

**PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 AUGUST 2020
26 November 2020**

Donegal Investment Group plc ('DIG') ('Group') reports its results for the year ended 31 August 2020.

FINANCIAL PERFORMANCE

- The Group's Produce and Dairy segment delivered a satisfactory performance for the year ended 31 August 2020 given the unprecedented trading conditions which arose as a result of the Covid-19 pandemic. Group revenue remained in line with prior year at €45m – with volume gains in our seed potato business being offset by significant reductions in sales volumes in our Speciality Dairy business directly related to the Covid-19 pandemic. Group segmental trading profit also remained in line with the prior year at €4m, albeit benefiting from a €0.6m fair value movement in relation to Investment Property.
- Our seed potato business delivered its second-best year ever of trading. Good volume growth was achieved during the year while trading margins were reduced due to an increase in the level of supply in the wider market following better harvesting conditions. A new cold store project commenced during the year in Kenya.
- Speciality Dairy, which trades under the NOMADIC brand, had a challenging second six months to 31 August 2020. Irish and UK government Covid-19 restrictions impacted footfall, resulting in reduced volumes in retail Food to Go Channels. However, Speciality Dairy still delivered a profitable year, and a significant capital expenditure programme was completed to increase capacity and facilitate new, more sustainable packaging capabilities.
- Profit after tax from continuing operations was €2.1m a decrease of €1.3m on the prior year.
- Basic EPS from continuing operations decreased by 24.7c to 51.9c.

FINANCIAL POSITION

- The Group has a cash position, net of debt, of €13.2m at year end compared to a €21.3m net position in 2019.
- €10.0m of the surplus cash position at 31 August 2020 was returned to shareholders in September 2020 following the completion of a share conversion and redemption.

RETURN OF CAPITAL

- Over the past number of years the Group set out and delivered on its plans to release capital from proceeds generated from the disposal of non-core assets which included the €44.96m return of capital to shareholders by way of the share conversion and redemption in May 2018. Following approval at the EGM of 26 August 2020 the Company returned a further €10m of capital to shareholders by converting and redeeming 799,223 ordinary shares at a price of €12.50 per share. The redemption and subsequent payment for these shares was completed in September 2020.
- Additionally, the Group purchased 553,012 (2019: 42,045) treasury shares at a total price of €7,166,119 (2019: €415,250). On 25 June 2020, the Board approved the cancellation of 1,065,626 treasury shares.

COVID-19

- The Group continues to resolutely deal with the challenges and trading conditions resulting from the Covid-19 pandemic. The Group has seen a significant uplift in volumes in our Speciality Dairy business following the easing of restrictions in the UK & Ireland. We continue to work to protect the interests of our shareholders as well as providing a safe working environment for our employees.

FINANCIAL HIGHLIGHTS

		2020	2019	Change
Continuing operations – pre-exceptional				
Segmental Trading profit	€'000	3,974	4,028	-€0.0m
Profit before tax – continuing operations	€'000	3,031	3,181	-€0.2m
Continuing operations				
Revenue	€'000	44,959	45,229	-€0.3m
Operating profit	€'000	2,644	3,687	-€1.0m
Profit after tax	€'000	2,138	3,471	-€1.3m
Basic earnings per share	Cent	51.9c	76.6c	-24.7c
Cash at bank (net of overdraft)	€'000	13,974	25,327	-€11.4m
Net cash/(debt)	€'000	13,204	21,266	-€8.1m
Investment property carrying value	€'000	3,365	2,510	+€0.9m

Enquiries:

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Chairman's Statement

The Board is satisfied with the performance of the Group's trading businesses in a very challenging year and the successful return of €10m of capital to our shareholders in September 2020.

Speciality Dairy continued to experience double digit (volume and sales) growth in both the UK and Ireland in the first half of 2020 but following the outbreak of the Covid-19 pandemic volumes were significantly reduced due to the impact of government travel and movement restrictions, but notwithstanding the business delivered a profitable year overall.

Our seed potato business delivered an improved sales performance following a better 2019/20 harvest, while margins tightened due to the increased level of supply in the wider market.

Overall, Group revenue was €45.0m for the year with an operating profit of €2.6m. This resulted in a basic earnings per share of 51.9c, a decrease of 24.7c on the 12 months to 31 August 2019. The Group had a cash position, net of debt, of €13.2m at year-end.

The Group will continue to strive to mitigate any risks associated with Brexit with the transition period due to end on the 31 December 2020. The Covid-19 pandemic will present further significant challenges to our Speciality Dairy business and is likely to result in further volatility in markets driven by government restrictions to combat the pandemic. We do not currently foresee comparable volatility and related challenges in our seed potato business due to Covid-19.

AGM

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

Geoffrey Vance

Chairman

Managing Director's Review

Produce and Dairy

The Group's Produce and Dairy segment has delivered a satisfactory performance for the year to 31 August 2020. Group revenue was €45.0m for the year with a segmental trading profit of €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 37 proprietary potato varieties including names such as Rooster, Burren, Banba, Slaney, Nectar and Electra which it produces and exports to over 40 countries worldwide. Key markets include North Africa, the Middle East, the UK and Ireland. Seed production takes place in dedicated growing areas including Scotland, England, Ireland, France and Holland. Both production and sales only take place in territories which recognise and embrace variety copyright regulation. The Group has continued to invest 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. During the year we commenced construction of a new Cold Store facility in Kenya which will allow us to significantly increase the supply of high-quality seed potato in this region.

IPM has a unique and deeply integrated R&D partnership with Teagasc, the Agriculture and Food Development Authority of Ireland. The 46-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. In line with our commitment to developing and marketing new and innovative potato varieties, we have launched an additional two new seed potato varieties in 2020 which will be focused on both the table and processing sector.

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.

As noted in our interim results our seed potato business, IPM, delivered an improved sales performance following a return to more normal crop yields for the wider seed potato industry. While this resulted in volume and turnover growth for IPM, the increased level of supply in the market resulted in margins tightening.

To date our produce seed potato business has not been significantly impacted by the ongoing Covid-19 restrictions. However, the excess availability of processing potato varieties due to Covid-19 restrictions in the foodservice industry will remain a concern for the foreseeable future and is likely to ensure that pricing and resulting margins are tight for all European potato producers. The yields of harvested crops for the 2020/2021 season are similar to the prior year across European growing areas.

Our Speciality Dairy business NOMADIC, located in Killygordon, Co. Donegal delivered a very satisfactory performance for the first half of the year with continued double-digit volume and revenue growth. The impressive progress over the past number of years resulted in NOMADIC becoming the number 1 yogurt brand in UK (GB&NI) Convenience and Impulse channel, overtaking Muller for the first time which is a significant milestone in NOMADIC's recent history.

A material part of NOMADIC's business is in the Food to Go category in the UK with its key customers having a presence in large urban centres as well as in high footfall transport hubs such as airports and rail stations. The impact of UK and Irish Governments' Covid-19 policies restricting travel and movement greatly reduced footfall in retail Food to Go channels. This led to significant reductions in its sales volumes during the early part of the second half of the year, but following the easing of restrictions during the summer months the last quarter of our financial year has seen an ongoing improvement in demand for NOMADIC products such that a profitable year overall was achieved. The preventative measures implemented due to Covid-19 have resulted in a shift in consumer spending away from Foodservice and towards Grocery Retail & Online. This has presented NOMADIC with new growth opportunities and has already launched a multipack version of its market leading Yogurt & Oat Cluster range, with a number of other launches in the pipeline for early 2021.

During the year a significant capital expenditure programme was completed. This programme has resulted in the doubling of manufacturing capacity at our site in Donegal, as well as facilitating new, more sustainable packaging formats which will remove 200+ tonnes of plastic per year from our supply chain – a development which has been very well received by NOMADIC's customers. This capital expenditure programme will support our growth plans for NOMADIC as we aim to double the size of the business over the next 5 years.

Managing Director's Review *(continued)*

The Covid-19 pandemic will continue to contribute to significant volatility in our UK and Irish markets. The Group has established Covid Management Teams ('CMT') to monitor and actively manage ongoing risks and uncertainties while continuing to develop policies and procedures to mitigate risk to employees in the workplace and ensuring continuity of supply. NOMADIC was able to offset the impact of some of the Covid-19 related volume losses by participating in the Irish Governments Wage Subsidy Scheme.

NOMADIC is also very mindful of the ongoing challenges posed by Brexit and is well positioned to deal with the logistical and commercial challenges that may emerge with the transition period due to end on the 31 December 2020.

Finance and Balance Sheet

At 31 August 2020, the Group had committed bank facilities of €8.4m (31 August 2019: €13.8m) for working capital requirements.

Ian Ireland
Managing Director

Donegal Investment Group plc
Condensed consolidated statement of profit or loss and comprehensive income
for the year ended 31 August 2020

	Note	Pre- Exceptional €'000	Note 12 Exceptional €'000	2020 Total €'000	Pre- Exceptional €'000	Note 12 Exceptional €'000	2019 Total €'000
Continuing operations							
Revenue	6	44,959	-	44,959	45,229	-	45,229
Cost of sales		(29,036)	-	(29,036)	(28,845)	-	(28,845)
Gross profit		15,923	-	15,923	16,384	-	16,384
Other income	7	1,203	-	1,203	110	-	110
Distribution expenses		(5,208)	-	(5,208)	(4,621)	-	(4,621)
Administrative expenses		(8,844)	(430)	(9,274)	(8,431)	245	(8,186)
Profit from operating activities		3,074	(430)	2,644	3,442	245	3,687
Finance income		4	-	4	5	-	5
Finance expenses		(47)	-	(47)	(266)	(814)	(1,080)
Net finance expense		(43)	-	(43)	(261)	(814)	(1,075)
Profit/(loss) before income tax		3,031	(430)	2,601	3,181	(569)	2,612
Income tax (expense)/benefit		(463)	-	(463)	859	-	859
Profit/(loss) for the year – continuing operations	6	2,568	(430)	2,138	4,040	(569)	3,471
Profit/(loss) for the year – from discontinued operations, net of tax	11	-	-	-	1,054	(30)	1,024
Profit/(loss) for the year		2,568	(430)	2,138	5,094	(599)	4,495

Donegal Investment Group plc
Condensed consolidated statement of profit or loss and comprehensive income
(continued)
for the year ended 31 August 2020

	2020	2019
	Total	Total
	€'000	€'000
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences for foreign operations	38	(29)
Recycle of currency translation differences for foreign operations	-	818
Total comprehensive income for the year	<u>2,176</u>	<u>5,284</u>
Profit attributable to:		
Equity holders of the Company	1,957	4,222
Non-controlling interest	181	273
	<u>2,138</u>	<u>4,495</u>
Total comprehensive income attributable to:		
Equity holders of the Company	2,003	5,010
Non-controlling interest	173	274
	<u>2,176</u>	<u>5,284</u>
Earnings per share		
Basic earnings per share (euro cent):		
Continuing	51.86	76.63
Discontinued	-	24.54
	<u>51.86</u>	<u>101.17</u>
Diluted earnings per share (euro cent):		
Continuing	50.28	74.18
Discontinued	-	23.76
	<u>50.28</u>	<u>97.94</u>

Donegal Investment Group plc
Condensed consolidated statement of financial position
As at 31 August 2020

	Note	31 August 2020 €'000	31 August 2019 €'000
Assets			
Property, plant and equipment	9	6,497	3,158
Investment property	10	3,365	2,510
Goodwill		2,324	2,324
Intangible assets		270	301
Investment in associates		260	257
Other investments	13	747	591
Total non-current assets		13,463	9,141
Inventories		2,197	2,085
Trade and other receivables		5,278	10,239
Cash at bank		14,720	25,735
Current tax		131	-
Deferred tax asset		569	958
Financial instrument		37	-
Total current assets		22,932	39,017
Total assets		36,395	48,158
Equity			
Share capital		376	619
Share premium		2,975	2,975
Other reserves		1,101	(4,067)
Retained earnings		11,965	33,996
Total equity attributable to equity holders		16,417	33,523
Non-controlling interest		872	838
Total equity		17,289	34,361
Liabilities			
Loans and borrowings		543	41
Deferred income		226	300
Total non-current liabilities		769	341
Loans and borrowings		227	4,020
Trade and other payables		7,374	8,799
Redeemable ordinary shares	14	9,990	-
Bank overdraft		746	408
Current tax		-	182
Financial instrument		-	47
Total current liabilities		18,337	13,456
Total liabilities		19,106	13,797
Total equity and liabilities		36,395	48,158

Donegal Investment Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 August 2020

	Share capital €'000	Other undenominated capital	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 2019	619	718	2,975	(1,911)	(6,539)	3,382	283	33,996	33,523	838	34,361
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	1,957	1,957	181	2,138
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	-	46	-	-	-	-	46	(8)	38
Other comprehensive income	-	-	-	46	-	-	-	-	46	(8)	38
Total comprehensive income for the year	-	-	-	46	-	-	-	1,957	2,003	173	2,176
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners											
Dividends paid	-	-	-	-	-	-	-	-	-	(139)	(139)
Acquisition of treasury shares	-	-	-	-	(7,166)	-	-	-	(7,166)	-	(7,166)
Cancellation of treasury shares	(139)	139	-	-	12,432	-	-	(12,432)	-	-	-
Reclassification of redeemable shares	(104)	-	-	-	-	-	-	(9,886)	(9,990)	-	(9,990)
Cash settlement of equity settled share options	-	-	-	-	-	-	(126)	(1,079)	(1,205)	-	(1,205)
Reclassification of equity settled share options	-	-	-	-	-	-	(157)	(591)	(748)	-	(748)
Total contributions by and distributions to owners	(243)	139	-	-	5,266	-	(283)	(23,988)	(19,109)	(139)	(19,248)
Balance at 31 August 2020	376	857	2,975	(1,865)	(1,273)	3,382	-	11,965	16,417	872	17,289

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

	Share capital €'000	Other undenominated capital	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	-	-	-	-	-	-	-	(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 operations	-	-	-	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 to owners	(86)	86	-	-	2,479	-	-	(2,894)	(415)	(34)	(449)
Changes in ownership interests											
Acquisition of non-controlling interest	-	-	-	-	-	-	-	440	440	(575)	(135)
Total changes in ownership interests	-	-	-	-	-	-	-	440	440	(575)	(135)
Balance at 31 August 2019	619	718	2,975	(1,911)	(6,539)	3,382	283	33,996	33,523	838	34,361

Donegal Investment Group plc
Condensed consolidated statement of cash flows
for the year ended 31 August 2020

	2020	2019
	€'000	€'000
Cash flows from operating activities		
Profit for the year	2,138	4,495
Adjustments for:		
Depreciation	949	933
Amortisation of intangibles	35	58
Amortisation of capital grant	13	-
Change in fair value of investment property	(570)	(30)
Change in fair value of other investments	(2)	-
Net finance expense (excl Interest paid in relation to lease liabilities)	6	1,075
Interest paid in relation to lease liabilities	37	-
Gain on sale of property, plant and equipment	(19)	(12)
Loss on sale of subsidiary	-	30
Share-based payment transactions	900	586
Income tax expense/(credit)	463	(859)
Change in inventories	(112)	(599)
Change in trade and other receivables	2,557	(3,063)
Change in trade and other payables	(1,401)	2,288
	<u>4,994</u>	<u>4,902</u>
Interest paid	26	(122)
Income tax paid	(421)	(646)
	<u>4,599</u>	<u>4,134</u>
Net cash from operating activities		
Cash flows from investing activities		
Interest received	3	4
Dividends received	1	1
Proceeds from sale of investment property, property, plant and equipment	30	30
Proceeds from disposal of subsidiary, net of disposal costs and overdraft disposed	-	16,708
Proceeds from disposal of Monaghan Middlebrook Mushrooms	2,000	2,000
Acquisition of minority interest	-	(135)
Acquisition of other investments	(154)	(582)
Acquisition of property, plant and equipment	(3,314)	(785)
Acquisition of intangibles	(4)	(30)
	<u>(1,438)</u>	<u>17,211</u>
Net cash from investing activities		

Donegal Investment Group plc
 Condensed consolidated statement of cash flows *(continued)*
 for the year ended 31 August 2020

	2020 €'000	2019 €'000
Cash flows from financing activities		
Repayment of borrowings	(4,000)	(1,000)
Payment of finance lease liabilities	(302)	(20)
Acquisition of treasury shares	(7,166)	(415)
Share based payments	(2,899)	-
Dividend paid to non-controlling interest	(139)	(34)
	<u>(14,506)</u>	<u>(1,469)</u>
Net cashflow from financing activities		
	(11,345)	19,876
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at start of year	25,327	5,314
Effect of exchange rate fluctuations on cash held	(8)	137
	<u>13,974</u>	<u>25,327</u>
Cash and cash equivalents at end of year, net of overdraft		

(1) Reporting entity

Donegal Investment Group Plc (the “Company”) is a public company incorporated, domiciled and tax resident in Ireland. The condensed consolidated financial statements of the Group as at and for the year ended 31 August 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

(2) Basis of preparation

General information and accounting policies

The unaudited condensed consolidated financial statements for the year ended 31 August 2020 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (together IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (‘EU IFRS’).

The financial information presented in this report has been prepared using accounting policies consistent with EU IFRS and as set out in the Group’s annual financial statements in respect of the year ended 31 August 2019 except as noted below. The financial information does not include all the information and disclosures required in the annual financial statements. The Annual Report for the year ended 31 August 2019 is available on the Company’s website www.donegaligroup.com.

These unaudited condensed consolidated 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. These unaudited condensed consolidated financial statements were approved by the Board of Directors on 25 November 2020.

Statutory financial statements and audit opinion

The annual report and financial statements will be approved by the Board of Directors and reported on by the auditors in due course. Accordingly, the financial information is unaudited. The Annual Report for the year ended 31 August 2019 has been filed with the Irish Registrar of Companies. The audit report on those statutory financial statements was unqualified.

Going concern

The unaudited condensed consolidated financial statements have been prepared on the going concern basis. The Directors have reviewed the Group’s business plan for the next 12 months which has been updated to reflect the potential impact of Covid-19 as currently understood and other relevant information and have a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

It should also be noted that the Group remains in a strong position with cash at bank of €4.0m (net of €10.0m cash returned to shareholders in September 2020) at 31 August 2020 and both operating businesses continuing to trade well while generating positive cash flows.

(3) Accounting policies

Except as described below, the accounting policies applied in these unaudited condensed consolidated financial statements are the same as those applied in the last annual financial statements. The changes in accounting policies will also be reflected in the Group’s audited consolidated financial statements as at and for the year ending 31 August 2020.

Adoption of IFRS 16 Leases

The Group has initially adopted IFRS 16 Leases from 1 September 2019. A number of other new standards are effective from 1 September 2019, but they do not have a material effect on the Group’s financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

(3) Accounting policies (continued)

The adoption of IFRS 16 eliminated the classification of leases as either operating leases or finance leases and introduced a single lessee accounting model. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

(4) Estimates and judgements

The preparation of these condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in prior periods (in respect of the carrying value of goodwill, deferred tax, financial assets and liabilities).

(5) Impact of adoption of IFRS 16

The Group presents right-of-use assets in 'property, plant and equipment', in the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

	Land and buildings €'000	Plant and equipment €'000	Fixtures and Fittings €'000	Motor Vehicles €'000	Total €'000
At 31 August 2019, net carrying amount	-	109	-	-	109
Effect of adopting IFRS 16	495	205	4	106	810
Additions during the year	-	30	15	139	184
Depreciation charge during the year	(103)	(69)	(4)	(68)	(244)
Translation adjustment	-	1	-	-	1
At 31 August 2020, net carrying amount	392	276	15	177	860

The Group presents lease liabilities in 'loans and borrowings' in the balance sheet. The carrying amounts of lease liabilities including the impact of applying IFRS 16 to leases previously classified as operating leases are as below.

	Current lease liabilities €'000	Non-current lease liabilities €'000	Total €'000
At 1 September 2019	220	649	869
At 31 August 2020	226	543	769

(5) Impact of adoption of IFRS 16 (continued)

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised. Right-of-use assets are subject to impairment testing.

The lease liability is initially measured at the present value of certain lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. The Group has elected to avail of the practical expedient not to separate lease components from any associated non-lease components.

The lease payments are discounted using the lessee's incremental borrowing rate as the interest rate implicit in the lease is generally not readily determinable.

After the commencement date, the lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has elected to apply the recognition exemptions for short-term and low-value leases and recognises the lease payments associated with these leases as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. On transition the right-of-use assets of €810,097 representing its rights to use the underlying assets equated to the lease liabilities of €810,097 representing its obligation to make lease payments, accordingly, no difference was recognised to opening retained earnings. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the lessee's incremental borrowing rate at 1 September 2019. The incremental borrowing rate used ranged from 2 – 6 %.

The lease liabilities as at 1 September 2019 can be reconciled to the operating lease commitments as at 31 August 2019 as follows:

	€'000
Operating lease commitments at 31 August 2019	855
Existing Finance Leases at 31 August 2019	61
Leases exempt under IFRS16	(14)
Additional leases identified under IFRS16	23
Impact of discounting	(56)
	<hr/>
Lease liabilities at 1 September 2019	869
	<hr/>

(5) Impact of adoption of IFRS 16 (continued)

Impacts for the period

In relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs instead of an operating lease expense. During the financial year ended 31 August 2020, the Group recognised €244,000 of depreciation charges and €36,616 of interest costs from these leases.

(6) Segment Information

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) which the Group has identified to the Board of Directors in order to allocate resources to the segments and to assess their performance.

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.

Donegal Investment Group plc
Notes to the preliminary condensed consolidated financial statements *(continued)*
for the year ended 31 August 2020

(6) Segment information (continued)

Business segments *(continued)*

	Produce and Dairy		Total-Group	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Total revenues	44,959	45,229	44,959	45,229
Segment result before exceptional items & property devaluations	3,402	4,058	3,402	4,058
Property revaluations	572	(30)	572	(30)
Segmental result from continuing operations before exceptional items	3,974	4,028	3,974	4,028
Other exceptional items			(430)	(569)
Net finance expense			(43)	(261)
Income tax (expense)/benefit			(463)	859
Share-based payment expense			(900)	(586)
Profit for the year – continuing operations			2,138	3,471

Donegal Investment Group plc
Notes to the preliminary condensed consolidated financial statements *(continued)*
for the year ended 31 August 2020

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

	Produce and Dairy		Total-Group	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Segment assets	21,069	21,465	21,069	21,465
Cash at bank (unallocated)			14,720	25,735
Current financial instrument (unallocated)			37	-
Deferred tax	569	958	569	958
Total assets			36,395	48,158
Segment liabilities	6,626	9,281	6,626	9,281
Bank overdraft (unallocated)			746	408
Loans and borrowings (unallocated)			770	4,061
Redeemable ordinary shares (unallocated)			9,990	-
Reclassification of equity settled share options as financial liabilities (unallocated)			974	-
Current financial instrument (unallocated)			-	47
Total liabilities			19,106	13,797
Capital expenditure (inclusive of IFRS 16)	4,313	815	4,313	815
Depreciation and amortisation	984	991	984	991
Revaluation of investment property and other assets	(572)	(30)	(572)	(30)

Donegal Investment Group plc
Notes to the preliminary condensed consolidated financial statements *(continued)*
for the year ended 31 August 2020

(6) Segment Information (continued)

Entity-wide disclosures

Section 1: Information about products and service

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

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

	Produce and Dairy	
	2020	2019
	€'000	€'000
Seed potatoes	28,267	27,347
Dairy products	16,692	17,882
	<hr/> 44,959	45,229

The Group had one customer that comprised 17% of its total revenue in the year ended 31 August 2020 (2019: 18%).

(7) Other income – continuing operations

	2020	2019
	€'000	€'000
Income from investment property rentals	155	80
Change in fair value of investment property	572	30
Gain on disposal of property, plant and equipment	19	-
Government grant received under wage subsidy scheme	457	-
	1,203	110

(8) Earnings per share

The calculation of basic and diluted earnings per share is set out below:

	31 August 2020	31 August 2019
	€'000	€'000
Profit for the year - continuing operations	2,138	3,471
Profit for the year - discontinued operations	-	1,024
Profit for the year	2,138	4,495
Profit attributable to ordinary shareholders	1,957	4,222
Weighted average number of ordinary shares in thousands of shares	31 August 2020	31 August 2019
Weighted average number of ordinary shares in issue for the year	4,542	4,922
Weighted average number of treasury shares	(768)	(750)
Denominator for basic earnings per share	3,774	4,172
Effect of share options in issue	118	137
Weighted average number of ordinary shares (diluted) at 31 August	3,892	4,309

During the year, the Group purchased 553,012 (2019: 42,045) treasury shares at a total price of €7,166,119 (2019: €415,250) including transaction costs. On 25 June 2020, the Board approved the cancellation of 1,065,626 treasury shares.

	31 August 2020	31 August 2019
Basic earnings per share (euro cent)		
Continuing	51.86	76.63
Discontinued	-	24.54
	51.86	101.17
Diluted earnings per share (euro cent)		
Continuing	50.28	74.18
Discontinued	-	23.76
	50.28	97.94

(9) Property, plant and equipment

Additions and disposals

During the year ended 31 August 2020, the Group acquired assets for €3,315,00 (31 August 2019: €785,000) in addition to recognition of €994,000 in right of use assets under IFRS 16 which was adopted on 1 September 2019. Assets with a net book value of €16,000 were disposed of during the year ended 31 August 2020 (31 August 2019: €30,000), resulting in a gain on disposal of €19,000 (31 August 2019: gain of €12,000).

(10) Investment property

	31 August 2020	31 August 2019
	€'000	€'000
Balance at beginning of year	2,510	2,480
Reclassification	285	-
Change in fair value	570	30
Balance at end of year	3,365	2,510

Investment property includes the Ballyraine and Oatfield sites in Letterkenny and other land and property assets.

Additions and disposals

During the year ended 31 August 2020, the Group did not acquire any investment properties (31 August 2019: €Nil). The Group did not dispose any investment property during the year (31 August 2019: €Nil) resulting in a no gain/(loss) on disposal during the year (31 August 2019: Nil).

(11) Discontinued operations

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

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:

	2020	2019
	€'000	€'000
Revenue	-	33,117
Cost of sales	-	(27,372)
Gross profit	-	5,745
Other income/(expense)	-	-
Distribution expenses	-	(2,628)
Administrative expenses	-	(1,808)
Profit from operating activities	-	1,309
Finance income	-	11
Finance expense	-	(101)
Net finance expense	-	(90)
Results for the period before taxation and exceptional	-	1,219
Income tax	-	(165)
Exceptional item	-	-
Results for the period after taxation	-	1,054
Loss on disposal of discontinued operations	-	(30)
Profit for the period on discontinued operations	-	1,024
Cashflow		
Profit/(loss) for the period:	-	1,024
Depreciation	-	410
Income tax expense	-	165
Net finance expense	-	90
Profit on disposal of fixed assets	-	(12)
Acquisition of property plant & equipment	-	(456)
Income tax paid	-	(180)
Changes in inventory	-	(438)
Changes in trade and other receivables	-	(1,469)
Changes in trade and other payables	-	(49)
Net decrease in cash and cash equivalents	-	(915)

(12) Exceptional items

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

		2020	2019
		€'000	€'000
Redundancy and restructuring	a	(324)	-
Award of other legal costs	b	-	245
Other legal costs	c	(106)	
Recycling of currency translation differences	d	-	(814)
Income tax expense in respect of exceptional items		-	-
Exceptional costs – continuing operations		(430)	(569)
Loss on disposal of subsidiaries, net	e	-	(30)
Total exceptional costs for the year		(430)	(599)

a) Restructuring costs include redundancy costs of €117,000 as well as €207,000 related to historical restructuring adjustments.

b) 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.

c) Other legal costs are costs in respect of the share redemption incurred during 2020.

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

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

(13) Investments

The Group acquired 17.12% shareholding in Utkal Seeds Limited, a produce company based in India, on 8 March 2019. During the course of the financial year ended 31st August 2020, the Group increased its shareholding in Utkal Seeds Limited to 19.85% (2019: 17.12%).

(14) Share Capital

	Ordinary Shares of €0.13 each		Redeemable Ordinary Shares of €0.13 each		Deferred Shares of €0.13 each		Total
	Number	€'000	Number	€'000	Number	€'000	€'000
Authorised							
Balance at start of year	50,000,000	6,500	5,140,000	668	-	-	7,168
Amendment to capital in the year	-	-	(4,340,000)	(564)	800,000	104	(460)
Balance at end of year	50,000,000	6,500	800,000	104	800,000	104	6,708
Issued, called up and fully paid							
Balance at start of year	4,760,807	619	-	-	-	-	619
Cancellation of treasury shares	(1,065,626)	(139)	-	-	-	-	(139)
Converted in the year	(799,223)	(104)	799,223	9,990	-	-	9,886
Balance at end of year	2,895,958	376	799,223	9,990	-	-	10,366

As approved by shareholders at the Extraordinary General Meeting held on 26 August 2020, the authorised share capital of the Company was decreased from €7,168,200 to €6,708,000 by, inter alia, the creation of an additional 800,000 Deferred Shares of €0.13 each and the reduction of 4,340,000 Redeemable 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 will be removed as a class from the authorised share capital of the Company if no deferred shares come into existence within six months of 26 February 2021.

No ordinary shares held by the Company as Treasury Shares were converted into Redeemable Ordinary Shares during the year. 799,223 Redeemable Ordinary Shares which as shown above are presented as financial liabilities in the Group Statement of Financial Position.

Share redemption

Under the terms of the redemption approved by shareholders, the Company was authorised to redeem up to 800,000 Redeemable Ordinary Shares. 799,223 Ordinary Shares (approximately 22.25 per cent of each Shareholder's total holding of Ordinary Shares) as at the conversion date of 31 August 2020 were converted into Redeemable Ordinary Shares. Following on from this, 799,223 Redeemable Ordinary shares were redeemed as at the redemption date 1 September 2020 at €12.50 per share. Following the Return of Capital, the Company's issued Ordinary Share Capital is 2,895,958.

At 31 August 2020, these Redeemable Ordinary Shares are presented as a financial liability of €9,990,000 in the Group's Statement of Financial Position. These redeemable ordinary shares are carried at fair value, derived from the approved redemption price. The movement from the original equity value to fair value on reclassification is recognised within equity, with an adjustment of €9,886,000 to retained earnings.

(14) Share Capital (continued)

As part of the share redemption, a member could notify the Company before the conversion of their Ordinary Shares of their unwillingness to have some of their Ordinary Shares converted into Redeemable Ordinary Shares. The directors could convert up to 800,000 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 their unwillingness to have any of their Ordinary Shares converted into Redeemable Ordinary Shares, that percentage of their 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 €138,531 (1,065,626 treasury shares cancelled) arose as a result of the cancellation of treasury shares in 2020.

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. On 25 June 2020, the Board approved the cancellation of 1,065,626 treasury shares. At 31 August 2020, the Group held 100,000 of the Company's shares (2019: 612,614). This represented 2.7% (2019: 12.9%) 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 553,012 (2019: 42,045) treasury shares at a total price of €7,166,119 (2019: €415,250) including transaction costs.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets held at FVOCI, 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 2020 or 2019. A minority interest dividend of €139,000 was paid during the year (2019: €34,000) by a subsidiary undertaking of the Company.

(15) Events after the balance sheet date

On 1 September 2020, following approval at the EGM of 26 August 2020 the Group redeemed of 799,223 convertible ordinary shares at a cost of €9,990,000. Following the Return of Capital, the Group's issued Ordinary Share Capital is 2,895,958 Ordinary Shares.

While uncertainty remains regarding the frequency and nature of further government imposed Covid-19 restrictions there has been no individual significant event subsequent to the year end which would require adjustment to, or disclosure in, the financial statements.