Donegal Investment Group plc

Annual Report & Financial Statements

for the year ended 31 August 2021

Donegal Investment Group plc ('DIG') ('Group') reports its results for the year ended 31 August 2021.

Contents

Financial Highlights

Continuing operations – pre-exceptional

Operating profit
€1.5m
-€0.2m
2020: €1.7m*

Profit before taxes
€1.6m
-€0.1m
2020: €1.7m*

Continuing operations

Revenue - continuing operations
€26.1m
-€2.2m
2020: €28.3m*

Operating profit
€1.5m
+€0.1m
2020: €1.4m*

Profit before tax
€1.6m
+€0.2m
2020: €1.4m*

Profit after tax
€1.9m
+€0.8m
2020: €1.1m*

Basic earnings per share – continuing operations
72.90c
+44.37c
2020: 28.53c*

Cash and overdraft, net
€4.4m
-€9.6m
2020: €14.0m*

Debt
(€0.7m)
+€0.1m
2020: (€0.8m)*

Net assets attributable to shareholders
€20.7m
+€4.3m
2020: €16.4m*

* As restated to reflect the effect of discontinued operations. Revenue from discontinued operations in the year was €17.4m (2020: €16.7m) with an operating profit of €2.6m (2020: €1.2m).

The Directors present their report and the audited financial statements for the year ended 31 August 2021. The comparative amounts relate to the 12 months ended 31 August 2020.

Financial Performance

The Group's seed potato business delivered a resilient performance for the year ended 31 August 2021. Group revenue decreased by 8% (€2.2m) to €26.1m – with ongoing Covid-19 restrictions continuing to impact demand in the seed potato sector, the business continued to deliver a strong underlying performance with segmental trading profit €2.0m, a decrease of €0.1m on the prior year.

The Group completed the sale of its speciality dairy business Nomadic Dairy ("Nomadic") on 5 November 2021 with Nomadic's carrying value transferred to asset held for sale from the 31 August 2021 and its financial performance for the year classified as discontinued operations in this year's results.

Further non-core asset disposals took place during the year with a number of property holdings sold which in aggregate generated net proceeds of €1.8m, including the Ballyraine site in Letterkenny.

Profit after tax from continuing operations was €1.9m an increase of €0.9m on the prior year.

Basic EPS from continuing operations increased by 44.4c to 72.9c.

Return of Capital

Following approval at the EGM on 26 August 2020, the Group completed the redemption of 799,223 ordinary shares of the Company at a price of €12.50 on the 1 September 2020. This resulted in a return of capital of €10.0m to our shareholders in the six months ended 28 February 2021. The Group currently has issued share capital of 2,895,958 with 67,168 of those shares held as treasury shares.

The Group announced on 19 January 2022, that it is proposing a return of capital to shareholders of up to €20 million by the conversion of ordinary shares into redeemable ordinary shares and subsequent redemption of the redeemable ordinary shares to be voted on by shareholders at an extraordinary general meeting to be held on Friday 11 February 2022. Under the proposal, if the EGM resolutions are approved and the Board effects a conversion and subsequent redemption, approximately 46.21% of each shareholder's total ordinary shares held will be converted and redeemed at €15.30 per share.

Financial Position

The Group has a cash position, net of debt, of €3.7m at 31 August 2021 compared to a €13.2m net position at 31 August 2020 following the completion of the return of capital on 1 September 2020. It should be noted an additional €3.3m in cash is classified within assets held for sale at 31 August 2021.

Covid-19

The Group continues to work toward mitigating risks associated with the Covid-19 pandemic as well as providing a safe working environment for our employees.

Board of Directors and Other Information

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

Non-Executive Directors

Geoffrey Vance (aged 70) 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 68), 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 is also a director of North Western Livestock Holdings Limited.

Michael Griffin (aged 74) was appointed to the Board on 1 March 2010. Michael is a graduate of UCC and has over 37 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 48) was appointed to the board on 7 July 2004. He is the chairman of the audit committee. He is also vice chairman of the Irish Cattle Breeding Federation and a board member of Progressive Genetics.

Geoffrey McClay (aged 56) 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.

Henry McGarvey (aged 54) 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.

Executive Directors

Ian Ireland (Managing Director), BSC, MBA, Chartered Director (aged 60) 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 47) 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 Finance Director. 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

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 pleased with the performance of our seed potato business which has been delivered in a very challenging trading environment as well as the successful completion of the sale post year end of our specialty dairy business Nomadic.”

The Board is pleased with the performance of our seed potato business which has been delivered in a very challenging trading environment as well as the successful completion of the sale post year end of our specialty dairy business Nomadic.

Whilst volumes and pricing in seed potato markets remained under pressure as a result of Covid-19 restrictions on the food service industry, our seed potato business delivered a resilient performance with operating profits being maintained close to prior year levels.

Revenue in the Group's seed potato business decreased by 8% (€2.2m) to €26.1m while trading profit was €2.0m, a decrease of €0.1m on the prior year.

The Group's financial position remains strong with cash position, net of debt, of €3.7m at 31 August 2021 from continuing operations and a further €3.3m in cash at bank related to Nomadic Dairy classified as part of the asset held for sale at year end.

The Group remains cautiously optimistic about the trading performance of our seed potato business for the new 2021/22 season. The Group will continue to review all strategic options available in order to maximise shareholder value, and shareholders will be updated at the appropriate time. The Board would also like to express its thanks to directors Geoffrey McClay and Frank Browne who retire from the board at 31 December 2021.

AGM

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

Geoffrey Vance
Chairman

Managing Director's Review

"The Group's Seed potato business has delivered a good performance for the year to 31 August 2021. Group revenue was €26.1m for the year with a segmental trading profit of €2.0m."

Seed Potato Business

The Group's Seed potato business has delivered a good performance for the year to 31 August 2021. Group revenue was €26.1m for the year with a segmental trading profit of €2.0m.

Our seed potato business comprises IPM Potato Group ('IPM'), AJ Allan in Scotland, IPM Portugal, Kirinyaga Seeds Limited and a minority shareholding in Utkal 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 38 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. 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.

IPM has a unique and deeply integrated R&D partnership with Teagasc, the Agriculture and Food Development Authority of Ireland. The 47-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. 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 2021 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.

IPM delivered a resilient performance for the year despite the challenges posed by Covid-19 pandemic on the potato industry. The potato industry saw considerable tonnages of raw material which normally would have been processed for the food service sector being made available to the wider market resulting in downward pressure on both demand and pricing.

These factors remain a concern for the upcoming 2021/22 season, but we remain optimistic that IPM can maintain its strong operating performance. The yields of harvested crops for the 2021/2022 season are lower than the prior year across European growing areas which while restricting significant volume growth in 2022 should see downward pressure on pricing being reversed.

Managing Director's Review *(continued)*

Nomadic

On 5 November 2021, the Group announced that it has completed the disposal of its 80 per cent owned subsidiary, Nomadic Dairy Limited (Nomadic).

The overall transaction value for 100 per cent share capital of Nomadic comprises of (1) €26.1m of cash consideration (including existing Nomadic cash of €3.1m) on completion (Initial Consideration), subject to customary completion accounts adjustments, and (2) a further contingent consideration of up to a maximum of €6m dependent on the financial performance of Nomadic for the period 1 January 2022 to 31 December 2022, inclusive. The Group has an 80 per cent interest in Nomadic with its share of the Initial Consideration being €20.9m and a further €4.8m being its potential share of the maximum contingent consideration.

Finance and Balance Sheet

At 31 August 2021, the Group had committed bank facilities of €8.4m (31 August 2020: €8.4m) for working capital requirements.

Ian Ireland
Managing Director

"The Group has an 80 per cent interest in Nomadic with its share of the Initial Consideration being €20.9m and a further €4.8m being its potential share of the maximum contingent consideration."

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 August 2021. 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 of property assets.

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 €26.1m (2020: €28.3m). The Group recorded an operating profit of €1.5m for the year ended 31 August 2021 in comparison with an operating profit before exceptional items of €1.7m in 2020. In monitoring performance the Directors and management have regard to a range of key performance indicators (KPIs), including the following:

Financial KPI's	**2021**	2020*	Change
Continuing operations – pre-exceptional			
Operating profit	**€1.5m**	€1.7m	-€0.2m
Profit before tax	**€1.6m**	€1.7m	-€0.1m
Continuing operations			
Revenue - continuing operations	**€26.1m**	€28.3m	-€2.2m
Operating profit	**€1.5m**	€1.4m	+€0.1m
Profit before tax	**€1.6m**	€1.4m	+€0.2m
Profit after tax	**€1.9m**	€1.1m	+€0.8m
Basic earnings per share – continuing operations	**72.90c**	28.53	+44.37c
Cash and overdraft, net	**€4.4m**	€14.0m	-€9.6m
Debt	**(€0.7m)**	(€0.8m)	+€0.1m
Net assets attributable to shareholders	**€20.7m**	€16.4m	+€4.3m

* As restated to reflect the effect of discontinued operations. Revenue from discontinued operations in the year was €17.4m (2020: €16.7m) with an operating profit of €2.6m (2020: €1.2m).

Profits and dividends

Profit for the financial year amounted to €1.9m (2020: profit of €1.1m). A dividend is not declared in respect of 2021 or 2020. The results for the financial year ended 31 August 2021 are set out in detail on pages 30 to 97. A minority interest dividend of €133,000 was paid during the year (2020: €139,000).

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.

Directors' Report *(continued)*

Risk and risk description	Key control and mitigation activities
Brexit The continued uncertainty in respect of cross border trade and taxation issues associated with the United Kingdom leaving the EU.	Senior management across the Group are continuing to monitor the changing political and regulatory landscape post Brexit and taking appropriate steps as required to mitigate risks. This includes contingency planning to ensure security of supply chain and commercial mitigation measures for the imposition of tariffs.
Pandemic risk – Covid-19 Virus The Group is exposed to the impact of the pandemic in the markets it operates, specifically regarding impact on demand, continuity of supply and resourcing.	The Group has established Covid Management Teams (CMT) to monitor and actively manage ongoing risks and uncertainties. Continuous development of policies and procedures to mitigate risk to employees in the workplace and ensure continuity of supply. The CMT is actively monitoring developments in key markets to ensure production and stock levels are maintained at appropriate levels. Please refer to the Chairman's statement and Managing Director's review for further detail on the Group's response to Covid.
Unusual weather patterns The disruption of supply and demand of produce due to unusual weather conditions.	The Groups diversified product sourcing activities mitigates the risk. Management monitor and plan for expected weather conditions in growing areas.
Consumer demand Excess supply and/or reduced consumer demand resulting in reduced selling prices.	The market is continually monitored and reviewed by management to ensure appropriate measures in place.
Regulation and compliance Exposure to changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which the Group operates.	Regular monitoring and review of any changes in laws and regulations including ongoing employee training and use of experts.
Food safety Contamination of product cycle.	Regular review of policies and procedures to ensure they are effective and adequate. Continuous development of high level food safety culture.
Key customer relationships Ability to sustain commercial relationships with key customers in a competitive environment.	Customer relationships are developed and maintained by operational management focusing on added value, choice, price and service.
Credit risk Default of counterparties in respect of money owed to the Group.	Credit limits are regularly reviewed in accordance with credit control procedures in place across the Group.
Foreign currency Adverse changes to sterling relative to the euro.	Foreign currency risk is managed by utilising forward contracts to cover committed exposures.
IT systems and cyber security Security of information technology including cyber security in supporting the Group's business activity.	Information security policies and procedures are in place to protect business and personal information. A policy is in place in respect of backups across the Group, which is regularly tested.
Retention of key personnel The ability to retain key talented staff across the Group.	Recruitment policies, management incentives and training programmes are in place across the Group to encourage retention of key personnel. Board composition and succession plans are assessed by the Nomination committee.

The Directors have analysed these and other risks and they believe that appropriate plans are in place to manage and mitigate these risks. The corporate governance report on pages 14 to 18 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 which has been updated to reflect the ongoing 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 €7.7m (2020: €14.0m), including discontinued operations of €3.3m at 31 August 2021, and the remaining operating business continue to trade well while generating positive cash flows.

Future developments in the business

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

Events since the year end

On 5 November 2021, the Group completed the sale of subsidiary Nomadic Dairy Limited. The overall transaction value for 100 per cent of Nomadic comprises (1) €26.1m of cash consideration (including existing Nomadic cash of €3.3m) on completion (Initial Consideration), subject to customary completion accounts adjustments, and (2) A further contingent consideration of up to a maximum of €6m dependent on the financial performance of Nomadic for the period 1 January 2022 to 31 December 2022, inclusive (Deferred Consideration). The Group has an 80 per cent interest in Nomadic with its share of the Initial Consideration being €20.9m and a further €4.8m being its potential share of the maximum contingent Consideration.

The Group announced on 19 January 2022, that it is proposing a return of capital to shareholders of up to €20 million by the conversion of ordinary shares into redeemable ordinary shares and subsequent redemption of the redeemable ordinary shares to be voted on by shareholders at an extraordinary general meeting to be held on Friday 11 February 2022. Under the proposal, if the EGM resolutions are approved and the Board effects a conversion and subsequent redemption, approximately 46.21% of each shareholder's total ordinary shares held will be converted and redeemed at €15.30 per share.

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.

Board of Directors

The Directors of the Company on 31 August 2021 are listed on page 5. The Report of the Remuneration Committee is listed on pages 20 to 24. Norman Witherow, Vice Chairman and Chairman of the Remuneration Committee retired by rotation at the 2021 AGM held on 1 October 2021. Michael Griffin and Geoffrey McClay retire by rotation at the next AGM and do not intend to stand for re-election. Geoffrey Vance also retires by rotation and intends to stand for re-election at the next AGM.

The interest of the Directors and Secretary are disclosed in the report of the remuneration committee on pages 20 to 23.

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 2021, 67,168 ordinary shares of 13 cent each were held as treasury shares by Donegal Investment Group plc (2020: 100,000). This represented 2.3% of the called up share capital of the Company (2020: 2.7%)

The Group purchased no treasury shares during the financial year 31 August 2021 (2020: 553,012).

As approved by shareholders at the Extraordinary General Meeting held on 26 August 2020, the Company was authorised to redeem up to 800,000 Redeemable Ordinary Shares. 799,223 Ordinary Shares (approximately 22.2 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 at a total price of €9,990,288.

Following the Return of Capital on 1 September 2020, the Company's issued Ordinary Share Capital is 2,895,958.

Directors' Report *(continued)*

Substantial holdings

As at 8 February 2022, the Company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
Pageant Investments Limited	250,843	8.66%
Peter Carey	125,505	4.33%
Ian Ireland	97,827	3.38%
Neil Duggan	89,945	3.11%
Nick Furlong	89,391	3.09%

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 share capital of the Company.

Financial instruments note

Due to the nature of its business, the Group is exposed to the effects of fluctuations in foreign currency exchange rates. To manage these exposures, the Group has entered into forward currency purchases. Further details are set out in note 29 to these financial statements.

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 47 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.

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.

Audit Committee

The Group has an audit committee in place and full details are included in the corporate governance report on pages 15 to 18.

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 18. 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 (2020: €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 in due course.

On behalf of the Board

Padraic Lenehan	**Ian Ireland**
Director	*Director*

8 February 2022

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 six 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. Mr Geoffrey Vance has been Chairman of the Board since 2006.

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.

The Board currently comprises the Chairman (Non-Executive), two Executive Directors and five 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 2021 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.

Corporate Governance Report *(continued)*

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 a number have served on the Board for more than nine years. 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 2021 was comprised of three Non-Executive Directors, Geoffrey Vance, who acts as chairman, Patrick Kelly Jnr and Norman Witherow. Mr. Witherow retired at the most recent AGM held on 1 October 2021.

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.donegaligroup.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 one 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 2021, 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.

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

Seven meetings of the Board, four 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 2021 and the attendance record of each Director is set out in the following table:

Corporate Governance Report *(continued)*

	Board		Remuneration		Audit		Nomination	
Name	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Geoffrey Vance	8	8	-	-	-	-	1	1
Ian Ireland	8	8	-	-	-	-	-	-
Frank Browne	8	8	-	-	-	-	-	-
Michael Griffin	8	7	3	3	-	-	-	-
Patrick Kelly Jnr	8	8	-	-	3	3	1	1
P Lenehan	8	7	-	-	-	-	-	-
Geoffrey McClay	8	8	-	-	3	3	-	-
Henry McGarvey	8	8	3	3	3	3	-	-
Norman Witherow	8	8	3	3	-	-	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 (Mr. Witherow retired at the most recent AGM held on 1 October 2021). 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 20 to 23.

Audit Committee

The Audit Committee is comprised of three Non-Executive Directors – Patrick Kelly Jnr (Chairman), Geoffrey McClay and Henry McGarvey. The Committee held three formal meetings during year ended 2021. 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 2021, fees charged in relation to non-audit related services totalled €54,000 (2020: €95,000) 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 2021, the Audit Committee discharged its responsibilities by:

- reviewing the Group's financial statements for the year ended 31 August 2021, 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 2021;
- 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

Padraic Lenehan — *Director*

Ian Ireland — *Director*

8 February 2022

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, sporting 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 28 to the financial statements.

On 26 August 2020, and as part of the Company's capital redemption 22.25% of the outstanding share options were cash settled by the Group. On the 7 September 2020, the Remuneration Committee decided that all outstanding share options were to be either:(1) Cash settled, in accordance with the terms of the share option scheme, at a price per share of €12.50; or (2) Exercised by the underlying option holders at the relevant exercise price. As a result, 31,668 share options were cash settled at €12.50 per share in accordance with the terms of the share option scheme with a further 32,831 shares being exercised by the underlying option holders at the relevant exercise price.

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. All options granted have now been exercised details of which are set out in note 28 to the financial statements.

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 21 to 23, details of Directors' share options and shareholdings are given on page 23 and details of Directors' pensions are set out on pages 21 to 22.

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.

	2021	2020
	€	€
Salaries and benefits		
Basic salary	**369,171**	384,101
Benefits[(1)]	**43,150**	43,975
Pension charge[(3)]	**60,899**	69,633
	473,220	497,709
Performance related		
Annual incentives[(2)]	**26,136**	58,593
Total executive directors' remuneration	**499,356**	556,302
Average number of Executive Directors	**2**	2
Average salary per Executive Director	**249,678**	278,151

	2021	2020
	€	€
Non-Executive Directors		
Fees and other emoluments		
Fees[(4)]	**150,404**	152,807
Other emoluments and benefits	**-**	-
Total Non-Executive Directors' remuneration	**150,404**	152,807
Average number of non-Executive Directors	**7**	7
Total Directors' Remuneration	**649,760**	709,109

In addition, the cash settlement of other share-based payments of €46,000 (excl. PRSI) was recognised through profit and loss (2020: €695,000). The opportunity for cash settlement of share options resulted in reclassification of these options for accounting purposes from equity settled to cash settled in the prior year which gave rise to a charge of €1,409,000 (excl. PRSI) in 2020. During 2021, 25,199 of these options which were previously classified as cash settled (with a fair value of €307,000) were settled through the issuance of treasury shares. This resulted in a credit of €317,000 to the Group's Reserve for Own Shares and a debit of €2,000 recognised in retained earnings.

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 2021 (2020: Seven).
5. Benefits above exclude employers PRSI contribution costs.

Report of the Remuneration Committee *(continued)*

	Basic salary €	Annual incentive bonus €	Benefits €	Pension & other related costs €	2021 Total €	2020 Total €
Executive Directors						
I Ireland	**239,820**	**-**	**33,150**	**47,964**	**320,934**	363,677
P Lenehan	**129,351**	**26,136**	**10,000**	**12,935**	**178,422**	192,625
	369,171	**26,136**	**43,150**	**60,899**	**499,356**	556,302
Non-Executive Directors						
G Vance (Chairman)	**47,384**	**-**	**-**	**-**	**47,384**	47,382
F Browne	**13,772**	**-**	**-**	**-**	**13,772**	13,772
M Griffin	**18,198**	**-**	**-**	**-**	**18,198**	18,526
P Kelly Jnr	**15,740**	**-**	**-**	**-**	**15,740**	16,287
G McClay	**14,755**	**-**	**-**	**-**	**14,755**	15,083
H McGarvey	**19,181**	**-**	**-**	**-**	**19,181**	19,836
N Witherow	**21,372**	**-**	**-**	**-**	**21,372**	21,921
	150,402	**-**	**-**	**-**	**150,402**	152,807

Directors' and Secretary's share options

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

	At 31 August 2020	Granted in 2021	Cancelled in 2021	Exercised in 2021	At 31 August 2021	Average Option Price 2021 €
I Ireland	25,198	**-**	**-**	**(25,198)**	**-**	**0.31**
	25,198	**-**	**-**	**(25,198)**	**-**	**0.31**
P Lenehan	10,000	**-**	**-**	**(10,000)**	**-**	**2.23**
	10,000	**-**	**-**	**(10,000)**	**-**	**2.23**

The market price of the Company's shares at 31 August 2021 was €12.75 (2020: €12.50) and the range during 2021 was €11.84 to €14.10 (2020: €10.70 to €14.00). See note 28 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.

The 35,198 outstanding options were reclassified as cash settled share-based payment arrangements at 31 August 2020 with the resulting fair value movement reflected within equity and the obligation subsequently reclassified to liabilities.

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

	At 31 August 2020	Granted in 2021	Expired in 2021	Exercised in 2021	At 31 August 2021	Average Fair value 2021 €
I Ireland	13,333	-	-	**(13,333)**	-	**7.21**
	13,333	-	-	**(13,333)**	-	**7.21**
P Lenehan	10,000	-	-	**(10,000)**	-	**7.21**
	10,000	-	-	**(10,000)**	-	**7.21**

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.

Directors' and Secretary's interests in shares

The beneficial interests, including family interests, of the Directors and Secretary in office at 31 August 2021 in the ordinary shares of the Company at 31 August 2021 (or date of appointment, if later) and 31 August 2020 are set out below:

	31 August 2021	31 August 2020
Directors:		
G Vance (Chairman)	**72,698**	92,874
F Browne	**6,533**	8,403
M Griffin	**8,995**	11,569
I Ireland	**97,827**	93,416
P Kelly Jnr	**2,362**	3,038
P Lenehan	**-**	-
G McClay	**12,806**	16,471
H McGarvey	**13,286**	15,802
N Witherow	**53,827**	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 Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and 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 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 Company and of the Group's profit or loss for that year. In preparing each of the Group and 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 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 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 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 responsible 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

Padraic Lenehan	**Ian Ireland**
Director	*Director*

8 February 2022

Independent Auditor's Report

to the members of Donegal Investment Group plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Donegal Investment Group plc ('the Company') and its consolidated undertakings ('the Group') for the year ended 31 August 2021 set out on pages 30 to 97, which comprise the Consolidated statement of profit or loss and comprehensive income, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated statement of cash flows, the Company statement of cash flows and 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 Company as at 31 August 2021 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 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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We evaluated the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. There were no risks identified that we considered were likely to have a material adverse effect on the Group's and Company's available financial resources over this period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows *(Nomadic business recorded as Held for sale and Discontinued Operations (IFRS 5) key audit matter added in the current year):*

Independent Auditor's Report *(continued)*

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

Recoverability of trade receivables €5.5m (€3.1m of which is presented within assets held for sale) (2020 – €3.8m)
Refer to page 41 (accounting policy) and pages 76 to 84 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
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. An ECL provision of €0.8m is recognised as at 31 August 2021. The ECL provision was calculated using the matrix approach, whereby percentages are applied to specific cohorts of receivables balances based on historic experience and other relevant forward looking information. Due to the significance of trade receivables as a portion of the Group's total assets, together with the assumptions inherent in assessing recoverability, this has been considered as a key audit matter.	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 methodology and key assumptions included in management's calculation of the ECL provision; ▪ 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 by performing sensitivity analysis to assess the impact of changes in inputs and assumptions; and ▪ assessing the adequacy of the disclosures in the financial statements. Based on evidence obtained, we found the key assumptions and disclosures made in respect of the recoverability of trade receivables as at 31 August 2021 to be reasonable and appropriate.

Nomadic business classified as Held for sale and presented as a Discontinued Operation (application of IFRS 5)
Refer to pages 51 to 52 (accounting policy) and pages 84 to 86 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
On 5 November 2021, the Group announced that it has completed the disposal of its 80 per cent owned subsidiary, Nomadic Dairy Limited (Nomadic). Management concluded that the Nomadic business should be reported in accordance with IFRS 5 – 'Non-Current Assets Held for Sale and discontinued operations' in the 31 August 2021 consolidated financial statements. This assessment included, amongst others, considering the date of classification of the disposal group as held for sale, the identification of the disposal group and the presentation of its results as a discontinued operation. As a result of these conclusions, there are requirements around the measurement of the assets of the disposal group and presentation in the consolidated financial statements and disclosure notes. Due to the impact the assessment of the classification has on the 31 August 2021 financial statements, the application of IFRS 5 'Non-Current Asset Held for Sale and Discontinued operations' has been identified as a key audit matter.	Our audit procedures included but were not limited to: ▪ evaluating, in line with IFRS 5, management's conclusions on the classification of the disposal group as held for sale and the presentation of the results of the Nomadic business as discontinued operations; ▪ assessing whether the assets and liabilities have been correctly measured at the lower of carrying value or fair value less costs to sell; ▪ inspecting the share purchase agreement as part of gaining an understanding of the transaction and our testing of management's assessment of fair value; ▪ testing the reclassification of the assets held for sale and liabilities held for sale of the Nomadic business in the Group Balance Sheet; ▪ testing the accuracy of the presentation of the performance of the Nomadic business as a discontinued operation for the current and prior year; and ▪ assessing the adequacy of the Group's disclosures in respect of the asset held for sale and discontinued operations with reference to IFRS 5. As a result of our work, we found that the transaction has been presented in accordance with IFRS 5 criteria for assets held for sale and discontinued operations.

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 (2020: €110,000). This has been calculated as 5% of the benchmark of Group profit before tax (based on continuing operations up to the reclassification of the Nomadic business as held for sale and its presentation as a discontinued operation), 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 to the Audit Committee all corrected and uncorrected audit misstatements we identified in our audit in excess of €10,000 (2020: €5,500), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds. We applied materiality to assist us determine what risks were significant risks and the procedures to be performed.

Materiality for the Company financial statements was set at €75,000 (2020: €40,000), determined with reference to a benchmark of the Company's total assets of which it represents 0.8% (2020: 0.2%).

Of the Group's 14 (2020: 14) reporting components, we subjected 3 (2020: 3) to full scope audits for group purposes and 2 (2020: 2) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. 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. Our audits covered 99% (2020: 99%) of total Group revenue and 94% (2020: 98%) of Group total assets, including 100% of the Company's revenue and total assets. The work on all components was performed by the Group team.

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 €17,000 to €170,000. The Group audit team were also auditors to all of the Group's significant components.

Other information

The Directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' Report and the non-financial statement included on the Company's website at http://www.donegaligroup.com/ and the Business Review and Corporate Governance Report.

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 undertaken during the course of the audit, 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; and
- in our opinion, the Directors' Report has been prepared in accordance with the Companies Act 2014.

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.

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.

We have nothing to report in this regard.

Independent Auditor's Report *(continued)*

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 24, 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 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 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 http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for.

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.

2022

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 2021

	Note	**2021 Total**	2020 Restated* Pre-exceptional	2020 (Note 9) Exceptional	2020 Restated* Total
		€'000	€'000	€'000	€'000
Continuing operations					
Revenue	6	**26,090**	28,267	-	28,267
Cost of sales		**(16,865)**	(17,839)	-	(17,839)
Gross profit		**9,225**	10,428	-	10,428
Other income	7	**199**	745	-	745
Other expense	8	**(412)**	-	-	-
Distribution expenses		**(3,220)**	(3,543)	-	(3,543)
Administrative expenses		**(4,248)**	(5,891)	(313)	(6,204)
Profit/(loss) from operating activities		**1,544**	1,739	(313)	1,426
Finance income	12	**122**	4	-	4
Finance expenses	12	**(45)**	(50)	-	(50)
Net finance income/(expense)	12	**77**	(46)	-	(46)
Profit/(loss) before income tax		**1,621**	1,693	(313)	1,380
Income tax credit/(expense)	13	**302**	(315)	-	(315)
Profit/(loss) for the year – continuing operations		**1,923**	1,378	(313)	1,064
Profit/(loss) for the year – from discontinued operations, net of tax	34	**2,269**	1,190	(117)	1,074
Profit/(loss) for the year		**4,192**	2,568	(430)	2,139
Other comprehensive income					
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations	12	**4**			38
		4			38
Total comprehensive income for the year		**4,196**			2,176

Consolidated Statement of Profit or Loss and Comprehensive Income for the year ended 31 August 2021 *(continued)*

	Note	2021 €'000	2020 Restated* €'000
Profit attributable to:			
Equity holders of the Company		**3,877**	1,957
Non-controlling interest		**315**	181
		4,192	2,138
Total comprehensive income attributable to:			
Equity holders of the Company		**3,878**	2,003
Non-controlling interest		**318**	173
		4,196	2,176
Earnings per share			
Basic earnings per share (euro cent):			
Continuing	25	**72.90**	28.53
Discontinued		**64.17**	23.33
		137.07	51.86
Diluted earnings per share (euro cent):			
Continuing	25	**72.90**	27.66
Discontinued		**64.17**	22.62
		137.07	50.28

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

Padraic Lenehan *Director*

Ian Ireland *Director*

*As restated to reflect the effect of discontinued operations (see note 34)

Consolidated Statement of Financial Position
as at 31 August 2021

	Note	31 August 2021 €'000	31 August 2020 €'000
Assets			
Property, plant and equipment	14	**3,354**	6,497
Goodwill	15	**500**	2,324
Intangible assets	15	**127**	270
Investment property	16	**1,500**	3,365
Investment in associates	17	**261**	260
Other investments	18	**745**	747
Total non-current assets		**6,487**	13,463
Inventories	20	**392**	1,204
Biological assets	21	**1,024**	993
Trade and other receivables	22	**3,828**	5,278
Cash at bank	23	**5,307**	14,720
Current tax		**-**	131
Deferred tax asset	19	**-**	569
Financial instrument	30	**-**	37
Assets held for sale	34	**14,388**	-
Total current assets		**24,939**	22,932
Total assets		**31,426**	36,395
Equity			
Share capital	24	**376**	376
Share premium	24	**2,975**	2,975
Other reserves	24	**1,634**	1,101
Retained earnings		**15,721**	11,965
Total equity attributable to equity holders of the Company		**20,706**	16,417
Non-controlling interest		**1,057**	872
Total equity		**21,763**	17,289
Liabilities			
Loans and borrowings	26	**478**	543
Deferred income	29	**211**	226
Deferred tax liability	19	**54**	-
Total non-current liabilities		**743**	769
Loans and borrowings	26	**253**	227
Trade and other payables	29	**3,926**	7,374
Redeemable ordinary shares	24	**-**	9,990
Liabilities directly associated with asset held for sale	34	**3,661**	-
Current tax		**190**	-
Bank overdraft	23	**890**	746
Total current liabilities		**8,920**	18,337
Total liabilities		**9,663**	19,106
Total equity and liabilities		**31,426**	36,395

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

Padraic Lenehan	**Ian Ireland**
Director	*Director*

Company Statement of Financial Position
as at 31 August 2021

	Note	31 August 2021 €'000	31 August 2020 €'000
Assets			
Property, plant and equipment	14	**84**	370
Intangible assets	15	**1**	1
Investment property	16	**200**	1,575
Investment in associates	17	**261**	260
Other investments	18	**242**	309
Total non-current assets		**788**	2,515
Trade and other receivables	22	**3,578**	3,608
Current tax		**0**	15
Cash at bank	23	**4,479**	12,638
Deferred tax asset	19	**45**	-
Asset held for sale		**121**	-
Total current assets		**8,223**	16,261
Total assets		**9,011**	18,776
Equity			
Share capital	24	**376**	376
Share premium	24	**2,975**	2,975
Other reserves	24	**921**	389
Retained earnings		**2,004**	1,449
Total equity		**6,276**	5,189
Liabilities			
Deferred tax liabilities	19	**-**	214
Total non-current liabilities		**-**	214
Trade and other payables	29	**1,845**	2,998
Redeemable Ordinary Shares	24	**-**	9,990
Bank overdraft	23	**890**	385
Total current liabilities		**2,735**	13,373
Total liabilities		**2,735**	13,587
Total equity and liabilities		**9,011**	18,776

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

Padraic Lenehan
Director

Ian Ireland
Director

Consolidated Statement of Changes in Equity

for the year ended 31 August 2021

	Note	Share capital	Other undenominated capital	Share premium	Translation reserve	Reserve for own shares	Revaluation reserves	Share option reserve	Retained earnings	Total	Non-controlling interest	Total equity
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 September 2020		376	857	2,975	(1,865)	(1,273)	3,382	-	11,965	16,417	872	17,289
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	3,877	3,877	315	4,192
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	-	1	-	-	-	-	1	3	4
Other comprehensive income		**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**1**	**3**	**4**
Total comprehensive income for the year		**-**	**-**	**-**	**1**	**-**	**-**	**-**	**3,877**	**3,878**	**318**	**4,196**
Transactions with owners recorded directly in equity												
Contributions by and distributions to owners												
Dividends paid	24	-	-	-	-	-	-	-	-	-	(133)	(133)
Conversion and Redemption of Redeemable Shares	24	-	104	-	-	-	-	-	(104)	-	-	-
Equity settling of share options		-	-	-	-	428	-	-	(17)	411	-	411
Total contributions by and distributions to owners		**-**	**104**	**-**	**-**	**428**	**-**	**-**	**(121)**	**411**	**(133)**	**278**
Balance at 31 August 2021		**376**	**961**	**2,975**	**(1,864)**	**(845)**	**3,382**	**-**	**15,721**	**20,706**	**1,057**	**21,763**

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 August 2020

	Note	Share capital €'000	Other undenominated 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 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	24	-	-	-	-	-	-	-	-	-	(139)	(139)
Acquisition of treasury shares		-	-	-	-	(7,166)	-	-	-	(7,166)	-	(7,166)
Cancellation of treasury shares		(139)	139	-	-	12,432	-	-	(12,432)	-	-	-
Conversion and Redemption of Redeemable Shares	24	(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**

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

Company Statement of Changes in Equity
for the year ended 31 August 2021

	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 2019		**619**	**718**	**2,975**	**(6,539)**	**189**	**616**	**283**	**16,759**	**15,620**
Profit for the year		-	-	-	-	-	-	-	8,586	8,586
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,586**	**8,586**
Transactions with owners recorded directly in equity										
Cancellation of treasury shares		(139)	139	-	12,432	-	-	-	(12,432)	-
Acquisition of treasury shares		-	-	-	(7,166)	-	-	-	-	(7,166)
Reclassification of redeemable shares	24	(104)	-	-	-	-	-	-	(9,886)	(9,990)
Cash settlement of equity settled share options		-	-	-	-	-	-	(126)	(1,054)	(1,180)
Reclassification of equity settled share options		-	-	-	-	-	-	(157)	(524)	(681)
Total contributions by and distributions to owners		**(243)**	**139**	**-**	**5,266**	**-**	**-**	**(283)**	**(23,896)**	**(19,017)**
Balance at 31 August 2020		**376**	**857**	**2,975**	**(1,273)**	**189**	**616**	**-**	**1,449**	**5,189**
Profit for the year		-	-	-	-	-	-	-	676	676
Total comprehensive expense for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**676**	**676**
Transactions with owners recorded directly in equity										
Conversion and Redemption of Redeemable Shares	24	-	104	-	-	-	-	-	(104)	-
Equity settling of share options		-	-	-	428	-	-	-	(17)	411
Total contributions by and distributions to owners		-	104	-	428	-	-	-	(121)	411
Balance at 31 August 2021		**376**	**961**	**2,975**	**(845)**	**189**	**616**	**-**	**2,004**	**6,276**

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 August 2021

	Note	2021 €'000	2020 €'000
Cash flows from operating activities			
Profit for the year		**4,192**	2,138
Adjustments for:			
Depreciation	14	**1,077**	949
Amortisation of intangibles	15	**40**	35
Amortisation of capital grant		**23**	13
Change in fair value of investment property	16	**410**	(570)
Change in fair value of other investments	18	**2**	(2)
Net finance (income)/expense		**(96)**	6
Interest charged in relation to IFRS 16		**31**	37
Gain on sale of investment property		**(80)**	-
Gain on sale of property, plant and equipment		**(15)**	(19)
Share-based payment transactions		**51**	900
Income tax (credit)/expense		**20**	463
Change in inventories		**40**	(112)
Change in trade and other receivables		**(2,081)**	2,557
Change in trade and other payables		**1,263**	(1,401)
Cash generated from operating activities		**4,877**	4,994
Interest paid		**14**	26
Income tax refund/(paid)		**187**	(421)
Net cash from operating activities		**5,078**	4,599
Cash flows from investing activities			
Interest received		**2**	3
Dividends received		**-**	1
Proceeds from sale of investment property		**1,834**	-
Proceeds from sale of property, plant and equipment		**-**	30
Proceeds from disposal of Monaghan Middlebrook Mushrooms		**-**	2,000
Acquisition of other investments	18	**-**	(154)
Acquisition of property, plant and equipment	14	**(1,877)**	(3,314)
Acquisition of intangibles	15	**(75)**	(4)
Net cash generated from investing activities		**(116)**	(1,438)
Cash flows from financing activities			
Repayment of borrowings		**-**	(4,000)
Payment of finance lease liabilities		**(344)**	(302)
Dividend paid to non-controlling interest		**(134)**	(139)
Settlement of share based payments		**(750)**	(2,899)
Share redemption	24	**(9,990)**	-
Acquisition of treasury shares	24	**-**	(7,166)
Net cash outflow from financing activities		**(11,218)**	(14,506)
Net (decrease) in cash and cash equivalents		**(6,256)**	(11,345)
Cash and cash equivalents at start of year		**13,974**	25,327
Effect of exchange rate fluctuations on cash held		**32**	(8)
Cash and cash equivalents at end of year	23	**7,750**	13,974

(Cash and cash equivalents at end of year of €7.8m are inclusive of cash at bank (net of overdraft) of €4.42m and cash at bank classified as asset held for sale of €3.33m)

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

Company Statement of Cash Flows
for the year ended 31 August 2021

	Note	2021 €'000	2020 €'000
Cash flows from operating activities			
Profit for the year		**676**	8,586
Adjustments for:			
Depreciation	14	**7**	8
Change in fair value of investment property	16	**(80)**	(590)
Change in fair value of other investments	18	**2**	84
Gain on sale of investment property		**(113)**	-
Net finance (income)		**(392)**	(9,809)
Share-based payment transactions		**51**	900
Income tax (benefit)/expense		**(259)**	216
Change in trade and other receivables		**3**	434
Change in trade and other payables		**(135)**	(974)
Cash generated from operating activities		**(239)**	(1,147)
Interest (paid)/received		**(10)**	21
Income tax paid		**(1)**	(1)
Net cash from operating activities		**(250)**	(1,127)
Cash flows from investing activities			
Interest received		**-**	2
Dividends received		**400**	9,794
Acquisition of property, plant & equipment	14	**-**	(5)
Acquisition of intangibles	15	**-**	(1)
Proceeds from disposal of Monaghan Middlebrook Mushrooms		**-**	2,000
Proceeds from disposal of investment property		**1,834**	-
Net cash generated from investing activities		**2,234**	11,790
Cash flows from financing activities			
Repayment of borrowings	26	**-**	(4,000)
Acquisition of treasury shares	24	**-**	(7,166)
Loan to subsidiary		**-**	(3,500)
Repayment of borrowings to subsidiaries		**-**	(1,636)
Share redemption	24	**(9,990)**	-
Settlement of share based payments	28	**(658)**	(2,899)
Net cash flow from financing activities		**(10,648)**	(19,201)
Net (decrease) in cash and cash equivalents		**(8,664)**	(8,538)
Cash and cash equivalents at start of year		**12,253**	20,791
Cash and cash equivalents at end of year	23	**3,589**	12,253

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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 2021 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 8 February 2022.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended 31 August 2021 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 2021.

(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 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.

(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 22 and note 30), recognition of deferred tax assets (note 19) and measurement of financial assets (other investments) (note 18). In addition, the determination of whether it was appropriate to apply IFRS 5 'Non-current Assets Held for Sales and discontinued operations to the Group's Nomadic business is a key judgement in the current year (note 34).

The estimates and underlying assumptions applied in the measurement of transactions, assets and liabilities 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 2020:

Notes to the consolidated financial statements *(continued)*

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 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 acquiree'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.

3. Significant accounting policies *(continued)*

(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.

	Classification under IFRS 9
Financial assets:	
Trade and other receivables	Amortised cost
Other investments	FVOCI
Cash and cash equivalents	Amortised cost
Derivative financial assets	Fair value – hedging instrument
Financial liabilities:	
Trade and other payables	Liabilities at amortised cost
Interest-bearing borrowings	Liabilities at amortised cost
Derivative financial liabilities	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.

Notes to the consolidated financial statements *(continued)*

3. Significant accounting policies *(continued)*

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).

Equity investments
Equity investments held by the Group and Company are measured at fair value through profit or loss ('FVOCI'). 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 economically 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 on the transaction is transferred to share premium with any deficit recognised in retained earnings, with any deficit recognised in retained earnings.

(iii) Redeemable Ordinary Shares
Redeemable ordinary shares are redeemable shares at the option of the Company at which time they are presented as equity. On approval of redemption by the Company these redeemable ordinary shares are presented within current liabilities.

(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.

3. Significant accounting policies *(continued)*

(iv) 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.

(v) 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 fair value 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.

When the holders of the share based arrangements are classified as equity settled but subsequently the holders are given the option to cash settle, the arrangements are reclassified as cash settled share based payment arrangements with the fair value movement on remeasurement at the date of reclassification being reflected within equity. The amount included within the share-based payment reserve is subsequently reclassified to liabilities and subject to remeasurement thereafter.

(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. 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

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.

(o) Finance income and expenses

Finance income comprises interest income on funds invested, 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.

Notes to the consolidated financial statements *(continued)*

3. Significant accounting policies *(continued)*

(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.

(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.

3. Significant accounting policies *(continued)*

(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

A number of new accounting standards and interpretations have been issued but are not yet effective for the group. These accounting standards are not relevant for the group in the financial year and interpretations are not expected to have a material impact on the group.

New and amended standards and interpretations effective during 2021

The accounting policies adopted are consistent with those of the previous year except for the following new and amended IFRS and IFRIC interpretations adopted by the Group and Company in these financial statements.

Amendments to References to Conceptual Framework in IFRS Standards
Definition of a Business – Amendment to IFRS 3
Definition of Material – Amendments to IAS 1 and IAS 8
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
COVID-19-Related Rent Concessions – Amendment to IFRS 16

The amendments listed above did not result in material changes to the Group Consolidated Financial Statements.

New and amended standards and interpretations issued but not yet effective or early adopted

A number of new accounting standards and interpretations have been issued but are not yet effective for the group. These accounting standards are not relevant for the group in the financial year and interpretations are not expected to have a material impact on the group.

Notes to the consolidated financial statements *(continued)*

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 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.

(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 are measured at the closing market price at year end less the exercise price of the instrument.

5. Financial risk management

Overview
The Group has exposure to the following risks:

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

5. Financial risk management *(continued)*

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.

The Group applies the simplified approach to providing for expected credit losses (ECLs) permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

All allowance for impairment of trade and other receivables is established on both the ECLs and information available that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability the debtor will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the assets carrying amount and the present value of the estimated future cashflows. The amount of the impairment allowance is recognised in the Income Statement.

ECLs, except for the following, are measured as 12 month ECLs:

- 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.

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).

Notes to the consolidated financial statements *(continued)*

5. Financial risk management *(continued)*

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 2021, the Group had committed bank facilities of €8.4m (31 August 2020: €8.4m), including a Group overdraft facility of €8.4m (31 August 2020: €8.4m) for working capital requirements.

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 2021 and 2020, the group entered into a foreign exchange hedge to further mitigate foreign currency exposure.

Capital management
The Group considers that its capital comprises share capital, share premium, retained earnings and other reserves (excluding the translation, non-controlling interest and share options reserves) which amounted to €22.6m, at 31 August 2021 (2020: €18.3m).

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 purchased no treasury shares during the year (2020: 553,012). On 25 June 2020, the Board approved the cancellation of 1,065,626 treasury shares.

As approved by shareholders at the Extraordinary General Meeting held on 26th August 2020, the Company was authorised to redeem up to 800,000 Redeemable Ordinary Shares. 799,223 Ordinary Shares (approximately 22.2 per cent of each Shareholder's total holding of Ordinary Shares) as at the conversion date of 31st August 2020 were converted into Redeemable Ordinary Shares. Following on from this, 799,223 Redeemable Ordinary shares were redeemed as at the redemption date 1st September 2020 at €12.50 per share at a total price of €9,990,288.

This surplus capital returned to shareholders was generated following the sale of the Group's shareholding in Robert Smyth & Sons Limited business in August 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 1 September 2020, 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) which the Group has identified to the Board of Directors in order to allocate resources to the segments and to assess their performance.

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

Dairy: The manufacture, sale and distribution of dairy products. Information relevant to this segment, the activities of which are classified as a discontinued operation, is included in note 34.

- 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. 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.

	Produce		Total – Group	
	2021	2020*	**2021**	2020*
	€'000	€'000	**€'000**	€'000
Group				
Revenue – continuing operations	**26,090**	28,267	**26,090**	28,267
Segment result before exceptional items	**2,005**	2,067	**2,005**	2,067
Segmental result from continuing operations before exceptional items	**2,005**	2,067	**2,005**	2,067
Exceptional items, net of tax			**-**	(314)
Change in fair value of investment property			**(410)**	572
Share option expense not allocated to subsidiary business			**(51)**	(900)
Net finance income/expense			**77**	(46)
Income tax (expense)/credit			**302**	(315)
Profit for the year– continuing operations			**1,923**	1,064

*As restated to reflect the effect of discontinued operations

Notes to the consolidated financial statements *(continued)*

6. Segment reporting *(continued)*

	Produce		Total – Group	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Segment assets	**11,731**	21,069	**11,731**	21,069
Deferred tax asset	**-**	569	**-**	569
Asset held for sale			**14,388**	-
Cash at bank (unallocated)			**5,307**	14,720
Financial instrument (unallocated)			**-**	37
Total assets as reported in Group Balance Sheet			**31,426**	36,395
Segment liabilities	**4,327**	6,626	**4,327**	6,626
Bank overdraft (unallocated)			**890**	746
Loans and borrowings (unallocated)			**731**	770
Deferred tax liability	**54**	-	**54**	-
Liabilities directly associated with asset held for sale			**3,661**	
Redeemable ordinary shares (unallocated)			**-**	9,990
Equity settled share options presented as financial liabilities (unallocated)			**-**	974
Total liabilities as reported in Group Balance Sheet			**9,663**	19,106
Other segment information				
Capital expenditure	**1,575**	1,253	**1,575**	1,253
Depreciation and amortisation	**462**	472	**462**	472
Change in fair value of investment property and other assets	**371**	(572)	**371**	(572)

	Ireland		Europe		Rest of world		Total – Group	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Total revenue from external customers (by origin)	**25,367**	27,476	**698**	772	**25**	19	**26,090**	28,267
Segment assets as reported in Group Balance Sheet	**27,606**	33,872	**2,193**	2,104	**1,627**	419	**31,426**	36,395
Capital expenditure	**931**	3,823	**180**	283	**1,142**	206	**2,253**	4,312

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	
	2021	2020*
	€'000	€'000
Seed potatoes	**26,090**	28,267
	26,090	28,267

*As restated to reflect the effect of discontinued operations

The Group had one customer that comprised greater than 10% of its total revenue in the year ended 31 August 2021 (2020: One)

7. Other income – continuing operations

	2021 €'000	2020* €'000
Income from investment property rentals	**88**	154
Change in fair value of investment property	**-**	570
Change in fair value of other investments	**-**	2
Profit on disposal of investment property	**80**	-
Government grant	**16**	-
Gain on disposal of property, plant and equipment	**15**	19
	199	745

*As restated to reflect the effect of discontinued operations

8. Other expense – continuing operations

	2021 €'000	2020* €'000
Change in fair value of investment property	**(410)**	-
Change in fair value of other investments	**(2)**	-
	(412)	-

*As restated to reflect the effect of discontinued operations

9. Exceptional items

Exceptional items are those that, in the Director'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:

		2021 €'000	2020* €'000
Redundancy and restructuring	a	**-**	(208)
Other legal costs	b	**-**	(106)
Exceptional (costs)/income before tax – continuing operations		**-**	(314)
Income tax expense in respect of exceptional items		**-**	-
Exceptional (costs)/income after tax – continuing operations		**-**	(314)
Exceptional loss from discontinued operations			
Redundancy and restructuring	c	**-**	(117)
Total exceptional (costs)/income for the year		**-**	(431)

a) Restructuring costs include €207,000 related to historical restructuring adjustments.

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

c) Restructuring costs include redundancy costs of €117,000.

*As restated to reflect the effect of discontinued operations

Notes to the consolidated financial statements *(continued)*

10. Personnel expenses

Group

Employees

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

	2021 Number	2020 Number
Production	**36**	81
Administration	**19**	40
	55	121

*Included in the prior year total employees above are employees who were employed in discontinued activities totalling 68 during 2020.

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

	2021 €'000	2020 €'000
Wages and salaries	**2,658**	5,288
Social welfare costs	**379**	954
Retirement benefit (note 27)	**185**	381
Share option expense (note 28)*	**(339)**	2,492
	2,883	9,115

* The cash settlement of other share-based payments of €46,000 (excl. PRSI) was recognised through profit and loss (2020: €695,000). The opportunity for cash settlement of share options resulted in reclassification of these options for accounting purposes from equity settled to cash settled in the prior year which gave rise to a charge of €1,797,000 (excl. PRSI) in 2020. During 2021, 32,831 of these options which were previously classified as cash settled (with a fair value of €386,000) were settled through the issuance of treasury shares. This resulted in a credit of €428,000 to the Group's Reserve for Own Shares and a debit of €17,000 recognised in retained earnings.

Included in the prior year total staff costs above are employees who were employed in discontinued activities totalling €2.7m during 2020.

The Director's costs for the year were:

	2021 €'000	2020 €'000
Wages and salaries	**589**	639
Social welfare costs	**55**	380
Retirement benefit (note 27)	**61**	70
Share option expense (note 28)*	**(261)**	2,104
	444	3,193

*The cash settlement of other share-based payments of €46,000 (excl. PRSI) was recognised through profit and loss (2020: €695,000). The opportunity for cash settlement of share options resulted in reclassification of these options for accounting purposes from equity settled to cash settled in the prior year which gave rise to a charge of €1,409,000 (excl. PRSI) in 2020. During 2021, 25,199 of these options which were previously classified as cash settled (with a fair value of €307,000) were settled through the issuance of treasury shares. This resulted in a credit of €317,000 to the Group's Reserve for Own Shares and a debit of €2,000 recognised in retained earnings.

Company

Employees

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

	2021 Number	2020 Number
Administration	**4**	6
	4	6

10. Personnel expenses *(continued)*

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

	2021 €'000	2020 €'000
Wages and salaries	**546**	854
Social welfare costs	**91**	463
Retirement benefit (note 27)	**68**	94
Share option expense (note 28)*	**(261)**	2,408
	444	3,819

* The cash settlement of other share-based payments of €46,000 (excl. PRSI) was recognised through profit and loss (2020: €695,000). The opportunity for cash settlement of share options resulted in reclassification of these options for accounting purposes from equity settled to cash settled in the prior year which gave rise to a charge of €1,713,000 (excl. PRSI) in 2020. During 2021, 25,199 of these options which were previously classified as cash settled (with a fair value of €307,000) were settled through the issuance of treasury shares. This resulted in a credit of €317,000 to the Group's Reserve for Own Shares and a debit of €2,000 recognised in retained earnings.

The Director's costs for the year were:	2021 €'000	2020 €'000
Wages and salaries	**589**	639
Social welfare costs	**55**	380
Retirement benefit (note 27)	**61**	70
Share option expense (note 28)*	**(261)**	2,104
	444	3,193

*The cash settlement of other share-based payments of €46,000 (excl. PRSI) was recognised through profit and loss (2020: €695,000). The opportunity for cash settlement of share options resulted in reclassification of these options for accounting purposes from equity settled to cash settled in the prior year which gave rise to a charge of €1,409,000 (excl. PRSI) in 2020. During 2021, 25,199 of these options which were previously classified as cash settled (with a fair value of €307,000) were settled through the issuance of treasury shares. This resulted in a credit of €317,000 to the Group's Reserve for Own Shares and a debit of €2,000 recognised in retained earnings.

11. Statutory and other information

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

	2021 €'000	2020* €'000
Grant income	**(16)**	-
Depreciation	**454**	463
Amortisation of intangible assets	**8**	8
Auditor's remuneration – Group:		
– audit fees	**69**	69
– taxation services	**51**	92
Auditor's remuneration – Company:		
– audit fees	**43**	45
– taxation services	**33**	36

*As restated to reflect the effect of discontinued operations

Amounts paid to Directors are disclosed in the report of the Remuneration Committee on pages 20 to 23.

Notes to the consolidated financial statements *(continued)*

12. Finance income and expense – continuing operations

	2021 €'000	2020* €'000
Recognised in profit or loss		
Interest income on associate loan stock	**2**	3
Net foreign exchange gain	**120**	-
Dividends received	**-**	1
Finance income	**122**	4
Interest expense on bank loans and overdraft	**(45)**	(10)
Net foreign exchange loss	**-**	(40)
Finance expense	**(45)**	(50)
Net finance income/(expense) recognised in profit or loss	**77**	(46)

	2021 €'000	2020 €'000
Recognised directly in other comprehensive income		
Foreign currency translation differences for foreign operations	**4**	38
Finance income recognised in other comprehensive income, net of tax	**4**	38
Finance income recognised in other comprehensive income, net of tax		
Recognised in:		
Translation reserve	**1**	46
Non-Controlling interest	**3**	(8)
	4	38

*As restated to reflect the effect of discontinued operations

13. Income tax expense – continuing operations

	2021 €'000
Current tax expense	
Current year	**198**
Adjustment in respect of prior years	**(58)**
	140
Deferred tax expense/(credit)	
Origination and reversal of temporary differences	**(442)**
	(442)
Income tax expense/(credit)	**(302)**

13. Income tax expense – continuing operations *(continued)*

	2021 €'000	2020* €'000
Tax reconciliation		
Profit for year before tax – continuing activities	**1,621**	1,380
Tax at 12.5% (2020: 12.5%)	**194**	164
Expenses not allowable for tax purposes	**44**	65
Income not taxable	**-**	(4)
Income taxed at higher rate	**52**	132
Remeasurement of tax base costs of certain investment properties	**(363)**	-
Cash settlement of certain options through equity	**(74)**	-
Income tax withheld	**1**	1
Management charges utilised	**(6)**	(7)
Tax effect of current year Group relief claimed	**(8)**	(8)
Adjustment in respect of prior years	**(142)**	(28)
Income tax expense/(credit)	**(302)**	315

Income tax recognised directly in other comprehensive income:

	2021 €'000	2020 €'000
Total income tax recognised directly in other comprehensive income	**-**	-

*As restated to reflect the effect of discontinued operations (see note 34)

Notes to the consolidated financial statements *(continued)*

14. Property, plant and equipment

	Land and buildings €'000	Plant and equipment €'000	Fixtures and fittings €'000	Motor vehicles & tanks €'000	Total €'000
Group					
Cost					
Balance at 1 September 2019	2,633	4,660	213	136	7,642
Additions	291	3,034	35	139	3,499
Disposals	-	(101)	-	(33)	(134)
Effect of movements in exchange rates	13	5	1	-	19
Balance at 31 August 2020	2,937	7,598	249	242	11,026
Balance at 1 September 2020	2,937	7,598	249	242	11,026
Additions	63	1,648	334	133	2,178
Disposals	(21)	(78)	(4)	(53)	(156)
Effect of movements in exchange rates	52	98	3	2	155
Assets transferred to investment property (note 16)	(599)	-	-	-	(599)
Assets transferred to held for sale	(385)	(5,031)	12	141	(5,263)
Balance at 31 August 2021	**2,047**	**4,235**	**594**	**465**	**7,341**
Depreciation and impairment losses					
Balance at 1 September 2019	915	2,701	34	24	3,674
Depreciation for the year	184	657	37	71	949
Elimination on disposal	-	(85)	-	(33)	(118)
Effect of movements in exchange rates	5	18	1	-	24
Balance at 31 August 2020	1,104	3,291	72	62	4,529
Balance at 1 September 2020	1,104	3,291	72	62	4,529
Depreciation for the year	182	768	33	94	1,077
Elimination on disposal	(20)	(78)	(4)	(37)	(139)
Effect of movements in exchange rates	22	78	3	1	104
Elimination on transfer to investment property (note 16)	(310)	-	-	-	(310)
Assets transferred to held for sale	(118)	(1,780)	482	142	(1,274)
Balance at 31 August 2021	**860**	**2,279**	**586**	**262**	**3,987**
Carrying amounts					
At 1 September 2019	1,718	1,959	179	112	3,968
At 31 August 2020	1,833	4,307	177	180	6,497
At 1 September 2020	1,833	4,307	177	180	6,497
At 31 August 2021	**1,187**	**1,956**	**8**	**203**	**3,354**

Land assets

The carrying value of land not subject to depreciation at 31 August 2021 was €0.1m (2020: €0.3m).

14. 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 2019	662	28	36	726
Additions	-	-	5	5
Balance at 31 August 2020	662	28	41	731
Balance at 1 September 2020	662	28	41	731
Reclassification	-	10	-	10
Disposals	(595)	(4)	-	(599)
Balance at 31 August 2021	**67**	**34**	**41**	**142**
Depreciation				
Balance at 1 September 2019	302	15	36	353
Depreciation for the year	-	7	1	8
Balance at 31 August 2020	302	22	37	361
Balance at 1 September 2020	302	22	37	361
Depreciation for the year	-	6	1	7
Disposals	(302)	(8)	-	(310)
Balance at 31 August 2021	**-**	**20**	**38**	**58**
Carrying amounts				
At 1 September 2019	360	13	-	373
At 31 August 2020	360	6	4	370
At 1 September 2020	360	6	4	370
At 31 August 2021	**67**	**14**	**3**	**84**

The carrying value of land not subject to depreciation at 31 August 2021 was €0.07m (2020: €0.36m). The Company holds no leases (2020: None).

Right of use assets

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 movement in the Group's right-of-use assets is as follows:

	Land and buildings €'000	Plant and equipment €'000	Fixtures and fittings €'000	Motor vehicles & tanks €'000	Total €'000
Group					
At 1 September 2020, net carrying amount	392	276	15	177	860
Additions during the year	48	167	-	85	300
Disposals during the year	-	-	-	(17)	(17)
Depreciation charge during the year	(86)	(93)	(5)	(91)	(275)
Translation adjustment	-	-	1	1	2
At 31 August 2021, net carrying amount	**354**	**350**	**11**	**155**	**870**

Notes to the consolidated financial statements *(continued)*

15. Intangible assets

	Goodwill €'000	Software €'000	Acquisition related intangibles €'000	Total €'000
Group				
Cost				
Balance at 1 September 2019	2,324	275	358	2,957
Additions	-	4	-	4
Balance at 31 August 2020	2,324	279	358	2,961
Balance at 1 September 2020	2,324	279	358	2,961
Additions	-	75	-	75
Assets transferred to held for sale	(1,824)	(84)	(272)	(2,180)
Balance at 31 August 2021	**500**	**270**	**86**	**856**
Amortisation and impairment losses				
Balance at 1 September 2019	-	165	167	332
Amortisation for year	-	8	27	35
Balance at 31 August 2020	-	173	194	367
Balance at 1 September 2020	-	173	194	367
Amortisation for year	-	13	27	40
Assets transferred to held for sale	-	(17)	(161)	(178)
Balance at 31 August 2021	**-**	**169**	**60**	**229**
Carrying amounts				
At 1 September 2019	2,324	110	191	2,625
At 31 August 2020	2,324	106	164	2,594
At 1 September 2020	2,324	106	164	2,594
At 31 August 2021	**500**	**101**	**26**	**627**

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

	2021 Seed Potatoes €'000	2021 Dairy €'000	2021 Total €'000	2020 Seed Potatoes €'000	2020 Dairy €'000	2020 Total €'000
Goodwill at the end of the year	**500**	**-**	**500**		1,825	2,324

*The Group transferred €1.8m in goodwill related to Nomadic Dairy Limited to Asset held for sale.

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 FY2022 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.

15. Intangible assets *(continued)*

The cashflow forecasts are discounted using appropriate risk adjusted discount rates averaging 6% (2020: 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 2021 as a result of this review (2020: €Nil).

Intangible assets

	Software €'000
Company	
Cost	
Balance at 1 September 2019	55
Additions	1
Balance at 31 August 2020	56
Balance at 1 September 2020	56
Additions	-
Balance at 31 August 2021	**56**
Amortisation and impairment losses	
Balance at 1 September 2019	55
Amortisation for the year	-
Balance at 31 August 2020	55
Balance at 1 September 2020	55
Amortisation for the year	-
Balance at 31 August 2021	55
Carrying amounts	
At 1 September 2019	-
At 31 August 2020	1
At 1 September 2020	1
At 31 August 2021	**1**

16. Investment property

	2021 €'000	2020 €'000
Group		
Balance at start of year	**3,365**	2,510
Reclassification from property plant and equipment	**289**	285
Disposal	**(1,744)**	-
Change in fair value	**(410)**	570
Balance at end of year	**1,500**	3,365

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 2021 are located in Ireland. Investment property includes the Oatfield site in Letterkenny along with other land and property assets. €289,000 which was held as Land and Buildings at 31 August 2020 was reclassified as investment property during 2021.

Notes to the consolidated financial statements *(continued)*

16. Investment property *(continued)*

	2021 €'000	2020 €'000
Company		
Balance at start of year	**1,575**	700
Reclassification from property plant and equipment	**289**	285
Disposal	**(1,744)**	-
Change in fair value	**80**	590
Balance at end of year	**200**	1,575

Measurement of fair value

(i) Fair value hierarchy

The fair value of investment property within the Group is 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 2021 was valued in accordance with consultation with external experts.

The fair value measurement for investment property of €1,500,000 (2020: €3,365,000) 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 (€410,000) was identified in 2021 (2020: €570,000) in relation to Group investment property.

A fair value movement of €80,000 was identified in 2021 (2019: €590,000) in relation to Company 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

	2021 €'000	2020 €'000
Comparable market transactions	**1,500**	3,365

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)

17. Investment in associates

Group

The Group's share of after tax profits in its associates for the year was €Nil (2020: €Nil).

	2021 Interest in associate	**2021 Loans to associate**	**2021 Total**	2020 Interest in associate	2020 Loans to associate	2020 Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Balance at start of year	**-**	**260**	**260**	-	257	257
Interest charged	**-**	**1**	**1**	-	3	3
Balance at end of year	**-**	**261**	**261**	-	260	260

Investments in associates comprise of North Western Livestock Holdings Limited (NWLH). The total net loan notes and interest outstanding from North Western Livestock Holdings Limited at 31 August 2021 is €0.261 million (2020: €0. 260 million).

	2021 Interest in Associate	**2021 Loans to Associate**	**2021 Total**	2020 Interest in Associate	2020 Loans to Associate	2020 Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Company						
Balance at start of year	**-**	**260**	**260**	-	257	257
Interest charged	**-**	**1**	**1**	-	3	3
Balance at end of year	**-**	**261**	**261**	-	260	260

18. Other investments

	2021	2020
	€'000	€'000
Group		
Non-current investments		
Other investments	**745**	747

Equity investments include €9,000 quoted shares (2020: €11,200), €736,000 unquoted shares (2020: €736,000). Quoted shares have been stated at market value in the manner stated in Note 4 and Note 30. The fair value of unquoted shares with a carrying value of €736,000 (2020: €736,000) has been based upon recent market transactions.

	2021	2020
	€'000	€'000
Movement during the year		
Balance at start of year	**747**	591
Fair value movement of equity investments	**(2)**	2
Addition	**-**	154
Balance at end of year	**745**	747

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 31 August 2020, the Group increased its shareholding in Utkal Seeds Limited to 19.85 %.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 30.

Notes to the consolidated financial statements *(continued)*

18. Other investments *(continued)*

	2021 €'000	2020 €'000
Company		
Non-current investments		
Other investment	**9**	11
Investments in subsidiaries	**233**	298
	242	309

	2021 Equity investments €'000	2021 Investments in subsidiaries €'000	2021 Total €'000	2020 Equity investments €'000	2020 Investments in subsidiaries €'000	2020 Total €'000
Movement during the year						
Balance at start of year	**11**	**298**	**309**	9	382	391
Revaluation of equity investments	**-**	**56**	**56**	2	-	2
Transfer to Assets held for sale	**-**	**(121)**	**(121)**	-	-	-
Fair value movement of equity investments	**(2)**	**-**	**(2)**	-	(84)	(84)
Balance at end of year	**9**	**233**	**242**	11	298	309

Other equity investments include €9,000 quoted shares (2020: €11,200), and €Nil unquoted shares (2020: €Nil). Quoted shares have been stated at market value in the manner stated in Note 4 and Note 30. The transfer to Asset held for sale relates to the Company's equity investment in Nomadic Dairy Limited.

19. 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	
	2021 €'000	2020 €'000	2021 €'000	2020 €'000	2021 €'000	2020 €'000
Property, plant and equipment	**-**	-	**(6)**	(194)	**(6)**	(194)
Investment property	**-**	-	**(100)**	(373)	**(100)**	(373)
Other investments	**-**	-	**(3)**	(4)	**(3)**	(4)
Share-based payments	**-**	17	**-**	-	**-**	17
Tax losses forward	**47**	1,123	**-**	-	**47**	1,123
Other adjustments	**8**	-	**-**	-	**8**	-
Deferred tax assets/(liabilities)	**55**	1,140	**(109)**	(571)	**(54)**	569
Set off of tax	**(55)**	(571)	**55**	571	**-**	-
Net deferred tax assets/(liabilities)	**-**	569	**(54)**	-	**(54)**	569

19. Deferred tax assets and liabilities *(continued)*

Group

Unrecognised deferred tax assets

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

	2021	2020
	€'000	€'000
Tax losses	**-**	-
Investment property	**827**	827

Investment property tax losses for which no deferred tax asset has been recognised have no expiry date. It not anticipated that the unrecognised deferred tax asset will be utilised by the Group.

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	**1**	-	**-**	(103)	**1**	(103)
Investment property	**-**	-	**-**	(125)	**-**	(125)
Other investments	**-**	-	**(3)**	(3)	**(3)**	(3)
Share based payments	**-**	17	**-**	-	**-**	17
Tax losses forward	**47**	-	**-**	-	**47**	-
Other deferred tax assets/(liabilities)	**-**	-	**-**	-		-
Deferred tax assets/(liabilities)	**48**	17	**(3)**	(231)	**45**	(214)
Set off of tax	**(3)**	(17)	**3**	17	**-**	-
Net deferred tax assets/(liabilities)	**45**	-	**-**	(214)	**45**	(214)

Unrecognised deferred tax assets

The Company had no unrecognised deferred tax assets or liabilities at 31 August 2021 (2020: €Nil).

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Balance at 1 Sep 2019	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Aug 2020	Recognised in profit or loss (1)	Recognised in other comprehensive income	Transfer to Asset held for sale (2)	Balance at 31 Aug 2021
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Group								
Property, plant and equipment	(163)	(31)	-	(194)	**129**	**-**	**59**	**(6)**
Investment property	(179)	(194)	-	(373)	**273**	**-**	**-**	**(100)**
Other investments	(3)	(1)	-	(4)	**1**	**-**	**-**	**(3)**
Share based payments	35	(18)	-	17	**(17)**	**-**	**-**	**-**
Other deferred tax asset	1,268	(145)	-	1,123	**55**	**-**	**(1,123)**	**55**
	958	(389)	-	569	**441**	**-**	**(1,064)**	**(54)**

1. Continuing operations

2. A charge of €320,000 was recognised in profit or loss for Nomadic Dairy Limited for 31 August 2021 (2020: €147,000) which is now classified as Asset held for sale.

Notes to the consolidated financial statements *(continued)*

19. Deferred tax assets and liabilities *(continued)*

	Balance at 1 Sep 2019	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Aug 2020	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance at 31 Aug 2021**
	€'000	€'000	€'000	€'000	**€'000**	**€'000**	**€'000**
Company							
Property, plant and equipment	(104)	1	-	(103)	**104**	**-**	**1**
Investment property	70	(195)	-	(125)	**125**	**-**	**-**
Other investments	(3)	-	-	(3)	**-**	**-**	**(3)**
Tax losses forward	-	-	-	-	**47**	**-**	**47**
Share based payments	35	(18)	-	17	**(17)**	**-**	**-**
	(2)	(212)	-	(214)	**259**	**-**	**45**

20. Inventories

	2021	2020
	€'000	€'000
Group		
Dairy	**-**	166
Cereals	**-**	292
Packaging and other stocks	**392**	746
	392	1,204

	2021	2020
	€'000	€'000
Inventories impairment		
Balance at start of year	**44**	7
Provision for impairment	**1**	37
Impairment reversal	**(44)**	-
Balance at end of year	**1**	44

In 2021, an impairment charge to adjust the carrying value of inventory to net realisable value amounted to €1,000 (2020: impairment charge €37,000). The charge is included in cost of sales. Total inventory costs of €14,890,000 (2020: €23,966,000) were charged to the statement of profit or loss and comprehensive income.

21. Biological Stock

	2021 €'000	2020 €'000
Group		
Balance at start of year	**993**	1,060
Additions	**1,149**	1,156
Harvested stock charged to profit and loss	**(1,159)**	(1,205)
Movement in fair value of stock	**4**	(28)
Foreign exchange movement	**37**	10
Balance at end of year	**1,024**	993

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	***Discounted cashflows*** 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 based on test digs allowing for 5% weight loss, sales prices, production and harvest costs including storage and grading. The expected net cashflows are discounted using a risk-adjustment factor to factor in volatility of weather, production and pricing and future farming costs.	***Inclusive of*** ▪ 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	***The estimated fair value would increase/(decrease) if:*** ▪ estimated yields were higher/(lower) ▪ estimated potato prices were higher/(lower) ▪ estimated production, harvesting and transportation costs were lower/(higher) ▪ the risk-adjusted discount rates were lower/(higher)

22. Trade and other receivables

	2021 €'000	2020 €'000
Group		
Current trade and other receivables		
Trade receivables	**2,438**	3,779
Value added tax	**177**	292
Other receivables	**25**	119
Prepayments	**1,188**	1,088
	3,828	5,278

Notes to the consolidated financial statements *(continued)*

22. Trade and other receivables *(continued)*

	2021 €'000	2020 €'000
Company		
Current trade and other receivables		
Other receivables due from subsidiary undertakings	**3,500**	3,500
Other receivables	**1**	69
Prepayments	**77**	39
	3,578	3,608

The Group and Company exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 30.

23. Cash and cash equivalents

	2021 €'000	2020 €'000
Group		
Cash at bank	**5,307**	14,720
Bank overdraft	**(890)**	(746)
Bank balances net of overdrafts due within one year	**4,417**	13,974

A further €3.3m of cash at bank is held as an asset held for sale at 31 August 2021 (see note 34).

	2021 €'000	2020 €'000
Company		
Cash at bank	**4,479**	12,638
Bank Overdraft	**(890)**	(385)
Bank balances including overdrafts due within one year, net	**3,589**	12,253

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. These amounts are presented gross on the statement of financial position as there was no intention to settle net these balances. The Company's bank overdraft is repayable on demand and used for cash management purposes. The Group's and Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 30.

24. Capital and reserves

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	800,000	104	800,000	104	6,708
Balance at end of year	**50,000,000**	**6,500**	**800,000**	**104**	**-**	**-**	**6,604**
Issued, called up and fully paid							
Balance at start of year	2,895,958	376	799,223	9,990	-	-	10,366
Redeemed in the year	-	-	(799,223)	(9,990)	-	-	(9,990)
Balance at end of year	**2,895,958**	**376**	**-**	**-**	**-**	**-**	**376**

24. Capital and reserves *(continued)*

As approved by shareholders at the Extraordinary General Meeting held on 26 August 2020, 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. 799,223 Redeemable Ordinary Shares which as shown above are presented as financial liabilities in the Group Statement of Financial Position at 31 August 2020.

Following on from this, 799,223 Redeemable Ordinary shares were redeemed on 1 September 2020 at €12.50 per share. On redemption these shares were cancelled from the issued share capital of the Company with €103,899 being credited to the Company's Other Undenominated Capital. €9,990,000 was paid during the period in relation to the redemption of Redeemable Ordinary shares.

Following the Return of Capital, the Company's issued Ordinary Share Capital is 2,895,958.

The 800,000 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 26 August 2020.

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 €103,899 (799,223 ordinary shares redeemed) arose as a result of the share redemption in the year.

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 2021, the Group held 67,168 of the Company's shares (2020: 100,000). This represented 2.3% (2020: 2.7%) 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 no treasury shares during the financial year ended 31 August 2021 (2020: 553,012).

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 2021 or 2020. A minority interest dividend of €134,000 was paid during the year (2020: €139,000) by subsidiary undertakings of the Company.

Notes to the consolidated financial statements *(continued)*

25. Earnings per share

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

	2021 €'000	2020 €'000
Profit attributable to ordinary shareholders		
Profit for the year – continuing operations	**1,923**	1,065
Profit for the year – discontinued operations	**2,269**	1,074
Profit for the year	**4,192**	2,138
Profit attributable to ordinary shareholders	**3,877**	1,957

	2021 Number	2020 Number
Weighted average number of ordinary shares in thousands of shares		
Weighted average number of ordinary shares in issue for the year	**2,896**	4,542
Weighted average number of treasury shares	**(68)**	(768)
Denominator for basic earnings per share	**2,828**	3,774
Effect of share options in issue	**-**	118
Weighted average number of ordinary shares (diluted) at end of year	**2,828**	3,892

	2021	2020 Restated
Earnings per share:		
Basic earnings per share (euro cent):		
Continuing	**72.90**	28.53
Discontinued	**64.17**	23.33
	137.07	51.86
Diluted earnings per share (euro cent):		
Continuing	**72.90**	27.66
Discontinued	**64.17**	22.62
	137.07	50.28

26. 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 30.

	2021 €'000	2020 €'000
Non-current liabilities		
Lease liabilities	**478**	543
	478	543
Current liabilities		
Lease liabilities	**253**	227
	253	227
Total	**731**	770

26. Loans and borrowings *(continued)*

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2021 Face value	2021 Carrying amount	2020 Face value	2020 Carrying amount
				€'000	€'000	€'000	€'000
Lease liabilities	eur	2 - 6%	2021-2026	**776**	**731**	842	770
Total interest-bearing liabilities				**776**	**731**	842	770

The secured loan was fully repaid post year end.

Lease liabilities

Lease liabilities are payable as follows:

	Future minimum lease payments 2021	Interest 2021	Present value of minimum lease payments 2021	Future minimum lease payments 2020	Interest 2020	Present value of minimum lease payments 2020
	€'000	€'000	€'000	€'000	€'000	€'000
Less than one year	**274**	**21**	**253**	264	37	227
Between one and two years	**192**	**14**	**178**	234	15	219
Between two and three years	**141**	**7**	**134**	120	10	110
Between three and four years	**109**	**2**	**107**	90	5	85
Between four and five years	**60**	**1**	**59**	73	3	70
Between five and six years	**60**	**1**	**59**	61	2	59
	776	**45**	**731**	842	72	770

The maturity of non current borrowing is as follows:

	2021	2020
	€'000	€'000
Between 1 and 2 years	**178**	219
Between 2 and 6 years	**300**	324
	478	543

Notes to the consolidated financial statements *(continued)*

26. Loans and borrowings *(continued)*

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

	Other adjustments 2021	Bank borrowings 2021	Lease liabilities 2021	Share capital and share premium 2021	Other reserves and retained earnings incl. NCI 2021	Total 2021
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at start of year	136	-	770	3,351	13,938	18,195
Changes from financing cashflows						
Changes from cashflows	-	-	-	-	-	-
Lease repayments	-	-	(344)	-	-	(344)
Dividend paid to non-controlling interest	-	-	-	-	(134)	(134)
Share based payments	(187)	-	-	-	(563)	(750)
Redemption of redeemable shares	-	-	-	-	(9,990)	(9,990)
Total changes from financing cashflows	**(187)**	**-**	**(344)**	**-**	**(10,687))**	**(11,218)**
Settlement of equity-based share options	-	-	-	-	25	25
Reclassification of equity settled share options	-	-	-	-	386	386
Redemption of redeemable shares	-	-	-	-	9,990	9,990
Share based payments	-	-	-	-	563	563
Other cash settled option adjustments	51	-	-	-	-	51
Cancellation of treasury shares	-	-	-	-	-	-
New leases	-	-	266	-	-	266
Other changes	-	-	39	-	4,197	4,236
Total equity related and other changes	**51**	**-**	**305**	**-**	**15,161**	**15,517**
Balance at end of year	**-**	**-**	**731**	**3,351**	**18,412**	**22,494**

27. Employee benefits

At 31 August 2021, 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 €185,000 (excluding discontinued operations) for the year ended 31 August 2021 (2020: €381,000). At 31 August 2021, €32,000 (2020: €35,000) was included within creditors in respect of defined contribution pension liabilities.

28. 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. 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:

(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 26 August 2020, and as part of the Company's capital redemption, 7,384 share options granted on 27 May 2014 and 11,074 share options granted on 1 September 2014 were cash settled by the Company.

The 64,499 outstanding options at 31 August 2020 were reclassified as cash settled share-based payment arrangements at 31 August 2020 with the fair value movement being reflected within equity and the obligation subsequently reclassified to liabilities.

On the 7 September 2020, the Remuneration Committee decided that all outstanding share options were to be either:(1) Cash settled, in accordance with the terms of the share option scheme, at a price per share of €12.50; or (2) Exercised by the underlying option holders at the relevant exercise price. As a result, 31,668 share options were cash settled at €12.50 per share in accordance with the terms of the share option scheme with a further 32,831 share options being exercised by the underlying option holders at the relevant exercise price and settled through the issuance of treasury shares.

Grant date	**Option price as at 31 August 2021**	**Number of instruments in thousands as at 31 August 2021**	Option price as at 31 August 2020	Number of instruments in thousands as at 31 August 2020	Vesting conditions	Contractual life of options
Option grant on 1 October 2013	**€0.31**	**-**	€0.31	-	3 years' service	7 years
Option grant on 27 May 2014	**€0.31**	**-**	€0.31	11	3 years' service	7 years
Option grant on 27 May 2014	**€2.34**	**-**	€2.34	15	3 years' service	7 years
Option grant on 1 September 2014	**€0.31**	**-**	€0.31	14	3 years' service	7 years
Option grant on 1 September 2014	**€2.12**	**-**	€2.12	24	3 years' service	7 years
Exercisable as at 31 August		**-**		64		

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.

Notes to the consolidated financial statements *(continued)*

28. Share-based payments *(continued)*

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

	Weighted average exercise price 2021	Number of options '000's 2021	Weighted average exercise price 2020	Number of options 000's 2020
In thousands of options				
Outstanding at 1 September:				
Pre 2002 options	-	-	-	-
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	-	-	-	-
Options granted in 2013 – cash settled	-	-	€0.31	(69)
Options granted in 2014 – cash settled	-	-	€0.31	(3)
Options granted in 2014 – cash settled	-	-	€2.34	(4)
Options granted in 2014 – cash settled	-	-	€0.31	(5)
Options granted in 2014 – cash settled	-	-	€2.12	(7)
Outstanding at 31 August	-	-		64
Exercisable at 31 August:				
	-	-	€0.31	11
	-	-	€2.34	15
	-	-	€0.31	14
	-	-	€2.12	24

The 64,499 outstanding options have been reclassified as cash settled share-based payment arrangements at 31 August 2020 with the fair value movement being reflected within equity and subsequently reclassified within liabilities.

There were no equity settled share options outstanding at 31 August 2021 (2020: 64,499).

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	Initial award	Net outstanding at prior year End	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**	**23,333**	**(23,333)**	**23,333**	**-**	**-**	**€5.71**
Granted in 2017	**€5.32**	**70,000**	**-**	**-**	**-**	**-**	**-**	**-**
Granted in 2016	**€5.25**	**70,000**	**-**	**-**	**-**	**-**	**-**	**-**
Granted in 2015	**€5.77**	**70,000**	**-**	**-**	**-**	**-**	**-**	**-**

28. Share-based payments *(continued)*

	2021 €'000	2020 €'000
Employee expenses		
Equity settled share options granted in 2013	**-**	881
Equity settled share options granted in 2014	**(385)**	916
Share performance plan options granted in 2015	**-**	136
Share performance plan options granted in 2016	**-**	165
Share performance plan options granted in April 2017	**-**	196
Share performance plan options granted in December 2017	**46**	198
Total expense recognised as employee costs	**(339)**	2,492

The cash settlement and reclassification of equity settled share options amounted to €Nil (excl PRSI) in 2021 (2020: €1,797,000) and this initial reclassification adjustment was recognised through equity. A further €46,000 (excl PRSI) for cash settlement of other share-based payments was recognised through profit and loss (2020: €695,000).

29. Trade and other payables

	2021 €'000	2020 €'000
Group		
Current		
Trade payables	**281**	2,044
PAYE	**58**	69
PRSI	**36**	37
Accrued expenses	**3,404**	4,110
Reclassification of equity settled share options as financial liabilities	**-**	974
Value added tax	**147**	140
	3,926	7,374
Non current		
Capital grant	**211**	226
	4,137	7,600

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

	2021 €'000	2020 €'000
Company		
Payables due to subsidiary undertakings	**128**	177
Other trade payables	**24**	256
PAYE	**14**	17
PRSI	**6**	7
Accrued expenses	**1,526**	1,519
Reclassification of equity settled share options as financial liabilities	**-**	882
Value added tax	**147**	140
	1,845	2,998

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30. Payables due to subsidiary undertakings are interest free and repayable on demand.

Notes to the consolidated financial statements *(continued)*

30. Financial instruments

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 2021 €'000	Assets at amortised cost 2021 €'000	Liabilities at amortised cost 2021 €'000	Total carrying amount 2021 €'000	Fair value 2021 €'000
Group					
Other investments	**745**	**-**	**-**	**745**	**745**
Loan to associates	**-**	**261**	**-**	**261**	**261**
Trade receivables and other receivables*	**-**	**2,640**	**-**	**2,640**	**2,640**
Cash at bank	**-**	**5,307**	**-**	**5,307**	**5,307**
Trade and other payables	**-**	**-**	**(3,926)**	**(3,926)**	**(3,926)**
Finance lease liability	**-**	**-**	**(731)**	**(731)**	**(731)**
Bank overdraft	**-**	**-**	**(890)**	**(890)**	**(890)**
	745	**8,208**	**(5,547)**	**3,406**	**3,406**

*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 2020 €'000	Assets at amortised cost 2020 €'000	Liabilities at amortised cost 2020 €'000	Total carrying amount 2020 €'000	Fair value 2020 €'000
Group					
Other investments	9	738	-	747	747
Loan to associates	-	260	-	260	260
Trade receivables and other receivables*	-	4,190	-	4,190	4,190
Cash at bank	-	14,720	-	14,720	14,720
Forward currency contract – asset	37	-	-	37	37
Trade and other payables	-	-	(6,400)	(6,400)	(6,400)
Redeemable Ordinary Shares	(9,990)	-	-	(9,990)	(9,990)
Reclassification of equity settled share options as financial liabilities	(974)	-	-	(974)	(974)
Finance lease liability	-	-	(770)	(770)	(770)
Bank overdraft	-	-	(746)	(746)	(746)
	(10,918)	19,908	(7,916)	1,074	1,074

*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.

30. Financial instruments *(continued)*

	Fair value through profit or loss 2021 €'000	Assets at amortised cost 2021 €'000	Liabilities at amortised cost 2021 €'000	Total carrying amount 2021 €'000	Fair value 2021 €'000
Company					
Other investments	**9**	**-**	**-**	**9**	**9**
Loan to associates	**-**	**261**	**-**	**261**	**261**
Trade receivables due from group companies	**-**	**3,500**	**-**	**3,500**	**3,500**
Trade receivables and other receivables*	**-**	**1**	**-**	**1**	**1**
Cash at bank	**-**	**4,479**	**-**	**4,479**	**4,479**
Payables due to subsidiary undertaking	**-**	**-**	**(128)**	**(128)**	**(128)**
Trade and other payables	**-**	**-**	**(1,717)**	**(1,717)**	**(1,717)**
Bank Overdraft	**-**	**-**	**(890)**	**(890)**	**(890)**
	9	**8,241**	**(2,735)**	**5,515**	**5,515**

*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 2020 €'000	Assets at amortised cost 2020 €'000	Liabilities at amortised cost 2020 €'000	Total carrying amount 2020 €'000	Fair value 2020 €'000
Company					
Other investments	11	-	-	11	11
Loan to associates	-	260	-	260	260
Trade receivables due from group companies	-	3,500	-	3,500	3,500
Trade receivables and other receivables*	-	69	-	69	69
Cash at bank	-	12,638	-	12,638	12,638
Payables due to subsidiary undertaking	-	-	(177)	(177)	(177)
Trade and other payables	-	-	(1,939)	(1,939)	(1,939)
Redeemable Ordinary Shares	(9,990)	-	-	(9,990)	(9,990)
Reclassification of equity settled share options as financial liabilities	(882)	-	-	(882)	(882)
Bank overdraft	-	-	(385)	(385)	(385)
	(10,861)	16,467	(2,501)	3,105	3,105

*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)*

30. 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	
		2021	2020
		€'000	€'000
Group			
Loans due from associates	17	**261**	260
Other investments	18	**745**	747
Trade receivables	22	**2,438**	3,779
Other receivables and valued added tax	22	**202**	411
Forward currency contract – asset	30	**-**	37
		3,646	5,234

	Note	Carrying amount	
		2021	2020
		€'000	€'000
Company			
Loans due from associates	17	**261**	260
Other investments	18	**9**	11
Trade receivables from subsidiary undertakings	22	**3,500**	3,500
Other receivables including value added tax	22	**1**	69
		3,771	3,840

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

	Carrying amount	
	2021	2020
	€'000	€'000
Group		
Ireland	**730**	644
United Kingdom	**441**	2,131
Other Euro-zone countries	**726**	866
Other regions	**541**	138
	2,438	3,779

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

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

30. Financial instruments *(continued)*

	Carrying amount 2021 €'000	Carrying amount 2020 €'000
Company		
Ireland	**-**	-

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

	Carrying amount 2021 €'000	Carrying amount 2020 €'000
Group		
Wholesale customers	**650**	314
Retail customers	**1,788**	3,465
	2,438	3,779

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

	Carrying amount 2021 €'000	Carrying amount 2020 €'000
Company		
Wholesale customers	**-**	-

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

	Gross 2021 €'000	Expected loss rate 2021 %	Loss allowance 2021 €'000	Net 2021 €'000	Gross 2020 €'000	Expected loss rate 2020 %	Loss allowance 2020 €'000	Net 2020 €'000
Group								
Not past due	**137**	**1.0%**	**(1)**	**136**	2,403	5.5%	(132)	2,271
Past due < 30 days	**175**	**1.0%**	**(2)**	**173**	271	15.5%	(42)	229
Past due 30 – 365 days	**2,170**	**2.5%**	**(55)**	**2,115**	1,454	12.5%	(182)	1,272
Past due > 365 days	**586**	**97.6%**	**(572)**	**14**	663	99.0%	(656)	7
	3,068	**20.5%**	**(630)**	**2,438**	4,791	21.1%	(1,012)	3,779

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

	2021 €'000	2020 €'000
Balance at start of year	**1,012**	2,404
Arising from transfer of receivables to asset held for sale	**(187)**	-
Impairment provision offset	**(30)**	(1,471)
Debts recovered	**-**	-
Remeasurement of loss allowance	**(165)**	79
Balance at end of year	**630**	1,012

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 2021 (2020: €Nil).

Notes to the consolidated financial statements *(continued)*

30. Financial instruments *(continued)*

	Gross 2021 €'000	Loss allowance 2021 €'000	Net 2021 €'000	Gross 2020 €'000	Loss allowance 2020 €'000	Net 2020 €'000
Company						
Not past due	-	-	-	-	-	-
Past due < 30 days	-	-	-	-	-	-
Past due 30 – 365 days	-	-	-	-	-	-
Past due > 365 days	-	-	-	-	-	-
	-	-	-	-	-	-

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

	2021 €'000	2020 €'000
Balance at start of year	-	-
Debts recovered	-	-
Impairment provision released	-	-
Impairment provision offset	-	-
Balance at end of year	-	-

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 2021 (2020: €Nil). The Company considers the credit risk to be low in relation to amounts owed from Group Companies and therefore the expected credit loss is immaterial.

Liquidity risk

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

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6 – 12 mths €'000	1 – 2 years €'000	2 – 5 years €'000	More than 5 years €'000
31 August 2021							
Group							
Lease liabilities	(731)	(776)	(137)	(137)	(192)	(310)	-
Bank overdraft	(890)	(890)	(890)	-	-	-	-
Trade and other payables	(3,926)	(3,926)	(3,926)	-	-	-	-
	(5,547)	(5,592)	(4,953)	(137)	(192)	(310)	

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6 – 12 mths €'000	1 – 2 years €'000	2 – 5 years €'000	More than 5 years €'000
31 August 2020							
Group							
Lease liabilities	(770)	(842)	(132)	(132)	(224)	(294)	(60)
Bank overdraft	(746)	(746)	(746)	-	-	-	-
Redeemable ordinary shares	(9,990)	(9,990)	(9,990)				
Trade and other payables	(7,374)	(7,374)	(7,374)	-	-	-	-
	(18,880)	(18,952)	(18,242)	(132)	(224)	(294)	(60)

30. Financial instruments *(continued)*

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6 – 12 mths €'000	1 – 2 years €'000	2 – 5 years €'000	More than 5 years €'000
31 August 2021							
Company							
Payables due to subsidiary undertakings	**(128)**	**(128)**	**(128)**	**-**	**-**	**-**	**-**
Bank overdraft	**(890)**	**(890)**	**(890)**	**-**	**-**	**-**	**-**
Trade and other payables	**(1,717)**	**(1,717)**	**(1,717)**	**-**	**-**	**-**	**-**
	(2,735)	**(2,735)**	**(2,735)**	**-**	**-**	**-**	**-**

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6 – 12 mths €'000	1 – 2 years €'000	2 – 5 years €'000	More than 5 years €'000
31 August 2020							
Company							
Payables due to subsidiary undertakings	(177)	(177)	(177)	-	-	-	-
Bank overdraft	(385)	(385)	(385)	-	-	-	-
Redeemable ordinary shares	(9,990)	(9,990)	(9,990)				
Trade and other payables	(2,821)	(2,821)	(2,821)	-	-	-	-
	(13,373)	(13,373)	(13,373)	-	-	-	-

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:

	2021 €'000	2020 €'000
Trade receivables	**443**	2,108
Bank balance	**14**	1,492
Forward currency contract – asset/(liability)	**-**	37
Trade payables	**(100)**	(1,027)
Gross balance sheet exposure	**357**	2,610

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2021	2020	**2021**	2020
GBP to Euro	**1.14**	1.14	**1.17**	1.12

Notes to the consolidated financial statements *(continued)*

30. Financial instruments *(continued)*

Sensitivity analysis
A 10 percent strengthening of the euro against the following currencies at 31 August 2021 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 2021.

	Equity €'000	Profit or loss €'000
GBP		
31 August 2021	**(211)**	**86**
31 August 2020	(456)	(27)

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 2021.

	Profit or loss		Equity	
	100 bp increase €'000	100 bp decrease €'000	100 bp increase €'000	100 bp decrease €'000
31 August 2021				
Cash flow sensitivity (net)	**(16)**	**16**	**(16)**	**16**
31 August 2020				
Cash flow sensitivity (net)	(24)	24	(24)	24

Equity Risk
The value of the Group and Company's financial assets are exposed to fluctuations in the Irish equity market. A 5% strengthening of equity prices at 31 August 2021 would have increased equity and profit or loss by €446 (2020: €546). 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:

	2021 €'000	2020 €'000
Derivatives classified at fair value through the income statement		
Forward currency contract – within one year – current asset	-	37
Forward currency contract – within one year – current liability	-	-

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.

30. Financial instruments *(continued)*

The fair value gain arising on forward currency contract reflected in the consolidated statement of profit or loss and comprehensive income in 2021 was loss of €6,000 (2020: income of €37,000).

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 2021 and 31 August 2020, the Group recognised and measured the following financial instruments at fair value:

	2021 Total €'000	**2021 Level 1 €'000**	**2021 Level 2 €'000**	**2021 Level 3 €'000**
Equity investments	**745**	**-**	**9**	**736**
Forward currency contract – asset	**-**	**-**	**-**	**-**

	2020 Total €'000	2020 Level 1 €'000	2020 Level 2 €'000	2020 Level 3 €'000
Equity investments	747	-	11	736
Forward currency contract – asset	37	-	37	-

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

	2021 €'000	2020 €'000
Quoted equity investments		
Balance at start of year	**11**	9
Revaluation	**(2)**	2
Balance at end of year	**9**	11

Notes to the consolidated financial statements *(continued)*

30. Financial instruments *(continued)*

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:

	2021	2020
Derivatives	**3.1%**	3.1%
Loans and borrowings	**1.8%**	1.8%
Leases	**2.0%–6.0%**	2.0%–6.0%

31. Operating leases

Leases as lessor

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

	2021 €'000	2020 €'000
Less than one year	**48**	68
Between one and five years	**147**	1
	195	69

During the year ended 31 August 2021, €88,000 was recognised as rental income in the income statement (2020: €154,000). Expense charges against this income was as follows: maintenance costs €11,000 (2020: €Nil).

32. Capital and other commitments

At the year end, there were capital commitments of €110,000 authorised by the Directors and not provided for in the financial statements (2020: €224,000). The Group currently has financial commitments in respect of the planting of seed potatoes for the 2021/2022 season totalling 1,679 hectares (2020: 1,762 hectares).

33. Contingencies

Capital grants up to a maximum of €369,000 (2020: €252,000) could become repayable in certain circumstances as set out in the agreements.

34. Discontinued operations and Asset held for Sale

On 5 November 2021, the Group announced that it has completed the disposal of its 80 per cent owned subsidiary, Nomadic Dairy Limited (Nomadic).

The overall transaction value for 100 per cent share capital of Nomadic comprises of (1) €26.1m of cash consideration (including existing Nomadic cash of €3.1m) on completion (Initial Consideration), subject to customary completion accounts adjustments, and (2) A further contingent consideration of up to a maximum of €6m dependent on the financial performance of Nomadic for the period 1 January 2022 to 31 December 2022, inclusive. The Group has an 80 per cent interest in Nomadic with its share of the Initial Consideration being €20.9m and a further €4.8m being its potential share of the maximum contingent Consideration.

At 31 August 2021, the disposal of Nomadic met the recognition criteria under IFRS 5 Non-current assets held for sale and discontinued operations. The results of Nomadic are presented as discontinued and are shown separately from continuing operations. The comparative 2020 financial information in the Group Income Statement has also been presented as discontinued for the purpose of enabling meaningful comparison.

34. Discontinued operations and Asset held for Sale *(continued)*

The profit after tax earned in respect of its Dairy operations in 2021 was €2.3m (2020 €1.1m) with 80% of the profit attributable to the Group. The revenue, results and cashflows of the Group's discontinued operations were as follows:

	Note	**2021**	2020
		€'000	€'000
Revenue		**17,409**	16,692
Cost of sales		**(11,088)**	(11,197)
Gross profit		**6,321**	5,495
Other income		**496**	458
Distribution expenses		**(1,674)**	(1,665)
Administrative expenses		**(2,540)**	(2,952)
Exceptional costs		**-**	(117)
Profit from operating activities		**2,603**	1,219
Finance income		**-**	3
Finance expense		**(12)**	-
Net finance expense		**(12)**	3
Results for the period before taxation and exceptional item		**2,591**	1,222
Income tax		**(322)**	(148)
Results for the period after taxation on discontinued activities		**2,269**	1,074
Cashflow			
Net cash from operating activities		**2,977**	3,467
Net cash from investing activities		**(679)**	(3,060)
Net cash from financing activities		**(534)**	(35)
Net decrease in cash and cash equivalents		**1,764**	372

Assets and Liabilities of Asset held for Sale

At 31 August 2021, the following assets and liabilities were classified as held for sale

	2021
	€'000
Assets	
Goodwill and intangible assets	**2,003**
Property, plant & equipment	**3,986**
Inventories	**780**
Deferred Tax Assets	**744**
Trade & other receivables	**3,542**
Cash & cash equivalents	**3,333**
Total assets	**14,388**
Liabilities	
Trade and other payables	**(3,655)**
Financial Instrument	**(6)**
Total liabilities	**(3,661)**
Total Asset held for Sale	**10,727**

Notes to the consolidated financial statements *(continued)*

34. Discontinued operations and Asset held for Sale *(continued)*

The disposal group was measured at its carrying value which was lower than its fair value less costs to sell. No impairment to the disposal group was necessary at 31 August 2021.

Company

Investment in Nomadic Dairy Limited	121

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 28.

Key management personnel compensation comprised:

	2021 €'000	2020 €'000
Short-term employee benefits	**589**	639
Post-employment benefits	**61**	70
Share-based payments	**(261)**	2,104
	389	2,813

Key management personnel and director transactions
Directors of the Company control 9.49% (2020: 7.5%) of the voting shares of the Company as at 31 August 2021.

Related party transactions – Group
There are no related party transactions with Directors of the Group.

Other related party transactions – Company

	Transaction value		Balance outstanding	
	2021 €'000	2020 €'000	2021 €'000	2020 €'000
Sale of goods and services				
By parent to subsidiaries	**990**	999	**-**	-
To parent from subsidiaries	**-**	-	**-**	-

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 2021 %	2020 %
Subsidiaries			
Zopitar Limited Registered office: Ballyraine, Letterkenny, Co Donegal	Ireland	**83**	83
IPM Potato Group Limited Registered office: Unit 602, Q House, Furze Rd, Sandyford Industrial Estate, Dublin 18	Ireland	**100**	100
Donegal Potatoes Limited Registered office: Ballyraine, Letterkenny, Co Donegal	Ireland	**100**	100
Nomadic Dairy Limited Registered office: Crossroads, Killygordon, Co Donegal	Ireland	**80**	80
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: Ballyraine, Letterkenny, Co Donegal	Ireland	**100**	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
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: Finisklin Business Park, Finisklin, Co Sligo	Ireland	**22.4**	22.4

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 and High Meadow Patents Limited.

Notes to the consolidated financial statements *(continued)*

37. Post balance sheet events

On 5 November 2021, the Group announced that it has completed the disposal of its 80 per cent owned subsidiary, Nomadic Dairy Limited (Nomadic).

The overall transaction value for 100 per cent share capital Nomadic comprises of (1) €26.1m of cash consideration (including existing Nomadic cash of €3.1m) on completion (Initial Consideration), subject to customary completion accounts adjustments, and (2) A further contingent deferred cash consideration of up to a maximum of €6m dependent on the financial performance of Nomadic for the period 1 January 2022 to 31 December 2022, inclusive (Deferred Consideration). The Group has an 80 per cent interest in Nomadic with its share of the Initial Consideration being €20.9m and a further €4.8m being its potential share of the maximum contingent Deferred Consideration.

The Group announced on 19 January 2022, that it is proposing a return of capital to shareholders of up to €20 million by the conversion of ordinary shares into redeemable ordinary shares and subsequent redemption of the redeemable ordinary shares to be voted on by shareholders at an extraordinary general meeting to be held on Friday 11 February 2022. Under the proposal, if the EGM resolutions are approved and the Board effects a conversion and subsequent redemption, approximately 46.21% of each shareholder's total ordinary shares held will be converted and redeemed at €15.30 per share.

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.

38. Approval of consolidated financial statements

The financial statements were approved by the Directors on 8 February 2022.

Donegal

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