carry out their responsibilities.

The Board believes that all Directors bring the appropriate judgement, knowledge and experience to the Board's deliberations. The Board has in place an annual process to evaluate the independence of Directors and the most recent review concluded that all the Non-Executive Directors are independent, notwithstanding the fact that the majority of the Non-Executive Directors, as farmers, have a business relationship with the Group and the fact that a number have served on the Board for more than nine years. During 2019, the Directors traded with the Group on normal business terms and it is noted that each director's business relationship with the Group is not considered a material relationship. This trading relationship ceased on the disposal of the Group's animal feed business on 22 August 2019. In reaching their conclusion, the Board considered principles relating to independence and have taken the view that independence is determined by a director's character, objectivity and integrity.

The Non-Executive Directors considered by the Board to be independent:

- have not been employees of the Group within the last five years;
- have not, or had not within the last three years, a material business relationship with the Group;
- do not receive remuneration (other than through Director's fees) or share options;
- have no close family ties with any of the Group's advisers, Directors or senior employees;
- hold no cross-Directorships or have significant links with other Directors through involvement in other companies or bodies; and
- are not significant shareholders.

Professional development

On appointment, all new Directors take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and Board Committees, the Group's corporate governance practices and procedures, including the responsibilities delegated to Group senior management, and the latest financial information about the Group. This will typically be supplemented by meetings with key senior Executives. Throughout their period in office, the Directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the agriculture industry as a whole, by written briefings and meetings with senior Executives. Directors are also advised on appointment of their legal and other duties and obligations as a director, both in writing and in face-to-face meetings with the Company Secretary. They are also updated on changes to the legal and governance requirements of the Group and upon themselves as Directors.

Nomination Committee

The Nomination Committee at 31 August 2019 was comprised of three Non-Executive Directors, Geoffrey Vance, who acts as chairman, Patrick Kelly Jnr and Norman Witherow.

The Nomination Committee is responsible for proposing to the Board any new appointments, whether as Executive or Non-Executive Directors of the Company. Appointments to the Board are approved by the Board as a whole. In so doing, the Board considers the balance of skill, knowledge and experience on the Board which is necessary to allow it to meet the strategic vision for the Group. Newly appointed Directors are subject to election by shareholders at the Annual General Meeting following their appointment. Excluding any such newly appointed Directors, one third of the Board is subject to re-election each year.

Appointments to committees are for a period of up to three years which may be extended for two further three year periods provided that the majority of the Committee members remain independent.

Performance evaluation

The Board has a formalised process in place for the annual evaluation of the performance of the Board, its principal Committees and individual Directors in line with Group policy.

As part of the performance evaluation process, the Non-Executive Directors meet annually without the Chairman present to appraise the Chairman's performance, having taken the views of the Executive Directors and the Company Secretary into account.

The Chairman conducts a formal evaluation of the performance of all Directors annually. Each Director is provided with feedback gathered from other members of the Board. This process covers the training and development needs of individual Directors, where appropriate. Performance is assessed against a number of measures, including the ability of the Director to contribute to the development of strategy, to understand the major risks affecting the Group and to commit the time required to fulfil the role. As part of that review process the Chairman discusses with each individual their training and development needs and, where appropriate, agrees for suitable arrangements to be put in place to address those needs.

The Company Secretary

The Company Secretary is a full time employee of the Group. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All Directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the full Board. The Company Secretary is also an Executive Director of the Group.

Information

Regular reports and papers are circulated to the Directors in a timely manner in preparation for Committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time.

The Directors receive monthly management accounts and regular management reports and information which enable them to review the Group's and management's performance against agreed objectives.

Communication with shareholders

The Company has regular dialogue with institutional and major shareholders throughout the year, other than during close periods. All Directors are available to meet with such shareholders throughout the year. The Company also encourages communication with shareholders throughout the year and welcomes their participation at general meetings. The views of the shareholders and the market in general are communicated to the Board on a regular basis, as are expressed views on corporate governance and strategy, as well as the outcome of analyst and broker briefings. Analyst reports on the Group are also circulated to the Board members on a regular basis. The Group's website, www.donegalgroup.com, provides the full text of the Annual Reports, Interim Management Statements and Half Yearly Financial Reports. These can be accessed through the Financial Statements section of the website. Stock Exchange announcements are also made available in the News section of the website, after release to the Irish Stock Exchange.

All Board members attend the Annual General Meeting and are available to answer questions. Separate resolutions are proposed on substantially different issues, and the agenda of business to be conducted at the Annual General Meeting includes a resolution to receive and consider the Annual Report and Financial Statements. The chairman of each of the Board's committees is available at the Annual General Meeting. Notice of the Annual General Meeting, together with the Annual Report and Financial Statements, are sent to shareholders at least twenty working days before the meeting, and details of the proxy votes for and against each resolution and the number of abstentions are announced after each vote on a show of hands.

Internal Control

An ongoing process exists for identifying, evaluating and mitigating the significant risks faced by the Group. This process is periodically reviewed by the Directors and has been in place throughout the accounting year and up to the date the financial statements were approved.

The Directors are responsible for the Group's system of internal control, set appropriate policies on internal control, seek regular assurance that will enable them to satisfy themselves that the system is functioning effectively and should ensure that the system of internal control is effective in managing risks in the manner which it has approved. Such a system is designed to manage rather than eliminate business risks and can provide only reasonable rather than absolute assurance against material misstatement or loss.

The Directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2019, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls and reports from the external auditor on matters identified in the course of its statutory audit work.

The Group views the careful management of risk as a key management activity. Managing business risk to deliver opportunities is a key element of all activities. These business risks, which may be strategic, operational, reputational, financial or environmental, should be understood and visible. The business context determines in each situation the level of acceptable risk and controls.

Corporate Governance Report (continued)

Group management has delegated responsibility for major strategic development and financing decisions. Responsibility for operational issues is devolved, subject to limits of authority, to operating Company management. Management at all levels are responsible for internal control over the respective business functions they have been delegated. This embedding of the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving business risks, and that significant internal control issues, should they arise, are reported promptly to appropriate levels of management.

The Board receives, on a regular basis, reports on the key risks to the business and the steps being taken to manage such risks. It considers whether the significant risks faced by the Group are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity.

The Directors consider that, given its size and complexity, the Group does not currently require an internal audit function.

The Audit Committee, a formally constituted sub-Committee of the Board, meet on a regular basis with the external auditor and satisfies itself as to the adequacy of the Group's internal control systems.

The Group operates procedures to ensure that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action.

The preparation and issue of financial reports, including the consolidated financial statements is managed by the Group finance department. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group finance department. The Group finance department supports all reporting entities with guidance in the preparation of financial information. This process is supported by a network of finance managers throughout the Group, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion of reconciliations of financial information to processing systems. The financial information for each entity is subject to a review at reporting entity and group level by senior management.

Attendance at meetings of the Board, the Remuneration Committee, the Audit Committee and the Nomination Committee

Nine meetings of the Board, two meetings of the Remuneration Committee, four meetings of the Audit Committee and one meeting of the Nomination Committee were held during the year ended 31 August 2019 and the attendance record of each Director is set out in the following table:

Name	Board		Remuneration		Audit		Nomination	
	A	B	A	B	A	B	A	B
Geoffrey Vance	9	9	-	-	-	-	1	1
Ian Ireland	9	7	-	-	-	-	-	-
Frank Browne	9	9	-	-	-	-	-	-
Michael Griffin	9	9	2	2	-	-	-	-
Patrick Kelly Jnr	9	9	-	-	4	4	1	1
P Lenehan	9	9	-	-	-	-	-	-
Geoffrey McClay	9	9	-	-	4	4	-	-
Henry McGarvey	9	8	2	2	4	4	-	-
Norman Witherow	9	8	2	2	-	-	1	1

A – indicates the number of meetings held during the year the Director was a member of the Board and/or Committee

B – indicates the number of meetings attended during the year the Director was a member of the Board and/or Committee

Remuneration Committee

The Remuneration Committee is comprised of three Non-Executive Directors of which Norman Witherow is chairman. When necessary, Non-Committee members are invited to attend. The Committee's principal responsibilities are:

- to determine, on behalf of the Board, the remuneration and other terms and conditions of employment of the Executive Directors;
- to determine, on behalf of the Board, the pay structures and terms and conditions of other senior personnel (as identified by the Chairman of the Board);
- to act, on behalf of the Board, and take decisions related to pay and pay related matters, as the Chairman of the Board shall determine;
- to act, on behalf of the Board, and take significant decisions on matters such as remuneration policy, benefits, third party recommendations and related issues.

The report of the Remuneration Committee on behalf of the Board is set out on pages 21 to 24.

Audit Committee

The Audit Committee is comprised of three Non-Executive Directors – Patrick Kelly Jnr (Chairman), Geoffrey McClay and Henry McGarvey. The Committee held four formal meetings during 2019. When necessary, Non-Committee members are invited to attend.

The Audit Committee monitors areas of risk and performance by the Group and ensures the integrity of the Group's financial statements. The Audit Committee is also responsible for monitoring the effectiveness of the external auditor and audit process and makes recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditors. This responsibility also ensures an appropriate relationship between the Group and external audit is maintained, including the review of all non-audit services provided. The audit committee performs a self evaluation annually and no issues were identified during the review.

The engagement of the external auditor to provide any Non-audit services must be pre-approved by the Committee where the fee exceeds 20% of the audit fee. During the financial year to 31 August 2019, fees charged in relation to non-audit related services totalled €106,000 (2018: €104,000) in respect of KPMG, the external auditor.

The Audit Committee reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group. The Audit Committee meets with management as required and meets privately with the external auditor.

In the year ending 31 August 2019, the Audit Committee discharged its responsibilities by:

- reviewing the Group's financial statements for the year ended 31 August 2018, meeting and reviewing with the external auditor prior to Board approval of the financial statements;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing the potential impact in the Group's financial statements of significant matters and changes arising during the year;
- reviewing and approving the audit fee and reviewing Non-audit fees that may be payable to the Group auditor;
- considered the external auditor's plan for the audit of the Group's financial statements for 31 August 2019;
- confirmation of the external auditor's independence and terms of engagement;

- reviewing and redefining the Group's system of risk identification assessment and control to ensure their robustness and effectiveness;
- reporting to the Board on its review of the Group's systems and internal controls and their effectiveness to meet current, future and strategic requirements.

The Corporate Governance report forms part of the Directors' report.

On behalf of the Board

Geoffrey Vance

Director

28 November 2019

Ian Ireland

Director

Corporate Social Responsibility Report



Donegal Investment Group plc is committed to promoting Corporate Social Responsibility (CSR) across the Group. The Group strives to operate best practice in corporate governance, the environment, health & safety and the community & social performance.

The environment

The Group is committed to complying with all environmental legislative and regulatory requirements in our operations which are located in six countries. Donegal Investment Group plc recognises that good manufacturing practice must incorporate environmental management. The Group conducts its business activities in an environmentally responsible manner and endeavours to ensure that all adopted decisions consider the protection of the environment as documented in the Group's environmental policy.

Health and safety

Best practice in health & safety management is embedded in the Group's risk management processes and procedures and applied across the Group. Compliance is maintained through the health & safety officer, continuous high level of staff and management awareness and regular training.

The community

The Group is also actively involved in the local community within which it operates supporting many important social and community activities such as Young Entrepreneur programmes with local second level schools and working with unemployed young people.

Report of the Remuneration Committee

Composition of Remuneration Committee

The Remuneration Committee consists solely of Non-Executive Directors. The Managing Director is fully consulted about remuneration proposals and outside advice is sought when necessary. The current members of the Remuneration Committee are Michael Griffin, Henry McGarvey and Norman Witherow (Committee Chairman).

The terms of reference for the Committee are to determine the Group's policy on Executive remuneration and to consider and approve salaries and other terms of the remuneration package for the Executive Directors and senior personnel.

Remuneration policy

The Group's policy on senior personnel remuneration recognises that employment and remuneration conditions for senior personnel must properly reward and motivate them to perform in the best interest of the shareholders. Performance related rewards, in which targets are measurable, are a key consideration.

The typical elements of the remuneration package for senior personnel are basic salary and benefits, incentive bonus, pensions and participation in the share option plan.

It is policy to grant options to certain key management across all locations to encourage identification with shareholders' interests.

Executive Directors' basic salary and benefits

The basic salaries of the Executive Directors are reviewed annually having regard to personal performance, Group performance, changes in responsibilities and competitive market practice in the area of operation. Employment related benefits consist principally of a car allowance and participation in the share option scheme. No fees are payable to the Executive Directors.

Incentive plan

The Executive Directors are entitled to receive bonus payments as the Remuneration Committee may decide at their absolute discretion.

The remuneration committee have agreed long term incentives for Executive Directors which align the interests of key management with those of shareholders, to ensure the Group continues to seek to maximise shareholder value.

Share option scheme

At an extraordinary general meeting held on 27 July 2005, a share option scheme for full time Executives was approved by shareholders. The scheme permits the grant of options limited to 3% of the ordinary share capital of the Company in any three year period. No option is capable of exercise later than seven years after the date of grant. Options are granted at the discretion of the Remuneration Committee.

Under the Group Share Option Scheme established on the 27 July 2005 and renewed on 1 July 2015, in the event of any issue of shares, by way of rights, capitalisation issue or any consolidation or subdivision or reduction of the capital of the Company, the number of shares subject to any Option and the Subscription Price for each of those Shares, was adjusted in such manner as the Auditors confirm to be fair and reasonable provided that:

- (a) the aggregate amount payable on the exercise of an Option in full is not increased;
- (b) the Subscription Price for a Share is not reduced below its nominal value.

As a result of the reduction of the capital of the company on the 18 May 2018, the outstanding share options available and associated strike price have been reduced pro rata based on the percentage capital reduction and share buyback price.

On 1 July 2015, at an annual general meeting, a share option scheme for full time Executives was approved by shareholders. The scheme permits the grant of options limited to 5% of the ordinary share capital in any ten year period. No option is capable of exercise later than seven years after the date of the grant. Options are granted at the discretion of the Remuneration Committee. The scheme shall expire ten years after the adoption date. Details of options granted to date and outstanding are set out in note 26 to the financial statements.

In 2015, a share performance plan was put in place that entitles key management and senior employees to a cash payment based on the difference between the deemed share price at the grant date and exercise date. No option is capable of exercise later than seven years after the grant date. Options are granted at the discretion of the Remuneration Committee. Details of options granted to date and outstanding are set out in note 26 to the financial statements.

Additionally, a share option arrangement granted before 7 November 2002 exists. Options granted under this scheme had no expiration and these options have now lapsed. The recognition and measurement principles in IFRS 2 was not been applied to these grants in prior years.

Directors' service contracts

The Managing Director has a service agreement commencing on 1 January 2005 and continuing thereafter unless and until terminated by either party, giving not less than six months' notice. This agreement automatically terminates on the Managing Director reaching the age of sixty five years.

None of the other Directors has a service contract with any member of the Group.

Directors' remuneration and interests in share capital

Details of Directors' remuneration is given on pages 22 and 23, details of Directors' share options and shareholdings are given on page 23 and details of Directors' pensions are set out on page 23.

Report of the Remuneration Committee *(continued)*

Pensions

Executive Directors are entitled to benefits under defined contribution scheme pension arrangements.

Executive Directors

The following information has been audited as part of the financial statements.

Ian Ireland and Padraic Lenehan are the Executive Directors in place during the current and prior year.

	2019	2018
	€	€
Salaries and benefits		
Basic salary	416,645	407,138
Benefits ⁽¹⁾	44,588	44,752
Pension charge ⁽³⁾	87,951	85,943
	549,184	537,833
Performance related		
Annual incentives ⁽²⁾	192,837	173,650
Total executive directors' remuneration	742,021	711,483
Average number of Executive Directors	2	2
Average salary per Executive Director	371,010	355,742

	2019	2018
	€	€
Non-Executive Directors		
Fees and other emoluments		
Fees ⁽⁴⁾	143,506	143,404
Other emoluments and benefits	-	-
Total Non-Executive Directors' remuneration	143,506	143,404
Average number of non-Executive Directors	7	7
Total Directors' Remuneration	885,527	854,887

In addition, an expense of €586,172 (2018: €563,027) has been recognised with respect to share options (equity & cash-settled) granted to Executive Directors and management.

Notes to Directors' Remuneration

1. Benefits principally relate to a car allowance and expenses paid to Directors.
2. The incentive plan is outlined on page 21.
3. The pension charge represents contributions made to defined contribution scheme pension funds.
4. Seven non-Executive Directors received fees in 2019 (2018: Seven).

	Basic salary €	Annual incentive bonus €	Benefits €	Pension & other related costs €	2019 Total €	2018 Total €
Executive Directors						
I Ireland	292,206	155,070	34,588	75,507	557,371	538,073
P Lenehan	124,439	37,767	10,000	12,444	184,650	173,410
	416,645	192,837	44,588	87,951	742,021	711,483
Non-Executive Directors						
G Vance (Chairman)	45,210	-	-	-	45,210	45,210
F Browne	13,141	-	-	-	13,141	13,141
M Griffin	17,051	-	-	-	17,051	17,364
P Kelly Jnr	15,540	-	-	-	15,540	15,540
G McClay	14,391	-	-	-	14,391	14,391
H McGarvey	18,301	-	-	-	18,301	17,364
N Witherow	19,872	-	-	-	19,872	20,394
	143,506	-	-	-	143,506	143,404

Directors' and secretary's share options

Details of movements on outstanding equity options are set out below:

	At 31 August 2018	Granted in 2019	Cancelled in 2019	Exercised in 2019	At 31 August 2019	Average Option Price 2019 €
I Ireland	69,450	-	-	-	69,450	0.31
	32,410	-	-	-	32,410	0.31
	101,860	-	-	-	101,860	-
P Lenehan	12,862	-	-	-	12,862	2.23
	12,862	-	-	-	12,862	-

The market price of the Company's shares at 31 August 2019 was €11.30 (2018: €9.60) and the range during 2019 was €8.40 to €11.30 (2018: €6.00 to €9.75). See note 26 of the financial statements for further information in this regard. Options are exercisable between the third anniversary of the date of grant and the seventh anniversary of the date of grant.

Details of movements on outstanding cash-settled options are set out below:

	At 31 August 2018	Granted in 2019	Expired in 2019	Exercised in 2019	At 31 August 2019	Average Fair value 2019 €
I Ireland	160,000	-	-	-	160,000	5.18
	160,000	-	-	-	160,000	5.18
P Lenehan	90,000	-	-	-	90,000	5.18
	90,000	-	-	-	90,000	5.18

One third of the options awarded each year can be exercised after one year, one third after two years and one third after three years. No option is capable of exercise later than seven years after the grant date.

Report of the Remuneration Committee *(continued)*

Directors' and secretary's interests in shares

The beneficial interests, including family interests, of the Directors and secretary in office at 31 August 2019 in the ordinary shares of the Company at 31 August 2019 (or date of appointment, if later) and 31 August 2018 are set out below:

	31 August 2019	31 August 2018
Directors:		
G Vance (Chairman)	92,874	89,999
F Browne	8,403	5,584
M Griffin	11,569	11,569
I Ireland	91,928	84,115
P Kelly Jnr	3,038	2,038
P Lenehan	-	-
G McClay	12,454	7,454
H McGarvey	10,802	9,802
N Witherow	29,461	29,461

All movements in shareholdings represent purchases/sales on the open market by the Executive Directors and Non-Executive Directors.

Statement of Directors' Responsibilities

in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. As required by the ESM Rules, they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU. The directors have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014.

Under company law the directors must not approve the Group and Parent Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Parent Company and of the Group's profit or loss for that year. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Parent Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position of the Group and Parent Company and the profit and loss of the Group and which enable them to ensure that the financial statements comply with the provision of the Companies Act 2014. The directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2014.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Geoffrey Vance

Director

Ian Ireland

Director

28 November 2019

Independent Auditor's Report

to the members of Donegal Investment Group plc

Report on the audit of the financial statements

1 Opinion

We have audited the financial statements of Donegal Investment Group plc ('the Company') for the year ended 31 August 2019 set out on pages 30 to 94, which comprise the Consolidated statement of profit or loss and comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and the Company statement of changes in equity, the Consolidated and Company statement of cash flows and the related notes, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Parent Company as at 31 August 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Parent Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to listed entities.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

2 Key audit matters: our assessment of risks of material misstatement (continued)

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from the prior year):

GROUP KEY AUDIT MATTER

Recoverability of trade receivables €4.6m (2018 - €16.5m)

Refer to page 43 (accounting policy) and page 71 (financial disclosures)

The key audit matter

A longer settlement cycle attaches to trade receivables in certain of the Group's operating businesses. Accordingly, the Group experiences some uncertainty over the recoverability of certain trade receivables.

The expected credit loss (ECL) provision has been determined in accordance with IFRS 9 Financial Instruments which the Group adopted on 1 September 2018.

A provision of €2.4m was calculated as at 31 August 2019, leaving a trade receivables carrying value of €4.6m. The provision was calculated using the matrix approach, whereby a percentage of each trade receivable has been provided for based on historic experience and other relevant forward looking information.

Due to both the materiality of the ECL provision and the assumptions and high level of judgements inherent in its measurement, this has been considered as a key audit matter.

How the matter was addressed in our audit

Our audit procedures included but were not limited to:

- obtaining an understanding of the trade receivable and impairment (ECL provision) process;
- evaluating the design and implementation of relevant controls;
- assessing and challenging the appropriateness of the key judgements, inputs and assumptions included in management's forward-looking element of the loss rate used in the provision matrix;
- assessing the level of cash received subsequent to the year end and reviewing the historical pattern of cash collection to challenge the historical element of the loss rate;
- testing of the ageing of the balances at year end in order to identify specific older and potentially unrecoverable balances;
- assessing the potential for management bias
- performing sensitivity analysis to assess the impact of changes in key judgements, inputs and assumptions; and
- considering the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

Based on evidence obtained, we consider the level of provision recognised at 31 August 2019 and the related disclosures to be appropriate.

COMPANY KEY AUDIT MATTER

Due to the nature of the Parent Company's activities, there are no key audit matters that we are required to communicate in accordance with ISAs (Ireland).

Independent Auditor's Report *(continued)*

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at €200,000 (2018: €188,000). This has been calculated as 5% of the benchmark of Group profit before tax and exceptional items, which we have determined in our professional judgement, to be one of the principal benchmarks within the financial statement relevant to members of the Company in assessing the financial statements of the Group. We report for the Audit Committee all corrected and uncorrected audit misstatements we identified in our audit in excess of €10,000 (2018: €9,400), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Materiality for the Company financial statements was set at €45,000 (2018: €45,000), determined with reference to a benchmark of the Company's total assets of which it represents 0.2% (2018: 0.3%).

The structure of the Group's finance function is such that certain transactions and balances are accounted for by the central Group finance team, with the remainder accounted for in the Group's components. We performed comprehensive audit procedures, including those in relation to the key audit matter as set out above, on those transactions accounted for at Group and component level. At a component level, audits for Group reporting purposes were performed for key identified reporting components. Our audits covered 99.5% of total Group revenue and 99.1% of Group total assets, including 100% of the Parent Company's revenue and total assets.

The audits undertaken for Group reporting purposes at the key reporting components were all performed to component materiality levels. These component materiality levels were set individually for each component and ranged from €45,000 to €160,000. The Group audit team were also auditors to all of the Group's significant components.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' report, financial highlights, board of Directors & other information, chairman's statement, managing director's review, corporate governance report, corporate social responsibility report, report of the remuneration committee and statement of Directors' responsibilities other than the financial statements and our auditor's report thereon. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information, we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

6 Our opinions on other matters prescribed the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company's financial statements are in agreement with the accounting records.

7 We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

8 Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 25, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

9 The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

28 November 2019

Colm O'Sé

**for and on behalf of
KPMG**

Chartered Accountants, Statutory Audit Firm

*1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland*

Consolidated statement of profit or loss and comprehensive income for the year ended 31 August 2019

	Note	2019 Pre- exceptional €'000	2019 (Note 8) Exceptional €'000	2019 Total €'000	2018 Restated* Pre-exceptional €'000	2018 (Note 8) Exceptional €'000	2018 Restated* 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	7	110	-	110	338	-	338
Other expenses	7	-	-	-	(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/(loss) from operating activities		3,442	245	3,687	2,130	(292)	1,838
Finance income	11	5	-	5	74	-	74
Finance expenses	11	(266)	(814)	(1,080)	(177)	-	(177)
Net finance expense	11	(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 benefit/(expense)	12	859	-	859	(272)	(60)	(332)
Profit/(loss) for the year – continuing operations		4,040	(569)	3,471	1,755	19,040	20,795
Loss for the year – from discontinued operations, net of tax	32	1,054	(30)	1,024	(227)	(676)	(903)
Profit/(loss) for the year		5,094	(599)	4,495	1,528	18,364	19,892
Other comprehensive income							
Items that are or may be reclassified to profit or loss:							
Foreign currency translation differences for foreign operations	11			(29)			26
Recycling of currency translation differences for foreign operations				818			676
Recycling of change in fair value of available for sale financial asset				-			(51)
Tax on recycling of change in fair value of available for sale financial asset				-			13
Recycling of currency translation differences in asset held for sale				-			(615)
Recycling of revaluation of financial instrument in asset held for sale				-			1,900
				789			1,949
Total comprehensive income for the year				5,284			21,841

* As restated to reflect the effect of discontinued operations (see note 32)

	Note	2019 €'000	2018 €'000
Profit/(loss) 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	23	76.63	258.26
Discontinued		24.54	(11.29)
		101.17	246.67
Diluted earnings/(loss) per share (euro cent):			
Continuing	23	74.18	251.68
Discontinued		23.76	(11.29)
		97.94	240.39

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of financial position as at 31 August 2019

	Note	31 August 2019 €'000	31 August 2018 €'000
Assets			
Property, plant and equipment	13	3,158	8,807
Goodwill	14	2,324	3,324
Intangible assets	14	301	329
Investment property	15	2,510	2,480
Investment in associates	16	257	255
Other investments	17	591	9
Total non-current assets		9,141	15,204
Inventories	19	2,085	3,835
Trade and other receivables	20	10,239	22,949
Cash at bank	21	25,735	6,978
Deferred tax asset	18	958	-
Financial instrument	28	-	43
Total current assets		39,017	33,805
Total assets		48,158	49,009
Equity			
Share capital	22	619	705
Share premium	22	2,975	2,975
Other reserves	22	(4,067)	(7,420)
Retained earnings		33,996	32,409
Total equity attributable to equity holders of the Company		33,523	28,669
Non-controlling interest		838	1,188
Total equity		34,361	29,857
Liabilities			
Loans and borrowings	24	41	5,174
Deferred income	27	300	308
Deferred tax liabilities	18	-	626
Total non-current liabilities		341	6,108
Loans and borrowings	24	4,020	49
Trade and other payables	27	8,799	11,257
Current tax		182	74
Bank overdraft	21	408	1,664
Financial instrument	28	47	-
Total current liabilities		13,456	13,044
Total liabilities		13,797	19,152
Total equity and liabilities		48,158	49,009

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Company statement of financial position as at 31 August 2019

	Note	31 August 2019 €'000	31 August 2018 €'000
Assets			
Property, plant and equipment	13	373	382
Intangible assets	14	-	11
Investment property	15	700	700
Investment in associates	16	257	255
Other investments	17	391	3,501
Total non-current assets		1,721	4,849
Trade and other receivables	20	2,825	6,432
Current tax		15	30
Cash at bank	21	21,199	2,817
Total current assets		24,039	9,279
Total assets		25,760	14,128
Equity			
Share capital	22	619	705
Share premium	22	2,975	2,975
Other reserves	22	(4,733)	(7,298)
Retained earnings		16,759	7,412
Total equity		15,620	3,794
Liabilities			
Loans and borrowings	24	-	5,000
Deferred tax liabilities	18	2	2
Total non-current liabilities		2	5,002
Loans and borrowings	24	4,000	-
Trade and other payables	27	5,730	5,332
Bank overdraft	21	408	-
Total current liabilities		10,138	5,332
Total liabilities		10,140	10,334
Total equity and liabilities		25,760	14,128

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of changes in equity

for the year ended 31 August 2019

Note	Share underwritten capital €'000	Other undesignated capital €'000	Share premium €'000	Translation reserve €'000	Reserve for own shares €'000	Revaluation 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 2)	-	-	-	-	-	-	-	(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)
Recycle of currency translation differences for foreign operation	-	-	-	818	-	-	-	-	818	-	818
Other comprehensive income	-	-	-	788	-	-	-	-	788	1	789
Total comprehensive income for the year	-	-	-	788	-	-	-	4,222	5,010	274	5,284
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	(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	619	718	2,975	(1,911)	(6,539)	3,382	283	33,996	33,523	838	34,361
Balance at 31 August 2019											

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 August 2018

Note	Share capital €'000	Other undenominated capital €'000	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 operation	-	-	-	676	-	-	-	-	-	676	-	676
Recycle of change in fair value of available for sale financial asset, net of tax	-	-	-	-	-	-	(38)	-	-	(38)	-	(38)
Recycle of currency translation differences in associate undertaking	-	-	-	(615)	-	-	-	-	-	(615)	-	(615)
Recycle of revaluation of financial instrument in associate undertaking	-	-	-	-	-	-	1,900	-	-	1,900	-	1,900
Recycle of change in 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	22	-	-	-	-	-	-	-	-	-	(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	26	-	-	-	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

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Company statement of changes in equity

for the year ended 31 August 2019

Note	Share capital €'000	Other undenominated capital €'000	Share premium €'000	Reserve for own shares €'000	Other reserve €'000	Revaluation reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 September 2017	1,337	-	2,975	(3,023)	227	616	638	14,995	17,765
Profit for the year	-	-	-	-	-	-	-	37,129	37,129
Recycle of change in fair value of available for sale financial asset, net of tax	-	-	-	-	(38)	-	-	-	(38)
Total comprehensive income for the year	-	-	-	-	(38)	-	-	37,129	37,091
Transactions with owners recorded directly in equity									
Share redemption	(632)	632	-	-	-	-	-	(44,959)	(44,959)
Share based payments	26	-	-	52	-	-	(355)	247	(56)
Acquisition of treasury shares	-	-	-	(6,047)	-	-	-	-	(6,047)
Total contributions by and distributions to owners	(632)	632	-	(5,995)	-	-	(355)	(44,712)	(51,062)
Balance at 31 August 2018	705	632	2,975	(9,018)	189	616	283	7,412	3,794
Profit for the year	-	-	-	-	-	-	-	12,241	12,241
Total comprehensive income for the year	-	-	-	-	-	-	-	12,241	12,241
Transactions with owners recorded directly in equity									
Cancellation of treasury shares	(86)	86	-	2,894	-	-	-	(2,894)	-
Acquisition of treasury shares	-	-	-	(415)	-	-	-	-	(415)
Total contributions by and distributions to owners	(86)	86	-	2,479	-	-	-	(2,894)	(415)
Balance at 31 August 2019	619	718	2,975	(6,539)	189	616	283	16,759	15,620

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 August 2019

	Note	2019 €'000	2018 €'000
Cash flows from operating activities			
Profit for the year		4,495	19,892
Adjustments for:			
Depreciation	13	933	975
Amortisation of intangibles	14	58	52
Change in fair value of investment property	15	(30)	(43)
Change in fair value of other investments	17	-	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)
Loss on sale of investment property	7	-	24
Loss on sale of subsidiary	34	30	-
Gain on sale of other investments	7	-	(57)
Share-based payment transactions	26	586	611
Income tax (benefit)/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	1,658
Cash generated from operating activities		4,902	3,979
Interest paid		(122)	(116)
Income tax paid		(646)	(1,725)
Net cash from operating activities		4,134	2,138
Cash flows from investing activities			
Interest received		4	13
Dividends received		1	1
Proceeds from sale of investment property and property, plant and equipment		30	1,331
Proceeds from disposal of other investments		-	117
Proceeds from disposal of subsidiary undertakings, net of disposal costs		16,708	-
Proceeds from disposal of asset held for sale		2,000	41,488
Repayment of loan by associate	16	-	532
Acquisition of minority interest	14	(135)	-
Acquisition of other investments	17	(582)	-
Acquisition of property, plant and equipment	13	(785)	(1,135)
Acquisition of intangibles	14	(30)	(15)
Net cash generated from investing activities		17,211	42,332
Cash flows from financing activities			
Repayment of borrowings	24	(1,000)	-
Payment of finance lease liabilities		(20)	(35)
Dividend paid to non-controlling interest		(34)	(34)
Share redemption	22	-	(44,958)
Share based payments		-	(538)
Acquisition of treasury shares	22	(415)	(6,047)
Net cash outflow from financing activities		(1,469)	(51,612)
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
Cash and cash equivalents at end of year	21	25,327	5,314

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Company statement of cash flows

for the year ended 31 August 2019

	Note	2019 €'000	2018 €'000
Cash flows from operating activities			
Profit for the year		12,241	37,129
Adjustments for:			
Depreciation	13	8	8
Amortisation	14	11	2
Change in fair value of other investments	17	-	(61)
Gain on sale of asset held for sale		-	(40,100)
Net finance expense/(income)		131	(1,200)
Gain on sale of investment property		-	(18)
Gain on sale of other investments		-	(57)
Gain on sale of subsidiary		(13,702)	-
Share-based payment transactions	26	586	611
Income tax (benefit)/expense		37	71
Change in trade and other receivables		1,589	4,219
Change in trade and other payables		(235)	98
Cash generated from operating activities		666	824
Interest paid		(126)	(123)
Income tax paid		(15)	(879)
Net cash from operating activities		525	(178)
Cash flows from investing activities			
Interest received		3	8
Dividends received		1	1,205
Proceeds from disposal of investment property		-	20
Proceeds from disposal of other investments		-	118
Proceeds from disposal of associate undertaking		2,000	41,488
Proceeds from disposal of subsidiary undertakings		16,860	-
Repayment of loan by associate		-	538
Net cash generated from investing activities		18,864	43,377
Cash flows from financing activities			
Repayment of borrowings	24	(1,000)	-
Acquisition of treasury shares	22	(415)	(6,047)
Share redemption	22	-	(44,958)
Dividends paid	22	-	-
Share based payment		-	(538)
Net cash flow from financing activities		(1,415)	(51,543)
Net increase/(decrease) in cash and cash equivalents		17,974	(8,344)
Cash and cash equivalents at start of year		2,817	11,161
Cash and cash equivalents at end of year	21	20,791	2,817

The notes on pages 39 to 94 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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Notes to the consolidated financial statements (continued)

1. Reporting entity

Donegal Investment Group plc (the "Company") is a public Company incorporated, domiciled and tax resident in the Republic of Ireland. The consolidated financial statements of the Company as at and for the year ended 31 August 2019 consolidate the financial statements of the Company and its subsidiaries (together referred to as the "Group") and include the Group's interest in associates using the equity method of accounting. The Company financial statements deal with the Company as a single entity. The Group is primarily involved in the development, purchase and sale of seed potatoes, the manufacture, sale and distribution of dairy products and the rental and sales of property assets.

The consolidated and Company financial statements were authorised for issuance on 28 November 2019.

2. Basis of preparation

(a) Statement of compliance

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 Company financial statements have been prepared in accordance with EU IFRS, as applied in accordance with the Companies Act 2014, which permits a Company that publishes its consolidated and Company financial statements together to take advantage of the exemption in Section 304 of the Companies Act 2014 from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The Standards and Interpretations applied were those that were effective for accounting year ending on or before 31 August 2019.

(b) Basis of preparation

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, investment property and biological assets.

The financial statements have been prepared on the going concern basis. The Directors have reviewed the Group's business plan for the next 12 months and other relevant information and have a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

Certain comparative amounts in the state of profit or loss have been restated as a result of an operation discontinued during the year (see note 32).

(c) Use of estimates and judgements

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.

Judgements

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 consistent with those that applied in prior years (impairment of trade receivables (note 20), in respect of the carrying value of goodwill (note 14), recognition of deferred tax assets (note 18), measurement of financial assets and liabilities (note 28)).

(ii) Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

(d) Changes in accounting policies

The following new and amended IFRS and IFRIC interpretations adopted by the Group and Company in these financial statement. The group has initially adopted the following standards with effect from 1 September 2018:

- IFRS 15 Revenue from Contracts with Customers; and
- IFRS 9 Financial Instruments

2. Basis of preparation (continued)

IFRS 15 Revenue from contracts with customers

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.

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.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for the recognition, measurement and derecognition of financial instruments, introduces new hedge accounting rules and a new expected credit loss model for calculating impairment of financial assets.

The Group's findings following the evaluation of the effect of the adoption of IFRS 9 are as follows:

- The vast majority of the Group's financial assets are held as trade receivables or cash which will continue to be accounted for at amortised cost. The Group's other investments, which were previously accounted for as Available For Sale (AFS), will be measured at Fair Value through Profit or Loss (FVPL) under IFRS 9.
- IFRS 9 introduces a forward-looking expected credit loss model rather than the incurred loss model of IAS 39. Following a review historic loss rates, the impact of adopting IFRS 9 and the adjustment of, on application at 1 September 2018, was €196,000. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated.

The following new standards are also effective from 1 September 2018:

- Annual improvements to IFRS 2014 – 2016 cycle – Amendments to IFRS 1 and IAS 28
- Amendments to IFRS 2 Share-based Payment – classification and measurement of share-based payment transactions
- Amendments to IFRS 4 Insurance Contracts – applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 Transfers of Investment Property

The above new and amended standards (with the exception of IFRS 9) did not have a material impact on the results and financial position of the Group for the year ended 31 August 2019.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Company in the Company financial statements and throughout the Group for the purposes of the consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition and remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has exposure or rights to variable returns and the ability to affect those returns through its power over an investee. In assessing control, potential voting rights that presently are exercisable

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total change in net assets of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of an associate. When the associate is classified as held for sale, equity accounting ceases.

(iv) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquire's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(vi) Investments in subsidiaries and associates

These are in relation to the separate financial statements of the company. Investments in subsidiaries and associates are carried at cost less impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates at the date that the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income and presented in the translation reserve in equity. These are recycled to the profit and loss on disposal or liquidation.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The following table illustrates the original measurement categories of the Group's financial instruments under IAS 39 and the new measurement categories under IFRS 9. The adjustment on application at 1 September 2018 was €196,000.

3. Significant accounting policies (continued)

	Original classification under IAS 39	New classification under IFRS 9
Financial assets:		
Trade and other receivables	Loans and receivables	Amortised cost
Other investments	Available-for-sale	FVOCI
Cash and cash equivalents	Loans and receivables	Amortised cost
Derivative financial assets	Fair value – hedging instrument	Fair value – hedging instrument
Financial liabilities:		
Trade and other payables	Liabilities at amortised cost	Liabilities at amortised cost
Interest-bearing borrowings	Liabilities at amortised cost	Liabilities at amortised cost
Derivative financial liabilities	Fair value – hedging instrument	Fair value – hedging instrument

Trade and other receivables

Trade receivables are initially measured at their transaction price and other receivables are initially measured at fair value and are thereafter measured at amortised cost using the effective interest method less any provision for impairment.

A provision for impairment of trade and other receivables is recognised based on the expected credit losses ('ECL') for those trade and other receivables. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls related to the receivable.

Loss allowances are based on lifetime ECLs, except for the following which are measured as 12 month ECLs:

- Trade receivables;
- Other receivables which have been determined to be low risk at the reporting date; and
- Other receivables for which there has not been a significant increase in credit risk (i.e. the risk of a default occurring) at the reporting date since the other receivable first originated.

A rating system has been utilised in relation to other receivables. A significant increase in credit risk is determined to have occurred if the rating of this system disimproves by a predetermined amount.

Trade receivables are considered to be in default if repayment is considered unlikely or if the trade receivable is more than 365 days past due. Other receivables are considered to be in default if repayment is considered unlikely or if the receivable is not collected within the agreed terms.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a receivable. 12 month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the receivable is less than 12 months).

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Non-derivative financial instruments are recognised initially at fair value plus/less any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at fair value, with changes therein recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and are accounted for at amortised cost. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(o).

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

Equity investments

Equity investments held by the Group and Company were previously classified as available-for-sale financial assets in accordance with IAS 39 and were stated at fair value, with any resultant gain or loss being recognised directly in other comprehensive income (in the available-for-sale reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. In accordance with IFRS 9, which has been effective from 1 September 2018, these investments are now measured at fair value through profit or loss ('FVTPL'). Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are initially valued at fair value; any directly attributable costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, with changes therein recognised in profit or loss.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(d) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to share premium.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses (see accounting policy 3(h)). Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment and reviewed for impairment annually.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within 'other income' in profit or loss.

(ii) Revaluation

Where property, plant and equipment is revalued the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

(iii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iv) Leased assets

Leases under the terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3. Significant accounting policies (continued)

(v) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that it will produce additional future economic benefits embodied within the part that will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(vi) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives are as follows:

- buildings: 20 years
- plant and equipment: 10 years
- fixtures and fittings: 4 – 10 years
- motor vehicles: 4 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Intangible assets

(i) Goodwill

Goodwill/negative goodwill arises on the acquisition of subsidiaries and associates. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the Group. Control exists when the Company has the exposure or rights to variable returns and the ability to affect those returns through its power over the investee.

For acquisitions, the Group measures goodwill at the acquisition date as follows:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for in equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

(iii) Other intangible assets

Intangible assets that are acquired by the Group in a business combination are recognised initially at their fair value at the date of acquisition, being their cost to the Group and subsequently at cost less accumulated amortisation and impairment losses. Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit and loss as incurred.

(v) Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are as follows:

- Computer software: 4 years
- Customer lists and brand related intangibles: 3 – 10 years

(g) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods and services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in profit or loss. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every twelve months.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, the fair value at the date of reclassification becomes its deemed cost for subsequent accounting purposes.

(h) Impairment

(i) Goodwill

Goodwill is subject to impairment testing on an annual basis at a consistent time each year and at any time an impairment indicator is considered to exist. Impairment is determined by comparing the carrying amount to the recoverable amount of the groups of CGUs to which the goodwill relates. The recoverable amount is the greater of fair value less costs to sell and value-in-use. When the recoverable amount of the groups of CGUs is less than the carrying amount an impairment loss is recognised.

Where goodwill forms part of a group of CGUs and part of the operation within that unit is disposed of the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the group of CGUs retained.

In the year in which a business combination occurs and the goodwill arising affects the goodwill allocation to CGUs the groups of CGUs are tested for impairment prior to the end of that year. Impairment losses on goodwill are recognised in the Consolidated Income Statement and are not reversed following recognition.

(ii) Impairment of non-financial assets

Long-term tangible and intangible assets that are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Consolidated Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. When assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date. The impairment loss is only reversed to the extent that the asset's carrying amount does not exceed that which would have been determined had no impairment been recognised.

(iii) Impairment of financial assets

For trade receivables, the Group applies the simplified approach permitted by IFRS 9. The Group's impairment policy is explained in the Trade and other receivables note.

(i) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3. Significant accounting policies *(continued)*

(j) Share-based payment arrangements

The grant-date of equity-settled share based arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of share based arrangements granted to employees which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value. Any changes in the liability are recognised in profit or loss.

(k) Provisions

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

(l) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised at a point in time when control of the goods has transferred to the customer, which can be shipping or delivery depending on the terms of trade with the customer. In the prior year, revenue was recognised when all risks and rewards of products were transferred to the customer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. No revenue is recognised if there is significant continuing management involvement with the goods.

(ii) Rental income

Rental income from the Group's investment properties is recognised as other income in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(m) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

(n) Lease payments

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the consolidated financial statements *(continued)*

3. Significant accounting policies *(continued)*

(o) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale debt securities), dividend income, interest charged on trade receivable balances, gains on the disposal of available-for-sale financial assets and net foreign exchange gains. Interest income is recognised in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, net foreign exchange losses and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(p) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Group and the Company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

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

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

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill, including amounts arising in business combinations.

(r) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

3. Significant accounting policies (continued)

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(t) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

(u) Exceptional Items

Exceptional items are those that are separately disclosed by virtue of their nature or amount in order to highlight such items within the Statement of Profit or Loss and Comprehensive Income and results for the year. Examples of such items may include significant restructuring programmes, profits or losses on termination of operations, litigation costs and settlements and significant impairments of assets. Group management exercises judgement in assessing each particular item which, by virtue of their scale or nature, should be highlighted and disclosed in the Statement of Profit or Loss and Comprehensive Income and notes to the Group Financial Statements as exceptional items. Exceptional items are included within 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.

(v) Asset held for sale

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year. On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to stocks, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Company's accounting policies and any equity accounted investee is no longer equity accounted. Intangible assets and tangible fixed assets once classified as held for sale or distribution are not amortised or depreciated.

(w) New standards and interpretations not yet adopted

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For leases, 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 its effective date.

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.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

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 2019 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 be recognised.

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

Standard	Effective date for Donegal Investment Group plc (years beginning)
Annual Improvements to IFRS Standards 2015–2017 Cycle (effective 1 January 2019)	1 September 2019
Amendments to IAS 28: Long-term interests in Associates and Joint Ventures	1 September 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 September 2019
Amendments to IFRS 9: Prepayments with Negative Compensation	1 September 2019

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investment property

External independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the Group's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation in an orderly transaction between market participants after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property taking into account expected rental growth rates, void periods, occupancy rates and lease incentive costs. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property.

(ii) Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. Where investments do not have a quoted bid price their fair value is estimated by the Directors based on recent market transactions and other information available at the reporting date.

(iii) Trade and other receivables and trade and other payables

The fair value of trade and other receivables and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Where the time to maturity or settlement is less than six months, the cost of the item is deemed to reflect its fair value.

(iv) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

4. Determination of fair values *(continued)*

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vi) Share-based payment transactions

The fair value of employee stock options is measured using a binomial lattice pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Financial risk management

Overview

The Group has exposure to the following risks:

- credit risk;
- liquidity risk;
- market risk;
- currency risk; and
- capital management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, with the default risk of those customers being impacted by economic and legal changes in their sectors, primarily being the agricultural sector. Customers are subject to initial credit checks including trade references with credit limits reviewed regularly based on purchasing and payment performance. New customers are subject to restricted credit limits until a credit history is established. Due to the established nature of the businesses and customer relationships, the majority of customers have long-standing trading histories with the Group. Management ensure that, where possible, suitable credit arrangements or letters of credit are in place before dealing with new customers outside Ireland and the UK.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Under IFRS 9, a provision for impairment of trade and other receivables is recognised based on the expected credit losses ('ECL') for those trade and other receivables. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls related to the receivable.

Notes to the consolidated financial statements *(continued)*

5. Financial risk management *(continued)*

Loss allowances are based on lifetime ECLs, except for the following which are measured as 12 month ECLs:

- Trade receivables;
- Other receivables which have been determined to be low risk at the reporting date; and
- Other receivables for which there has not been a significant increase in credit risk (i.e. the risk of a default occurring) at the reporting date since the other receivable first originated.

A rating system has been utilised in relation to other receivables. A significant increase in credit risk is determined to have occurred if the rating of this system disimproves by a predetermined amount.

Trade receivables are considered to be in default if repayment is considered unlikely or if the trade receivable is more than 365 days past due. Other receivables are considered to be in default if repayment is considered unlikely or if the receivable is not collected within the agreed terms.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a receivable. 12 month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the receivable is less than 12 months).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

At 31 August 2019, the Group had 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.

Compliance with the Group's annual debt covenant is monitored continuously based on monthly management accounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices and the United Kingdom leaving the EU ('Brexit') will affect the Group's income and expenses or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

At times, the Group buys forward contracts in order to manage market risks although the use of such instruments is limited.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (€) and Sterling (GBP). The principal exposure relates to transactions denominated in GBP from entities with Euro functional currencies.

Overdrafts and borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Euro and GBP. This provides an economic hedge. In 2019 and 2018, the group entered into a foreign exchange hedge to further mitigate foreign currency exposure.

5. Financial risk management (continued)

Capital management

The Group considers that its capital comprises share capital, share premium, retained earnings and other reserves (excluding the translation, fair value, non-controlling interest and share options reserves) which amounted to €35.2m, at 31 August 2018 (2018: €31.1m).

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitor the level of dividends to ordinary shareholders.

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for awarding shares under the Group's share option programme. Buy and sell decisions are made on a specific transaction basis by the Executive Directors based on criteria set by the Board of Directors.

The Group does not have a defined share buy-back plan. During the year ended 31 August 2018, 4,860,336 Ordinary Shares (approximately 53.7 per cent of each Shareholder's total holding of Ordinary Shares) as at the conversion date of 17 May 2018 were converted into Redeemable Ordinary Shares and redeemed at €9.25 per share. This surplus capital returned to shareholders was generated following the sale of the Group's shareholding in the Monaghan Middlebrook Mushrooms business in February 2018 combined with the disposal of a number of non-core assets including the Grianan Estate during the year ended 31 August 2017 and is a strong endorsement of the Group's strategy in respect of its non-core assets which was first set out in 2012.

Other than the share redemption on 17 May 2018, there were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Segment reporting

Business segments

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 changed its internal organisation and the composition of its operating segments, which resulted in a change in reportable segments. Accordingly, the Group has restated the previously reported segment information for the year ended 31 August 2018.

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

The main factors employed in the identification of the single segment include:

- the Group's organisational structure
- the nature of reporting lines to the Chief Operating Decision Maker
- the structure of internal reporting documentation such as management accounts and budgets

Segment performance is evaluated based on operating profit. Given that net finance costs, taxation, share based payments and exceptional income and costs are managed on a centralised basis, these items are not allocated to the operating segment for internal reporting purposes and in the segmental analysis below.

Geographical segments

The Group operates in three geographical segments: Ireland; Europe and the Rest of the World. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of business segments. Segment assets are based on the geographical location of the 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 segment. Segment results, assets and liabilities include all items directly attributable to a segment. Segment capital expenditure is the total amount incurred during the year to acquire segment assets that are expected to be used for more than one accounting year, excluding expenditure relating to business combinations.

Notes to the consolidated financial statements (continued)

6. Segment reporting (continued)

	Produce and Dairy		Total – Group	
	2019	2018*	2019	2018*
	€'000	€'000	€'000	€'000
Group				
Revenue – continuing operations	45,229	40,661	45,229	40,611
Inter-segment revenue	-	-	-	-
Segment result before exceptional items	4,028	2,741	4,028	2,741
Inter-segment charges	-	-	-	-
Segmental result from continuing operations before exceptional items	4,028	2,741	4,028	2,741
Profit on disposal of asset held for sale			-	19,392
Other exceptional items, net of tax			(569)	(352)
Share option expense			(586)	(611)
Net finance expense			(261)	(103)
Income tax credit/(expense)			859	(272)
Profit for the year– continuing operations			3,471	20,795

* As restated to reflect the effect of discontinued operations

	Produce and Dairy		Total – Group	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Segment assets	21,465	41,988	21,465	41,988
Deferred tax	958	-	958	-
Cash at bank (unallocated)			25,735	6,978
Financial instrument (unallocated)			-	43
Total assets as reported in Group Balance Sheet			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
Financial instrument (unallocated)			47	-
Deferred tax (unallocated)			-	626
Total liabilities as reported in Group Balance Sheet			13,797	19,152
Other segment information				
Capital expenditure	815	1,150	815	1,150
Depreciation and amortisation	991	581	991	581
Change in fair value of investment property and other assets	(30)	19	(30)	19

6. Segment reporting *(continued)*

	Ireland		Europe		Rest of world		Total – Group	
	2019	2018	2019	2018	2019	2018	2019	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total revenue from external customers (by origin)	44,162	39,980	1,061	631	6	-	45,229	40,611
Segment assets as reported in Group Balance Sheet	45,590	46,105	2,208	2,904	360	-	48,158	49,009
Capital expenditure	703	1,137	15	13	97	-	815	1,150

Entity-wide disclosures

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
	45,229	40,611

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

7. Other income/(expense) – continuing operations

	2019	2018
	€'000	€'000
Income from investment property rentals	80	139
Change in fair value of investment property	30	43
Gain on disposal of property, plant and equipment	-	106
Gain on disposal of other investments	-	19
Recycle of change in fair value of available for sale financial asset	-	38
	110	345
Loss on disposal of investment property	-	(24)
	110	321

Notes to the consolidated financial statements (continued)

8. Exceptional items

Exceptional items are those that, in management's judgement, should be separately 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 €'000	2018 €'000
Gain on disposal of asset held for sale – Monaghan Middlebrook Mushrooms ('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)
Award of other legal costs	e	245	-
Other legal costs	f	-	(69)
Recycling of currency translation differences	g	(814)	-
Exceptional (costs)/income before tax – continuing operations		(569)	19,100
Income tax expense in respect of exceptional items		-	(60)
Exceptional (costs)/income after tax – continuing operations		(569)	19,040
Loss on disposal of subsidiaries	h	(30)	-
Exceptional loss from discontinued operations			
Recycling of currency translation differences of discontinued operations	i	-	(676)
Total exceptional (costs)/income for the year		(599)	18,364

- a) On 16 February 2018, The Group announced that, under the terms of the Settlement Agreement, it received €41.5m in cash proceeds for the sale of its interest in Monaghan Middlebrook Mushrooms. A further two non-conditional deferred payments to be received by Donegal as follows: (a) €2m, was received before 15 February 2019; and (b) €2m, to be received on or before 15 February 2020, bringing the total amount receivable pursuant to the Settlement Agreement to approximately €45m. €2m is included within receivables at 31 August 2019 (2018: €4m).
- 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) 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.
- f) Other legal costs are costs in respect of the share redemption incurred during 2018.
- g) Non cash recycle of foreign exchange translation reserves in respect struck off subsidiaries in 2019 (see note 36).
- 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.

9. Personnel expenses

Group

Employees

The average number of persons employed by the Group during the year was as follows:

	2019	2018
	Number	Number
Production	126	134
Stores	14	14
Transport	10	12
Administration	74	73
	224	233

Included in total employees above are employees who are employed in discontinued activities totalling 80 during the year (2018: 81).

The staff costs for the year for the above employees were:

	2019	2018
	€'000	€'000
Wages and salaries	8,317	8,280
Social welfare costs	890	908
Retirement benefit (note 25)	512	487
Share option expense (note 26)	586	611
	10,305	10,286

Included in total staff costs above are employees who are employed in discontinued activities totalling €2.8m during the year (2018: €2.9m).

The director's costs for the year were:

	2019	2018
	€'000	€'000
Wages and salaries	792	724
Social welfare costs	71	60
Retirement benefit	88	85
Share option expense (note 26)	586	563
	1,537	1,432

Notes to the consolidated financial statements (continued)

9. Personnel expenses (continued)

Company

Employees

The average number of persons employed by the Company during the year was as follows:

	2019	2018
	Number	Number
Administration	7	7
	7	7

The staff costs for the year for the above employees were:

	2019	2018
	€'000	€'000
Wages and salaries	1,008	1,058
Social welfare costs	105	124
Retirement benefit (note 25)	126	117
Share option expense (note 26)	586	611
	1,825	1,910

The director's costs for the year were:

	2019	2018
	€'000	€'000
Wages and salaries	792	724
Social welfare costs	71	60
Retirement benefit (note 25)	88	85
Share option expense (note 26)	586	563
	1,537	1,432

10. Statutory and other information

The profit for the year has been arrived at after charging the following amounts:

	2019	2018
	€'000	€'000
Grant income	-	-
Depreciation	933	975
Amortisation of intangible assets	58	52
Auditor's remuneration – Group:		
– audit fees	83	81
– taxation services	106	95
– other non-audit services	-	9
Auditor's remuneration – Company:		
– audit fees	30	30
– taxation services	36	46
– other non-audit services	-	-
Operating lease charges	248	146

Amounts paid to Directors are disclosed in the report of the Remuneration Committee on pages 21 to 24.

11. Finance income and expense – continuing operations

	2019	2018
	€'000	€'000
Recognised in profit or loss		
Interest income on bank deposits	2	2
Interest income on associate loan stock	2	6
Fair value gain on forward currency contracts	-	44
Net foreign exchange gain	-	49
Dividends received	1	1
Finance income	5	102
Interest expense on bank loans and overdraft	(122)	(116)
Net foreign exchange loss	(97)	-
Fair value loss on forward currency contracts	(47)	-
Revaluation of available for sale financial assets	-	(61)
Finance expense	(266)	(177)
Net finance expense recognised in profit or loss	(261)	(75)
Recognised directly in other comprehensive income		
Foreign currency translation differences for foreign operations	(29)	26
Finance (expense)/income recognised in other comprehensive income, net of tax	(29)	26
Finance (expense)/income recognised in other comprehensive income, net of tax		
Recognised in:		
Translation reserve	(30)	22
Non-Controlling interest	1	4
	(29)	26

12. Income tax expense – continuing operations

	2019	2018
	€'000	€'000
Current tax expense		
Current year	414	190
Adjustment in respect of prior years	16	(8)
	430	182
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(1,289)	150
	(1,289)	150
Income tax (credit)/expense	(859)	332

Notes to the consolidated financial statements (continued)

12. Income tax expense – continuing operations (continued)

	2019	2018
	€'000	€'000
Tax reconciliation		
Profit for year before tax – continuing activities	2,612	21,127
Tax at 12.5% (2018: 12.5%)	327	2,640
Expenses not allowable for tax purposes	230	1,263
Income not taxable	(23)	(3,457)
Income taxed at higher rate	45	51
Loss relief claim	(7)	-
Utilisation of previously unrecognised losses	(176)	(123)
Income tax withheld	2	2
Tax withheld at source	-	(16)
Management charges utilised	(5)	(18)
Charges on income not deducted	-	(2)
Recognition of previously unrecognised tax losses	(1,268)	-
Adjustment in respect of prior years	16	(8)
Income tax expense	(859)	332
Income tax recognised directly in other comprehensive income:		
	2019	2018
	€'000	€'000
Tax on equity investments revaluation	-	(13)
Total income tax recognised directly in other comprehensive income	-	(13)

13. Property, plant and equipment

	Land and buildings €'000	Plant and equipment €'000	Fixtures and fittings €'000	Motor vehicles & tanks €'000	Total €'000
Group					
Cost or deemed cost					
Balance at 1 September 2017	8,166	11,370	441	1,334	21,311
Additions	-	992	33	108	1,133
Disposals	-	(435)	(12)	(257)	(704)
Effect of movements in exchange rates	47	70	(12)	(7)	98
Balance at 31 August 2018	8,213	11,997	450	1,178	21,838
Balance at 1 September 2018	8,213	11,997	450	1,178	21,838
Additions	-	543	68	174	785
Disposals	(6,062)	(8,088)	(320)	(1,322)	(15,792)
Effect of movements in exchange rates	(13)	3	11	-	1
Balance at 31 August 2019	2,138	4,455	209	30	6,832
Depreciation and impairment losses					
Balance at 1 September 2017	2,606	8,676	262	1,059	12,603
Depreciation for the year	198	560	33	184	975
Elimination on disposal	-	(399)	-	(215)	(614)
Effect of movements in exchange rates	10	61	-	(4)	67
Balance at 31 August 2018	2,814	8,898	295	1,024	13,031
Balance at 1 September 2018	2,814	8,898	295	1,024	13,031
Depreciation for the year	187	552	58	136	933
Elimination on disposal	(2,083)	(6,733)	(318)	(1,136)	(10,270)
Effect of movements in exchange rates	(3)	(16)	(1)	-	(20)
Balance at 31 August 2019	915	2,701	34	24	3,674
Carrying amounts					
At 1 September 2017	5,560	2,694	179	275	8,708
At 31 August 2018	5,399	3,099	155	154	8,807
At 1 September 2018	5,399	3,099	155	154	8,807
At 31 August 2019	1,223	1,754	175	6	3,158

Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements (see note 24). At 31 August 2019 the net carrying amount of leased plant and machinery was €262,200 (2018: €291,000). Depreciation charged on leased plant and machinery was €28,800 (2018: €28,800).

Land assets

The carrying value of land not subject to depreciation at 31 August 2019 was €0.3m (2018: €1.6m).

Notes to the consolidated financial statements (continued)

13. Property, plant and equipment (continued)

	Land and buildings €'000	Plant and equipment €'000	Fixtures and fittings €'000	Total €'000
Company				
Cost or deemed cost				
Balance at 1 September 2017	662	28	36	726
Additions	-	-	-	-
Balance at 31 August 2018	662	28	36	726
Balance at 1 September 2018	662	28	36	726
Additions	-	-	-	-
Balance at 31 August 2019	662	28	36	726
Depreciation and impairment losses				
Balance at 1 September 2017	302	2	32	336
Depreciation for the year	-	6	2	8
Balance at 31 August 2018	302	8	34	344
Balance at 1 September 2018	302	8	34	344
Depreciation for the year	-	7	2	9
Balance at 31 August 2019	302	15	36	353
Carrying amounts				
At 1 September 2017	360	26	4	390
At 31 August 2018	360	20	2	382
At 1 September 2018	360	20	2	382
At 31 August 2019	360	13	-	373

The carrying value of land not subject to depreciation at 31 August 2019 was €0.36m (2018: €0.36m). The Company holds no finance leases (2018: None).

14. Intangible assets

	Goodwill €'000	Software €'000	Acquisition related intangibles €'000	Total €'000
Group				
Cost				
Balance at 1 September 2017	4,570	758	358	5,686
Additions	-	18	-	18
Disposals	-	(30)	-	(30)
Balance at 31 August 2018	4,570	746	358	5,674
Balance at 1 September 2018	4,570	746	358	5,674
Additions	-	30	-	30
Disposals	(2,246)	(501)	-	(2,747)
Balance at 31 August 2019	2,324	275	358	2,957
Amortisation and impairment losses				
Balance at 1 September 2017	1,182	614	109	1,905
Amortisation for year	-	21	31	52
Impairment change	64	-	-	64
Balance at 31 August 2018	1,246	635	140	2,021
Balance at 1 September 2018	1,246	635	140	2,021
Amortisation for year	-	31	27	58
Disposals	(1,246)	(501)	-	(1,747)
Balance at 31 August 2019	-	165	167	332
Carrying amounts				
At 1 September 2018	3,388	144	249	3,781
At 31 August 2018	3,324	111	218	3,653
At 1 September 2018	3,324	111	218	3,653
At 31 August 2019	2,324	110	191	2,625

Intangible assets are amortised to the income statement over their estimated useful lives as follows: Software – 4 years; Acquisition related intangibles – 3– 10 years.

Acquisition related intangibles include licenses and customer and brand related intangibles.

Impairment testing for cash generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's specific business to which the goodwill originally derived, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

	2019 Produce and Dairy €'000	2018 Produce and Dairy €'000
Goodwill at start of year	3,324	3,388
Disposal through business combinations	(1,000)	-
Impairment in relation to discontinued operations	-	(64)
Goodwill at end of year	2,324	3,324

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 34).

Notes to the consolidated financial statements (continued)

14. Intangible assets (continued)

Goodwill acquired through business combinations has been allocated to the above CGU for the purpose of impairment testing. The Group tests goodwill for impairment annually or more frequently if there are indicators that goodwill may be impaired. The recoverable amounts of the CGU are based on value in use calculations.

The key assumptions used to assess the recoverable amount of cash generating units and related impairment are as per below.

The cash flows are based on management approved budgets for FY2020 projected forward for an additional four years. The growth within the projections assumes an annual increase of 2% (reflecting inflation and no other growth). For the purpose of calculating the terminal value, a terminal growth rate of 0% has been used. Incremental profit and cashflows resulting from future acquisitions are excluded.

The cashflow forecasts are discounted using appropriate risk adjusted discount rates averaging 6.0% (2018: 6.0%) reflecting the risk associated with the individual future cash flows and the risk free rate.

The Group assesses the uncertainty of the above estimates by performing a sensitivity analysis. Management believes, therefore, that any reasonable change in any of the key assumptions would not cause the carrying value of the goodwill to exceed the recoverable amount.

No impairment of goodwill was identified in 2019 as a result of this review (2018: €64,000).

Intangible assets

	Software €'000
Company	
Cost	
Balance at 1 September 2017	55
Additions	-
Balance at 31 August 2018	55
Balance at 1 September 2018	55
Additions	-
Balance at 31 August 2019	55
Amortisation and impairment losses	
Balance at 1 September 2017	42
Amortisation for the year	2
Balance at 31 August 2018	44
Balance at 1 September 2018	44
Amortisation for the year	11
Balance at 31 August 2019	55
Carrying amounts	
At 1 September 2017	13
At 31 August 2018	11
At 1 September 2018	11
At 31 August 2019	-

15. Investment property

	2019 €'000	2018 €'000
Group		
Balance at start 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 along with other land and property assets.

	2019 €'000	2018 €'000
Company		
Balance at start of year	700	700
Balance at end of year	700	700

Investment property, comprising land and buildings, is held for capital appreciation and/or rental income and is not occupied by the Group. This also includes parts of properties owned by the Group which are sublet to third parties. The Group's investment properties at 31 August 2019 are located in Ireland.

Measurement of fair value

(i) Fair value hierarchy

The carrying amount of investment property within the Group's subsidiaries is the fair value of the property as determined by external registered independent appraisers having an appropriate recognised professional qualification and with recent experience in the location and category being valued. In general, valuations have been undertaken having regard to comparable market transactions between informed market participants at the 'highest and best use'. All of the investment property at 31 August 2019 was valued in accordance with consultation with external experts.

The fair value measurement for investment property of €2,510,000 (2018: €2,480,000) has been categorised as a Level 3 fair value based on the input to the valuation technique used (see Note 4).

(ii) Level 3 fair value

The table above reflects the reconciliation from opening balance to closing balance for Level 3 fair values.

A fair value movement of €30,000 was identified in 2019 (2018: €43,000) in relation to investment property.

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used. The comparable market transaction method is used for land held for sale or capital appreciation. The discounted cash flow approach is used for buildings that are sublet to third parties.

Analysis of carrying value by valuation technique

	2019 €'000	2018 €'000
Comparable market transactions	2,510	2,480

Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Comparable market transactions: This method of valuation is used for land held for sale or capital appreciation. The value is based on comparable market transactions after discussion with independent registered property appraisers.	Ireland Comparable market price	The estimated fair value would increase/ (decrease) if: Comparable market prices were higher/ (lower)

Notes to the consolidated financial statements (continued)

16. Investment in associates

Group

The Group's share of after tax profits in its associates for the year was a loss of €Nil (2018: €Nil).

	2019 Interest in associate	2019 Loans to associate	2019 Total	2018 Interest in associate	2018 Loans to associate	2018 Total
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at start of year	-	255	255	-	781	781
Interest charged	-	2	2	-	6	6
Repayment of loan to associate	-	-	-	-	(532)	(532)
Balance at end of year	-	257	257	-	255	255

Investments in associates comprise of North Western Livestock Holdings Limited (NWLH). The total loan notes and interest outstanding from North Western Livestock Holdings Limited at 31 August 2019 is €0.257million (2018: €0.255 million).

Summary financial information for equity accounted investees, adjusted for differences in accounting policies, not adjusted for the percentage ownership held by the Group:

	2019 €'000	2018 €'000
Non-current assets	-	-
Net assets	-	-
Attributable to NCI	-	-
Attributable to investee shareholders	-	-
Group's interest in net assets of associate at start of year	-	-
Total comprehensive income attributable to Group	-	-
Disposal of investment in associate	-	-
Carrying amount of interest in associate at end of the year	-	-

	2019 Interest in Associate	2019 Loans to Associate	2019 Total	2018 Interest in Associate	2018 Loans to Associate	2018 Total
	€'000	€'000	€'000	€'000	€'000	€'000
Company						
Balance at start of year	-	255	255	-	781	781
Interest charged	-	2	2	-	6	6
Repayment of loan by associate	-	-	-	-	(532)	(532)
Balance at end of year	-	257	257	-	255	255

The movements in the Company balance are explained above.

17. Other investments

	2019 €'000	2018 €'000
Group		
<i>Non-current investments</i>		
Other investments	591	9

Equity investments include €9,200 quoted shares (2019: €9,200), €582,000 unquoted shares (2018: €Nil). Quoted shares have been stated at market value in the manner stated in Note 4 and Note 28. The fair value of unquoted shares with a carrying value of €582,000 (2018: €Nil) has been based upon recent market transactions.

	2019 €'000	2018 €'000
Movement during the year		
Balance at start of year	9	187
Revaluation of available for sale financial assets	-	(61)
Addition	582	-
Disposal	-	(117)
Balance at end of year	591	9

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

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 28.

	2019 €'000	2018 €'000
Company		
<i>Non-current investments</i>		
Other investment	9	9
Investments in subsidiaries	382	3,492
	391	3,501

	2019 Equity investments €'000	2019 Investments in subsidiaries €'000	2019 Total €'000	2018 Equity investments €'000	2018 Investments in subsidiaries €'000	2018 Total €'000
Movement during the year						
Balance at start of year	9	3,492	3,501	182	3,492	3,674
Revaluation of equity investments	-	-	-	(61)	-	(61)
Disposal	-	(3,110)	(3,110)	(112)	-	(112)
Balance at end of year	9	382	391	9	3,492	3,501

Other equity investments include €9,000 quoted shares (2018: €9,000), and €Nil unquoted shares (2018: €Nil). Quoted shares have been stated at market value in the manner stated in Note 4 and Note 28.

Notes to the consolidated financial statements (continued)

18. Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Property, plant and equipment	-	-	(163)	(479)	(163)	(479)
Investment property	-	-	(179)	(179)	(179)	(179)
Other investments	-	-	(3)	(3)	(3)	(3)
Share-based payments	35	35	-	-	35	35
Tax losses forward	1,268	-	-	-	1,268	-
Deferred tax assets/(liabilities)	1,303	35	(345)	(661)	958	(626)
Set off of tax	(345)	(35)	345	35	-	-
Net deferred tax assets/(liabilities)	958	-	-	(626)	958	(626)

Group

Unrecognised deferred tax assets

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

	2019 €'000	2018 €'000
Tax losses	-	1,445
Investment property	827	827

A deferred tax asset in respect of tax losses carried forward of €1,268,000 was recognised in the year as it is probable that future taxable profit will be available against the losses which the Group can utilise the benefit from.

Investment property tax losses for which no deferred tax asset has been recognised have no expiry date.

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Property, plant and equipment	-	-	(104)	(104)	(104)	(104)
Investment property	70	70	-	-	70	70
Other investments	-	-	(3)	(3)	(3)	(3)
Share-based payments	35	35	-	-	35	35
Other deferred tax assets/(liabilities)	-	-	-	-	-	-
Deferred tax assets/(liabilities)	105	105	(107)	(107)	(2)	(2)
Set off of tax	(105)	(105)	105	105	-	-
Net deferred tax assets/(liabilities)	-	-	(2)	(2)	(2)	(2)

Unrecognised deferred tax assets

The Company had no unrecognised deferred tax assets or liabilities at 31 August 2019 (2018: €Nil).

18. Deferred tax assets and liabilities *(continued)***Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Balance at 1 Sep 2017	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange	Balance at 31 Aug 2018	Recognised in profit or loss	Recognised in other comprehensive income	Disposed	Balance at 31 Aug 2019
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Group									
Property, plant and equipment	(436)	(41)	-	(2)	(479)	21	-	295	(163)
Investment property	(179)	-	-	-	(179)	-	-	-	(179)
Other investments	(12)	(4)	13	-	(3)	-	-	-	(3)
Share based payment	80	(45)	-	-	35	-	-	-	35
Other deferred tax asset	60	(60)	-	-	-	1,268	-	-	1,268
	(487)	(150)	13	(2)	(626)	1,289	-	295	958

	Balance at 1 Sep 2017	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Aug 2018	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Aug 2019
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Company							
Property, plant and equipment		(105)	1	(104)	-	-	(104)
Investment property		70	-	70	-	-	70
Other investments		(12)	(4)	(3)	-	-	(3)
Other deferred tax liabilities		60	(60)	-	-	-	-
Share based payment		80	(45)	35	-	-	35
		93	(108)	13	(2)	-	(2)

Notes to the consolidated financial statements (continued)

19. Inventories

	2019	2018
	€'000	€'000
Group		
Dairy	184	201
Animal feeds	-	1,423
Cereals	175	199
Packaging and other stocks	666	1,393
Biological assets	1,060	619
	2,085	3,835
	2019	2018
	€'000	€'000
Inventories impairment		
Balance at start of year	60	60
Provision for impairment	-	3
Impairment reversal	(53)	-
Balance at end of year	7	63

In 2019, the impairment reversal of inventories to net realisable value amounted to €53,000 (2018: impairment charge €3,000). The impairment reversal is included in cost of sales. Total inventory costs of €12,573,000 (2018: €12,104,000) were charged to the statement of profit or loss and comprehensive income.

Fair value hierarchy

The fair value measurements for the Group's biological assets have been categorised as level 3 fair values based on the inputs to the valuation techniques used which are not based on observable market data.

Valuation technique and significant unobservable inputs

The fair value of biological assets is determined by management using a discounted cashflow approach and the table below summarises the unobservable inputs used for seed potatoes.

Product	Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Seed potatoes	<i>Discounted cashflows</i> This method of valuation considers the present value of the net cashflows expected to be generated by the biological assets. The cashflow projections include estimates of yields, sales prices, production and harvest costs. The expected net cashflows are discounted using a risk-adjustment factor to factor in volatility of weather, production and pricing and future farming costs.	<i>Inclusive of</i> <ul style="list-style-type: none"> ▪ estimated yields based on historical yields that are adjusted to reflect current growing conditions, variety of product and farm locations ▪ estimated cash inflows based on forecast pricing ▪ estimated production, harvesting and transportation costs ▪ risk adjusted discount rates 	<i>The estimated fair value would increase/(decrease) if:</i> <ul style="list-style-type: none"> ▪ estimated yields were higher/(lower) ▪ estimated fruit prices were higher/(lower) ▪ estimated production, harvesting and transportation costs were lower/(higher) ▪ the risk-adjusted discount rates were lower/(higher)

20. Trade and other receivables

	2019	2018
	€'000	€'000
Group		
Current trade and other receivables		
Trade receivables	4,569	16,493
Other receivables due from related parties (note 35)	-	93
Value added tax	425	366
Deferred consideration due from Monaghan Middlebrook Mushrooms (see note 8)	2,000	4,000
Other receivables	880	289
Prepayments	2,365	1,708
	10,239	22,949

	2019	2018
	€'000	€'000
Company		
Current trade and other receivables		
Trade receivables	-	450
Other receivables due from subsidiary undertakings	320	1,695
Other receivables	407	57
Value added tax	73	-
Deferred consideration due from Monaghan Middlebrook Mushrooms (see note 8)	2,000	4,000
Prepayments	25	230
	2,825	6,432

The Group and Company exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 28.

21. Cash and cash equivalents

	2019	2018
	€'000	€'000
Group		
Cash at bank	25,735	6,978
Bank overdraft	(408)	(1,664)
Bank balances net of overdrafts due within one year	25,327	5,314

	2019	2018
	€'000	€'000
Company		
Cash at bank	21,199	2,817
Bank Overdraft	(408)	-
Bank balances including overdrafts due within one year, net	20,791	2,817

At the year end, there was a Group facility with the bank which allows for legal offset of the Group and certain subsidiary bank balances. The Group's and Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

Notes to the consolidated financial statements (continued)

22. Capital and reserves

Share capital

	Ordinary shares of €0.13 each		Redeemable shares of €0.13 each		Deferred shares of €0.13 each		Total €'000
	Number	€'000	Number	€'000	Number	€'000	
Authorised							
Balance at start of year	44,860,000	5,832	279,664	36	5,140,000	668	6,536
Cancellation of shares following conversion and redemption	-	-	-	-	(5,140,000)	(668)	(668)
Balance at end of year	44,860,000	5,832	279,664	36	-	-	5,832
Issued, called up and fully paid							
Balance at start of year	5,425,254	705	-	-	-	-	705
Cancellation of treasury shares	(664,447)	(86)	-	-	-	-	(86)
Balance at end of year	4,760,807	619	-	-	-	-	619

As approved by shareholders at the Extraordinary General Meeting held on 16 May 2018, the authorised share capital of the Company was increased from €6,500,000 to €7,836,400 by, inter alia, the creation of an additional 5,140,000 Deferred Shares of €0.13 each and the conversion of Redeemable shares of 5,140,000 Deferred Shares of €0.13 each.

The Ordinary Shares and the Redeemable Ordinary Shares rank *pari passu*. A Deferred Share has no rights other than a right to participate in any surplus arising on the winding up of the Company up to the nominal amount paid up on the Deferred Share.

The 5,140,000 deferred shares were removed as a class from the authorised share capital of the Company during the year as no deferred shares came into existence within six months of 16 May 2018.

No ordinary shares held by the Company as Treasury Shares were converted into Redeemable Ordinary Shares during the year.

Share redemption

Under the terms of the redemption approved by shareholders, the Company was authorised to redeem up to 5,140,000 Redeemable Ordinary Shares. 4,860,336 Ordinary Shares (approximately 53.7 per cent of each Shareholder's total holding of Ordinary Shares) as at the conversion date of 17 May 2018 were converted into Redeemable Ordinary Shares and redeemed at €9.25 per share.

As part of the share redemption, a member could notify the Company before the conversion of his Ordinary Shares of his unwillingness to have some of his Ordinary Shares converted into Redeemable Ordinary Shares. The directors could convert up to 5,140,000 of the existing Ordinary Shares into Redeemable Ordinary Shares. Whereby a member notified the Company in accordance with section 83 of the Companies Act 2014 of his unwillingness to have any of his Ordinary Shares converted into Redeemable Ordinary Shares, that percentage of his Ordinary Shares which would have been converted into Redeemable Ordinary Shares shall instead be converted into Deferred Shares. No such notifications from members were received in advance of the redemption.

Share premium

Share premium represents the excess amount received above nominal value on issuance of ordinary shares.

Other undenominated share capital

Other undenominated share capital of €86,000 (664,447 treasury shares cancelled) arose as a result of the cancellation of treasury shares in 2018.

Other undenominated share capital of €632,000 (4,860,336 ordinary shares redeemed) arose as a result of the share redemption in 2018.

22. Capital and reserves *(continued)*

Translation reserve

The translation reserve comprises cumulative foreign currency differences arising from the translation of the net assets of foreign operations until the investments are derecognised.

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 August 2019, the Group held 612,614 of the Company's shares (2018: 1,235,016). This represented 11.3% (2018: 22.8%) of the issued share capital of the Company. The distribution of retained earnings is restricted by the value of own shares held.

The Group purchased 42,045 (2018: 697,443) treasury shares at a total price of €415,250 (2018: €6,047,000) including transaction costs, in a number of transactions, intended to be used to settle awards made the Group share option scheme.

On 28 November 2018, the Board approved the cancellation of 53.7% or 664,447 treasury shares in line with the pro-rata conversion and redemption applied to all other shareholders under the Return of Capital.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, net of deferred tax, until the investments are derecognised or impaired.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment and includes revaluation gains or losses upon the reclassification of property, plant and equipment to investment property.

Share option reserve

The share option reserve reflects charges relating to granting of share options.

Dividends

A dividend is not declared in respect of 2019 or 2018. A minority interest dividend of €34,000 was paid during the year (2018: €34,000).

23. Earnings per share

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

	2019	2018
	€'000	€'000
Profit/(loss) attributable to ordinary shareholders		
Profit for the year – continuing operations	3,471	20,795
Profit/(loss) for the year – discontinued operations	1,024	(902)
Profit for the year	4,495	19,893
Profit attributable to ordinary shareholders	4,222	19,757
	2019	2018
	Number	Number
	'000	'000
Weighted average number of ordinary shares in thousands of shares		
Weighted average number of ordinary shares in issue for the year	4,922	8,887
Weighted average number of treasury shares	(750)	(888)
Denominator for basic earnings per share	4,172	7,999
Effect of share options in issue	137	209
Weighted average number of ordinary shares (diluted) at end of year	4,309	8,208

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.

Notes to the consolidated financial statements (continued)

23. Earnings per share (continued)

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

24. Loans and borrowings

Group

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 28.

	2019	2018
	€'000	€'000
Non-current liabilities		
Secured bank loans	-	5,000
Finance lease liabilities	41	174
	41	5,174
Current liabilities		
Secured bank loans	4,000	-
Finance lease liabilities	20	49
	4,020	49
Total	4,061	5,223

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2019 Face value €'000	2019 Carrying amount €'000	2018 Face value €'000	2018 Carrying amount €'000
Secured bank loan	eur	Euribor+2.5%	2019	4,008	4,000	5,294	5,000
Finance lease liabilities	eur	6%	2020	67	61	243	223
Total interest-bearing liabilities				4,075	4,061	5,537	5,223

The secured loan was fully repaid post year end.

24. Loans and borrowings *(continued)***Finance lease liabilities**

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2019	Interest 2019	Present value of minimum lease payments 2019	Future minimum lease payments 2018	Interest 2018	Present value of minimum lease payments 2018
	€'000	€'000	€'000	€'000	€'000	€'000
Less than one year	22	2	20	53	4	49
Between one and five years	45	4	41	190	16	174
	67	6	61	243	20	223

The maturity of non current borrowing is as follows:

	2019 €'000	2018 €'000
Between 1 and 2 years	4,061	2,146
Between 2 and 5 years	-	3,077
	4,061	5,223

	2019 €'000	2018 €'000
Company		
Non-current liabilities		
Secured bank loans	-	5,000
	-	5,000
Current liabilities		
Secured bank loans	4,000	-
Total	4,000	5,000

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 August 2019		31 August 2018	
				Face value	Carrying amount	Face value	Carrying amount
				€'000	€'000	€'000	€'000
Secured bank loan	eur	Euribor+2.5%	2019	4,008	4,000	5,294	5,000

The secured loan was fully repaid post year end.

Notes to the consolidated financial statements (continued)

24. Loans and borrowings (continued)

Reconciliation of movements of interest bearings loans and borrowings to cashflows arising from financing activities

	Bank overdrafts used for cash management purposes 2019 €'000	Bank borrowings 2019 €'000	Finance lease liabilities 2019 €'000	Share capital and share premium 2019 €'000	Other reserves and retained earnings 2019 €'000	Total 2019 €'000
Balance at start of year	1,664	5,000	223	3,680	24,989	35,556
Changes from financing cashflows						
Capital element of finance lease repayments	-	-	(162)	-	-	(162)
Dividend paid to non-controlling interest	-	-	-	-	(34)	(34)
Acquisition of treasury shares	-	-	-	-	(415)	(415)
Total changes from financing cashflows	-	-	(162)	-	(449)	(611)
Changes from cashflows	(1,664)	(1,000)	-	-	-	(2,664)
Interest paid	-	(122)	-	-	-	(122)
Interest expenses	-	122	-	-	-	122
Total equity related and other changes	(1,664)	(1,000)	-	-	-	(2,664)
Balance at end of year	-	4,000	61	3,680	24,540	32,281

25. Employee benefits

At 31 August 2019, the Group operates three defined contribution schemes, one in the Company and two in subsidiaries. The assets of the schemes are held separately from those of the Companies in independently administered funds. The pension charge represents contributions payable by the companies to the funds and totalled €512,000 for the year ended 31 August 2019 (2018: €487,000). At 31 August 2019, €32,000 (2018: €42,200) was included within creditors in respect of defined contribution pension liabilities.

26. Share-based payments

Equity settled share based payments

On 27 July 2005, the Group established an equity settled share option programme that entitles key management personnel and senior employees to purchase shares in the Company. 150,000 share options were granted on 1 October 2013. 120,000 share options were granted on 27 May 2014 and 205,000 share options were granted on 1 September 2014. Options granted in 2013 are exercisable at a price of €4.70. Options granted in 2014 are exercisable at a price of €6.05 and €5.95 respectively. The scheme permits the grant of options limited to 3% of the ordinary share capital of the Company in any three year period. Options vest three years after the date of grant and no option is capable of exercise later than seven years after the date of grant. Options are granted at the discretion of the Remuneration Committee.

On 1 July 2015, at an annual general meeting, a share option scheme for full time Executives was approved by shareholders. The scheme permits the grant of options limited to 5% of the ordinary share capital in any ten year period. No option is capable of exercise later than seven years after the date of the grant. Options are granted at the discretion of the Remuneration Committee. The scheme shall expire ten years after the adoption date.

Under the group Share Option Scheme established on the 27 July 2005 and renewed on 1 July 2015, in the event of any issue of shares, by way of rights, capitalisation issue or any consolidation or subdivision or reduction of the capital of the Company, the number of shares subject to any Option and the Subscription Price for each of those Shares, was adjusted in such manner as to be fair and reasonable provided that:

- the aggregate amount payable on the exercise of an Option in full is not increased;
- the Subscription Price for a Share is not reduced below its nominal value.

As a result of the reduction of the capital of the Company on the 18 May 2018, the outstanding share options available and associated strike price have been reduced pro rata based on the percentage capital reduction and share buyback price.

26. Share-based payments (continued)

On 18 May 2018, and as part of the Company's capital redemption, 48,000 share options granted on 27 May 2014 and 73,000 share options granted on 1 September 2014 were cash settled by the Company. Following this redemption, 81,000 share options granted on 1 October 2013, 38,000 share options granted on 27 May 2014 and 61,000 share options granted on 1 October 2014 were cancelled. The amendment to each option price, in respect of remaining share options in place post redemption, is as follows:

Grant date	Option price as at 31 August 2019	Number of instruments in thousands as at 31 August 2019	Option price as at 31 August 2018	Number of instruments in thousands as at 31 August 2018	Vesting conditions	Contractual life of options
Option grant on 1 October 2013	€0.31	69	€0.31	69	3 years' service	7 years
Option grant on 27 May 2014	€0.31	14	€0.31	14	3 years' service	7 years
Option grant on 27 May 2014	€2.34	19	€2.34	19	3 years' service	7 years
Option grant on 1 September 2014	€0.31	19	€0.31	19	3 years' service	7 years
Option grant on 1 September 2014	€2.12	31	€2.12	31	3 years' service	7 years
Exercisable as at 31 August		152		152		

Additionally, a share option arrangement granted before 7 November 2002 exists. The recognition and measurement principles in IFRS 2 have not been applied to these grants.

At 31 August 2019, there were Nil (2018: 67,000) options outstanding with a grant date pre 7 November 2002.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2019	Number of options '000's 2019	Weighted average exercise price 2018	Number of options '000's 2018
In thousands of options				
Outstanding at 1 September:				
Pre 2002 options	-	-	€0.13	67
Options granted in 2013	€0.31	69	-	-
Options granted in 2014	€0.31	14	-	-
Options granted in 2014	€2.34	19	-	-
Options granted in 2014	€0.31	19	-	-
Options granted in 2014	€2.12	31	-	-
Options granted in 2013	-	-	€3.41	150
Options granted in 2014	-	-	€4.84	120
Options granted in 2014	-	-	€4.79	205
Options granted in 2014 – cash settled	-	-	€4.84	(48)
Options granted in 2014 – cash settled	-	-	€4.79	(73)
Options granted in 2013 – cancelled	-	-	€3.41	(81)
Options granted in 2014 – cancelled	-	-	€4.84	(38)
Options granted in 2014 – cancelled	-	-	€4.79	(61)
Options granted in 2014 – exercised	-	-	€4.84	(12)
Options granted in 2014 – lapsed	-	-	€4.74	(10)
Outstanding at 31 August		152		219
Exercisable at 31 August:	€0.31	69	€0.13	67
	€0.31	14	€0.31	69
	€2.34	19	€0.31	14
	€0.31	19	€2.34	19
	€2.12	31	€0.31	19
			€2.12	31

Notes to the consolidated financial statements (continued)

26. Share-based payments (continued)

As a result of the reduction of the capital of the Company on the 18 May 2018, the outstanding share options available and associated strike price have been reduced pro rata based on the percentage capital reduction and share buyback price.

The options outstanding at 31 August 2019 have an exercise price in the range of €0.13 to €2.34 and a weighted average remaining contractual life of 1.5 years. In accordance with accounting standards, the fair value of options granted pre 2002 have not been reflected in these financial statements. The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model. There were no equity settled share options granted in 2019 (2018: None).

Cash settled share based payments

In 2015, a cash settled share performance plan was put in place that entitles key management and senior employees to a cash payment based on the following metrics. 70,000 options were granted on 1 December 2017 where one third can be exercised after one year, one third after two years and one third after three years. 70,000 options were granted on 1 April 2017 where one third can be exercised after one year, one third after two years and one third after three years. 70,000 options were granted on 1 April 2016 where one third can be exercised after one year, one third after two years and one third after three years. 70,000 options were granted on 1 April 2015 where one third can be exercised after one year, one third after two years and one third after three years. No option is capable of exercise later than seven years after the grant date. Options are granted at the discretion of the Remuneration Committee.

Details of awards granted under Share Performance Plan	Share price at award	Year to earliest release date	Initial award	Exercised during the year	Net outstanding	Exercisable at year end	Fair value at year end	Fair value at prior year end
Granted in 2018	€6.79	-	70,000	-	70,000	23,333	€4.24	€1.64
Granted in 2017	€5.32	-	70,000	-	70,000	46,667	€5.71	€4.96
Granted in 2016	€5.25	-	60,000	-	60,000	60,000	€5.59	€3.97
Granted in 2015	€5.77	-	50,000	-	50,000	50,000	€5.34	€3.74

The inputs and assumptions for the purpose of the valuation of the equity settled and cash settled share based payments at the measurement date are as follows:

Central assumptions:

Volatility	20% p.a.
Share price at 31 August 2019	€11.30
Dividend yield	2.75% p.a.
Risk-free interest rate	0% p.a.
Rate of forced early exercise	10% p.a.
Minimum gain for voluntary early exercise	33% of exercise price
Rate of voluntary early exercise at minimum gain	50% p.a.

	2019 €'000	2018 €'000
Employee expenses		
Equity settled share options granted in 2013	-	(17)
Equity settled share options granted in 2014	-	142
Share performance plan options granted in 2015	80	110
Share performance plan options granted in 2016	144	132
Share performance plan options granted in April 2017	178	191
Share performance plan options granted in December 2017	184	53
Total expense recognised as employee costs	586	611

27. Trade and other payables

	2019	2018
	€'000	€'000
Group		
Current		
Trade payables	3,253	5,808
PAYE	218	188
PRSI	109	104
Accrued expenses	5,219	5,131
Value added tax	-	26
	8,799	11,257
Deferred income		
Non current		
Capital grant	300	308
	9,099	11,565

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

	2019	2018
	€'000	€'000
Company		
Payables due to subsidiary undertakings	1,947	2,977
Other trade payables	673	55
PAYE	108	26
PRSI	40	11
Accrued expenses	2,962	2,238
Value added tax	-	25
	5,730	5,332

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

Notes to the consolidated financial statements (continued)

28. Financial instruments

The effect of initially applying IFRS 9 on the Group's financial instruments is described in the accounting policies note on page 42.

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy.

	Fair value through profit or loss	Assets at amortised cost	Liabilities at amortised cost	Total carrying amount	Fair value
	2019 €'000	2019 €'000	2019 €'000	2019 €'000	2019 €'000
Group					
Other investments	591	-	-	591	591
Loan to associates	-	257	-	257	257
Trade receivables and other receivables*	-	7,874	-	7,874	7,874
Cash at bank	-	25,735	-	25,735	25,735
Trade and other payables	-	-	(8,799)	(8,799)	(8,799)
Loans and borrowings	-	-	(4,000)	(4,000)	(4,000)
Finance lease liability	-	-	(61)	(61)	(61)
Bank overdraft	-	-	(408)	(408)	(408)
Forward currency contract – liability	(47)	-	-	(47)	(47)
	544	33,866	(13,268)	21,142	21,142

*For the purposes of this analysis prepayments have not been included within other receivables. Carrying value of trade receivables and other receivables are stated net of impairment provision where appropriate and consequently fair value is considered to approximate carrying value.

	Fair value through profit or loss	Assets at amortised cost	Liabilities at amortised cost	Total carrying amount	Fair value
	2018 €'000	2018 €'000	2018 €'000	2018 €'000	2018 €'000
Group					
Other investments	9	-	-	9	9
Loan to associates	-	255	-	255	255
Trade receivables due from related parties	-	93	-	93	93
Trade receivables and other receivables*	-	21,148	-	21,148	21,148
Cash at bank	-	6,978	-	6,978	6,978
Forward currency contract – asset	43	-	-	43	43
Bank overdraft	-	-	(1,664)	(1,664)	(1,664)
Trade and other payables	-	-	(11,257)	(11,257)	(11,257)
Loans and borrowings	-	-	(5,000)	(5,000)	(5,000)
Finance lease liability	-	-	(223)	(223)	(223)
	307	28,474	(18,144)	10,382	10,382

*For the purposes of this analysis prepayments have not been included within other receivables. Carrying value of trade receivables and other receivables are stated net of impairment provision where appropriate and consequently fair value is considered to approximate carrying value.

28. Financial instruments *(continued)*

	Fair value through profit or loss	Assets at amortised cost	Liabilities at amortised cost	Total carrying amount	Fair value
	2019 €'000	2019 €'000	2019 €'000	2019 €'000	2019 €'000
Company					
Other investments	9	-	-	9	9
Loan to associates	-	257	-	257	257
Trade receivables due from group companies	-	320	-	320	320
Trade receivables and other receivables*	-	2,480	-	2,480	2,480
Cash at bank	-	20,791	-	20,791	20,791
Payables due to subsidiary undertaking	-	-	(1,947)	(1,947)	(1,947)
Trade and other payables	-	-	(3,783)	(3,783)	(3,783)
Loans and borrowings	-	-	(4,000)	(4,000)	(4,000)
	9	23,848	(9,730)	14,127	14,127

*For the purposes of this analysis prepayments have not been included within other receivables. Carrying value of trade receivables and other receivables are stated net of impairment provision where appropriate and consequently fair value is considered to approximate carrying value.

	Fair value through profit or loss	Assets at amortised cost	Liabilities at amortised cost	Total carrying amount	Fair value
	2018 €'000	2018 €'000	2018 €'000	2018 €'000	2018 €'000
Company					
Other investments	9	-	-	9	9
Loan to associates	-	255	-	255	255
Trade receivables due from group companies	-	1,695	-	1,695	1,695
Trade receivables and other receivables*	-	4,507	-	4,507	4,507
Cash at bank	-	2,817	-	2,817	2,817
Payables due to subsidiary undertaking	-	-	(2,997)	(2,997)	(2,997)
Trade and other payables	-	-	(2,257)	(2,257)	(2,257)
Loans and borrowings	-	-	(5,000)	(5,000)	(5,000)
	9	9,274	(10,254)	(971)	(971)

*For the purposes of this analysis prepayments have not been included within other receivables. Carrying value of trade receivables and other receivables are stated net of impairment provision where appropriate and consequently fair value is considered to approximate carrying value.

The carrying amounts of loans and receivables, trade and other payables are deemed to be a reasonable approximation of fair value. The basis for determining fair values is disclosed in note 4. The fair value of secured loans and finance lease liabilities has been calculated using discounted cash flows. The Group has availed of the exemption in IFRS 7 'Financial instruments: Disclosure' in respect of additional disclosures where fair value closely approximates the amortised cost carrying value.

Notes to the consolidated financial statements (continued)

28. Financial instruments (continued)

Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group and Company's receivables from customers and other equity investments. The carrying amount of financial assets represents the maximum credit exposure of the Group and Company. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount	
		2019 €'000	2018 €'000
Group			
Loans due from associates	16	257	255
Other investments	17	591	9
Trade receivables from related parties	20	-	93
Trade receivables	20	4,569	16,493
Other receivables and valued added tac	20	1,305	655
Deferred consideration due from Monaghan Middlebrook Mushrooms	20	2,000	4,000
		8,722	21,505

	Note	Carrying amount	
		2019 €'000	2018 €'000
Company			
Loans due from associates	16	257	255
Other investments	17	9	9
Trade receivables from subsidiary undertakings	20	320	1,695
Other receivables including value added tax	20	480	57
Deferred consideration due from Monaghan Middlebrook Mushrooms	20	2,000	4,000
		3,066	6,016

The maximum exposure to credit risk for trade receivables of the Group at the reporting date by geographic region was:

	Carrying amount	
	2019 €'000	2018 €'000
Group		
Ireland	603	9,269
United Kingdom	3,196	5,884
Other Euro-zone countries	709	684
Other regions	61	656
	4,569	16,493

All receivables from related parties arise in Ireland and are Euro denominated. Similarly, loans to associates arise in Ireland and are Euro denominated.

28. Financial instruments (continued)

The maximum exposure to credit risk from trade receivables of the Company at the reporting date by geographic region was:

Company	Carrying amount	
	2019	2018
	€'000	€'000
Ireland	-	450

The maximum exposure to credit risk for trade receivables of the Group at the reporting date by type of customer was:

Group	Carrying amount	
	2019	2018
	€'000	€'000
Wholesale customers	327	1,002
Retail customers	4,242	15,491
	4,569	16,493

The maximum exposure to credit risk for trade receivables of the Company at the reporting date by type of customer was:

Company	Carrying amount	
	2019	2018
	€'000	€'000
Wholesale customers	-	450

The following table details the ageing of gross trade receivables and the related loss allowance:

Group	Gross	Expected loss rate	Loss allowance	Net	Gross	Loss allowance	Net
	2019	2019	2019	2019	2018	2018	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Not past due	3,088	0.02%	(50)	3,038	6,711	-	6,711
Past due < 30 days	293	15.3%	(45)	248	1,288	-	1,288
Past due 30 – 365 days	1,607	20.2%	(324)	1,283	8,725	(925)	7,800
Past due > 365 days	1,985	100%	(1,985)	-	7,657	(6,963)	694
	6,973	34.5%	(2,404)	4,569	24,381	(7,888)	16,493

Notes to the consolidated financial statements (continued)

28. Financial instruments (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2019 €'000	2018 €'000
Balance at start of year	7,888	7,813
IFRS 9 Transition adjustment	196	-
Balance at start of year (restated)	8,084	7,813
Arising from sale of subsidiaries	(1,098)	-
Impairment provision offset	(4,886)	-
Debts recovered	-	(732)
Allowance for impairment during the year	304	807
Balance at end of year	2,404	7,888

No significant credit risk is perceived with respect to receivables due from related parties. Loans to associates are routinely reviewed for impairment. No impairment was recognised in respect of associate loans in 2019 (2018: €Nil).

	Gross 2019 €'000	Loss allowance 2019 €'000	Net 2019 €'000	Gross 2018 €'000	Loss allowance 2018 €'000	Net 2018 €'000
Company						
Not past due	-	-	-	3	-	-
Past due < 30 days	-	-	-	-	-	-
Past due 30 – 365 days	-	-	-	-	-	-
Past due > 365 days	-	-	-	5,333	(4,886)	447
	-	-	-	5,336	(4,886)	447

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2019 €'000	2018 €'000
Balance at start of year	4,886	5,341
Debts recovered	-	205
Impairment provision released	-	(660)
Impairment provision offset	(4,886)	-
Balance at end of year	-	4,886

No significant credit risk is perceived with respect to receivables due from related parties. Loans to associates are routinely reviewed for impairment. No impairment was recognised in respect of associate loans in 2019 (2018: €Nil).

28. Financial instruments *(continued)***Liquidity risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 mths or less	6 – 12 mths	1 – 2 years	2 – 5 years	More than 5 years
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
31 August 2019							
Group							
Forward currency contract – liability	(47)	(47)	(47)	-	-	-	-
Secured bank loans	(4,000)	(4,008)	(4,008)	-	-	-	-
Finance lease liabilities	(61)	(61)	(10)	(10)	(41)	-	-
Bank overdraft	(408)	(408)	(408)	-	-	-	-
Trade and other payables	(8,799)	(8,799)	(8,799)	-	-	-	-
	(13,315)	(13,323)	(13,272)	(10)	(41)	-	-

	Carrying amount	Contractual cash flows	6 mths or less	6 – 12 mths	1 – 2 years	2 – 5 years	More than 5 years
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
31 August 2018							
Group							
Forward currency contract – asset	43	43	43	-	-	-	-
Secured bank loans	(5,000)	(5,294)	(556)	(556)	(1,100)	(3,075)	-
Finance lease liabilities	(223)	(243)	(41)	(41)	(81)	(81)	-
Bank overdraft	(1,664)	(1,664)	(1,664)	-	-	-	-
Trade and other payables	(11,257)	(11,257)	(11,257)	-	-	-	-
	(18,101)	(18,415)	(13,475)	(597)	(1,181)	(3,156)	-

	Carrying amount	Contractual cash flows	6 mths or less	6 – 12 mths	1 – 2 years	2 – 5 years	More than 5 years
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
31 August 2019							
Company							
Secured bank loans	(4,000)	(4,008)	(4,008)	-	-	-	-
Payables due to subsidiary undertakings	(1,947)	(1,947)	(1,947)	-	-	-	-
Bank overdraft	(408)	(408)	(408)	-	-	-	-
Trade and other payables	(3,783)	(3,783)	(3,783)	-	-	-	-
	(10,138)	(10,146)	(10,146)	-	-	-	-

	Carrying amount	Contractual cash flows	6 mths or less	6 – 12 mths	1 – 2 years	2 – 5 years	More than 5 years
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
31 August 2018							
Company							
Secured bank loans	(5,000)	(5,294)	(556)	(556)	(1,100)	(3,075)	-
Payables due to subsidiary undertakings	(2,977)	(2,977)	(2,977)	-	-	-	-
Trade and other payables	(2,257)	(2,257)	(2,257)	-	-	-	-
	(10,234)	(10,528)	(5,790)	(556)	(1,100)	(3,075)	-

Notes to the consolidated financial statements (continued)

28. Financial instruments (continued)

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk on financial instruments that impact profit or loss at the balance sheet date was as follows:

	2019 €'000	2018 €'000
Trade receivables	2,911	4,927
Bank balance	(1,011)	1,986
Forward currency contract – (liability)/asset	(47)	43
Trade payables	(1,281)	(1,190)
Gross balance sheet exposure	572	5,766

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
GBP to Euro	1.13	1.13	1.11	1.12

Sensitivity analysis

A 10 percent strengthening of the euro against the following currencies at 31 August 2019 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	Equity €'000	Profit or loss €'000
GBP		
31 August 2019	(244)	(200)
31 August 2018	(1,001)	74

A 10 percent weakening of the euro against the above currencies at 31 August would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was solely variable.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss		Equity	
	100 bp increase €'000	100 bp decrease €'000	100 bp increase €'000	100 bp decrease €'000
31 August 2019				
Cash flow sensitivity (net)	(39)	39	(39)	39
31 August 2018				
Cash flow sensitivity (net)	(25)	25	(25)	25

28. Financial instruments (continued)

Equity Risk

The value of the Group and Company's available-for-sale financial assets are exposed to fluctuations in the Irish equity market. A 5% strengthening of equity prices at 31 August 2019 would have increased equity and profit or loss by €900 (2018: €900). A 5% weakening of equity prices would have had an equal but opposite effect.

Derivative financial instruments

The fair values of foreign exchange contracts are analysed by year of maturity as follows:

	2019 €'000	2018 €'000
Derivatives classified at fair value through the income statement		
Forward currency contract – within one year – current asset	-	43
Forward currency contract – within one year – current liability	(47)	-

The Group's foreign exchange hedge risk arises due to future cashflows from movements in foreign exchange rates and affect the profit and loss over the period of maturity.

The fair value loss arising on forward currency contract reflected in the consolidated statement of profit or loss and comprehensive income in 2019 was €47,000 (2018: gain of €43,000).

Fair values

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 August 2019 and 31 August 2018, the Group recognised and measured the following financial instruments at fair value:

	2019 Total €'000	2019 Level 1 €'000	2019 Level 2 €'000	2019 Level 3 €'000
Equity investments	591	-	9	582
Forward currency contract – liability	(47)	-	(47)	-
	2018 Total €'000	2018 Level 1 €'000	2018 Level 2 €'000	2018 Level 3 €'000
Equity investments	9	-	9	-
Forward currency contract – asset	44	-	44	-

Notes to the consolidated financial statements (continued)

28. Financial instruments (continued)

Valuation techniques and significant unobservable inputs

Class of financial instruments measured at fair value	Level	Valuation technique	Significant unobservable inputs
Equity investment	Level 2	Fair value is estimated by reference to the observable share price of the entity.	Not applicable
Equity investment	Level 3	Fair value is based on recent market comparable transactions.	Not applicable
Forward exchange contracts	Level 2	Fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).	Not applicable

Additional disclosures for level 2 fair value measurements

	2019 €'000	2018 €'000
Quoted equity investments		
Balance at start of year	9	187
Disposal	-	(117)
Revaluation	-	(61)
Balance at end of year	9	9

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2019	2018
Derivatives	3.1%	3.1%
Loans and borrowings	1.8%	1.8%
Leases	6.0%	6.0%

29. Operating leases

Leases as lessor

The future minimum lease payments receivable under non-cancellable leases are as follows:

	2019	2018
	€'000	€'000
Less than one year	94	111
Between one and five years	45	120
	139	231

During the year ended 31 August 2019, €137,000 was recognised as rental income in the income statement (2018: €205,000). Expense charges against this income was as follows: maintenance costs €2,000 (2018: €1,000), management expenses €55,000 (2018: €65,000) and depreciation €Nil (2018: €Nil).

Leases as lessee

The future minimum lease payments payable under non-cancellable leases are as follows:

	2019	2018
	€'000	€'000
Less than one year	235	178
Between one and five years	620	353
	855	531

30. Capital and other commitments

At the year end, there were capital commitments of €2,300,000 authorised by the Directors and not provided for in the financial statements (2018: €257,000). The Group currently has financial commitments in respect of the planting of seed potatoes for the 2019/2020 season totalling 1,888 hectares (2018: 1,978 hectares).

31. Contingencies

Capital grants up to a maximum of €252,000 (2018: €252,000) could become repayable in certain circumstances as set out in the agreements.

Notes to the consolidated financial statements (continued)

32. Discontinued operations

During the year, the Group disposed 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 after tax earned 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:

	Note	2019 €'000	2018 €'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 item		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	34	(30)	-
Profit/(loss) for the period on discontinued operations		1,024	(903)
Cashflow			
Profit/(loss) for the period:		1,024	(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		(49)	2,826
Net decrease in cash and cash equivalents		(915)	(582)

See note 34 for the effect of these disposals on the financial position of the Group.

33. Asset held for sale

	2019	2018
	€'000	€'000
Group		
Balance at start of year	-	23,835
Disposal of asset held for sale	-	(23,835)
Balance at end of year	-	-

On 16 February 2018, Donegal announced that, under the terms of the Settlement Agreement, it received €41.5m in cash proceeds for the sale of its interest in Monaghan Middlebrook Mushrooms. A further two non-conditional deferred payments to be received by Donegal as follows: (a) €2m, was received before 15 February 2019; and (b) €2m, to be received on or before 15 February 2020, bringing the total amount receivable pursuant to the Settlement Agreement to approximately €45m. €2m is included within receivables at 31 August 2019 (2018: €4m).

34. Disposal of subsidiaries

	2019	2018
	€'000	€'000
Group – discontinued operations (see note 8 and note 32)		
Loss on disposal of subsidiaries, net	(30)	-

The Group disposed its agri-activities, namely its animal feeds business, on 22 August 2019 for €17,250,000 on a cash and debt free basis plus to 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

Notes to the consolidated financial statements (continued)

35. Related parties

Parent and ultimate controlling party

The Parent and ultimate controlling party of the Group is Donegal Investment Group plc.

Transactions with key management personnel

In addition to their salaries, the Group also provides non-cash benefits to Directors and Executive officers and contributes to a post-employment defined contribution pension plan on their behalf.

Executive officers also participate in the Group's share option programme see note 26.

Key management personnel compensation comprised:

	2019	2018
	€'000	€'000
Short-term employee benefits	798	769
Post-employment benefits	88	86
Share-based payments	586	563
	1,472	1,418

Key management personnel and director transactions

Directors of the Company control 4.8% (2018: 4.4%) of the voting shares of the Company as at 31 August 2019.

From time to time, Directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

In the ordinary course of their business as farmers, Directors have traded on standard commercial terms with the Group. Aggregate purchases from, and sales to, these Directors amounted to €Nil (2018: €Nil) and €590,929 (2018: €523,906), respectively. The commercial trading relationship ceased with Directors when the animal feed business was sold on 22 August 2019.

Related party transactions – Group

	Transaction value		Balance outstanding	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Sale of goods and services				
Sales by Group to Directors	591	524	-	93

Other related party transactions – Company

	Transaction value		Balance outstanding	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Sale of goods and services				
By parent to subsidiaries	1,290	1,450	1,947	2,976
To parent from subsidiaries	-	-	320	1,695

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

36. Group entities

	Country of incorporation	Ownership interest	
		2019 %	2018 %
Subsidiaries			
Robert Smyth & Sons (Strabane & Donegal) Limited Registered office: Millsessiagh, Ballindrait, Lifford, Co Donegal	Ireland	-	100
Zopitar Limited Registered office: Ballyraine, Letterkenny, Co Donegal	Ireland	83	83
Milburn Dairy Limited Registered office: Ballyraine, Letterkenny, Co Donegal	Ireland	-	100
IPM Potato Group Limited Registered office: 602 Q House, Furze Rd, Sandymore Industrial Estate, Dublin 18	Ireland	100	100
Donegal Potatoes Limited Registered office: Colehill, Newtoncunningham, Co Donegal	Ireland	100	100
Nomadic Dairy Limited Registered office: Crossroads, Killygordon, Co Donegal	Ireland	80	80
McCorkell Holdings Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	Northern Ireland	-	75
Burke Shipping Services Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	Northern Ireland	-	75
Maybrook Dairy Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	Northern Ireland	-	100
Euro-Agri Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	Northern Ireland	-	100
Estuary Trading Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	Northern Ireland	-	100
IPM Holland B.V. Registered office: Marssumerdyk 1, 9033 WD Deinum, The Netherlands	Holland	100	100
MPCO Limited Registered office: Ballyraine, Letterkenny, Co Donegal	Ireland	100	100
High Meadow Patents Limited Registered office: Crossroads, Killygordon, Co Donegal	Ireland	100	100
Donra Dairies Limited Registered office: Ballyraine, Letterkenny, Co Donegal	Ireland	-	100
AJ Allan (Potato Merchants) Limited Registered office: East Mill, Brechin, Angus, UK, DD9 7HJ	UK	100	100
AJ Allan (Brechin) Limited Registered office: East Mill, Brechin, Angus, UK, DD9 7HJ	UK	100	100
Solanex Limited Registered office: Rua Samuel Hahnemann n°17, Jardim Santo Andre, São João da Boa-SP, CEP 13872-029, Brazil	Brazil	85	85
IPM Brasil Registered office: Avenida Dr José Bonifácio Coutinho Nogueira no. 214, Sala 232, Jardim Madalena CEP 13091-611, Campinas-SP, Brazil.	Brazil	100	100
IPM France Registered office: 1 rue de Bellonne 62490 Noyelles Sous Bellonne, France	France	100	100
IPM Portugal Batatas de Semente e Produtos Agrícolas, Unipessoal Lda Rua Domingos Sequeira no. 27-3rd J,1350-119 Lisbon Portugal	Portugal	100	100

Notes to the consolidated financial statements (continued)

36. Group entities (continued)

	Country of incorporation	Ownership interest	
		2019 %	2018 %
Kirinyaga Seeds Limited			
LR No. 1065, Ngong Road, P.O. Box 25290 – 00603 – Lavington, Nairobi, Kenya	Kenya	51	51
Associates:			
North Western Livestock Holdings Limited			
Registered office: Finiskilin Business Park, Finiskilin, Co Sligo	Ireland	22.4	22.4

The subsidiary investments in Robert Smyth & Sons (Strabane & Donegal) Limited, McCorkell Holdings Limited and Burke Shipping Services Limited were disposed of during the year.

Maybrook Dairy Limited, Milburn Dairy Limited, Euro-Agri Limited, Estuary Trading Limited and Donra Dairies Limited were struck off during the year.

The following subsidiaries will avail of the filing exemption available under Section 357 of the Companies Act 2014, whereby they will annex the financial statements of Donegal Investment Group plc to their annual returns: IPM Potato Group Limited, MPCO Limited, High Meadow Patents Limited and Nomadic Dairy Limited.

37. Post balance sheet events

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.

38. Approval of consolidated financial statements

The financial statements were approved by the Directors on 28 November 2019.

Notes

Notes



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