

**PRELIMINARY ANNOUNCEMENT OF RESULTS  
 FOR THE YEAR ENDED 31 AUGUST 2017  
 30 November 2017**

**Donegal Investment Group plc ('DIG') ('Group') reports its results for the year ended 31 August 2017.**

- Group revenue was €77.0m for the 12 months to August 2017 compared to €47.5m for the 8 month period ended 31 August 2016.
- Adjusted operating profits were €4.5m, an increase of €3.2m on the 8 months ended August 2016.
- Speciality dairy, which trades under the NOMADIC brand, continued to deliver significant growth in the UK and Irish markets.
- Smyths, our animal feeds business, had a satisfactory 2017 with a small increase in volumes sold being offset by marginally reduced selling prices.
- Our Food-Agri & Property division delivered a segmental result of €2.4m, which included the net profit/loss on the disposal of various investments, investment properties and the London based Chef in a Box business.
- Performance in our produce seed potato business was in line with expectations for the year with a segmental result of €2.2m.
- Exceptional items (a net loss of €1.1m) are substantially legal costs relating to the Monaghan Middlebrook Mushrooms case, along with disposal of subsidiary.
- There were a significant amount of non-core asset disposals during 2017 including the sale of the Grianan Estate, Chef in a Box and a number of investment property assets located in the Donegal area.
- Adjusted EPS of 35.3c, an increase of 24.4c on the 8 months to 31 August 2016.
- Following on from the strategic disposal of non-core assets during the course of 2017 the Group has a net positive cash position of €7.1m at the year end.
- During the course of the year 0.8% of the ordinary share capital of the Company was re-purchased as treasury shares at a cost of €0.5m
- Net asset value per share increased by €0.18 to €5.94.

**SUMMARY**

**FINANCIAL HIGHLIGHTS - UNAUDITED**

Continuing operations – pre-exceptional		12 months ended 31 August 2017	8 months ended 31 August 2016	Change
Revenue - continuing operations	€'000	77,018	47,501	+62%
Adjusted operating profit	€'000	4,508	1,340	+€3.2m
Profit/(loss) before tax – continuing operations	€'000	3,505	(545)	+€4.1m
Operating cash flow before interest & tax	€'000	3,292	712	+€2.6m
Adjusted earnings per share*	Cent	35.3	10.9	+24.4c
Basic earnings/(loss) per share – continuing operations	Cent	23.0	(14.7)	+37.7c
Cash at bank	€'000	12,206	-	+€12.2m
Debt	€'000	(5,101)	(14,921)	(€9.8m)
Dividend per share	Cent	-	0.05	-
Investment property carrying value	€'000	3,552	19,021	(€15.5m)
Net asset value per share**	€	5.94	5.76	+€0.18

\* Adjusted earnings per share before the impact of change in fair value of investment properties in group & associates and the related deferred tax

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

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**Chairman's Statement**

The Group delivered a very satisfactory performance for the financial year ending 31 August 2017.

Our produce seed potato business following on from the corrective actions, outlined in our Stock Exchange Release dated 29 April 2016, delivered an improved performance for the year with volume growth being achieved in key target markets combined with a significant reduction in the volume of surplus seed sold into the ware potato market.

Our animal feeds business again experienced a satisfactory performance in 2017 with a small increase in volumes sold being offset by marginally reduced selling prices.

Speciality dairy, which trades under the NOMADIC brand, continued to deliver double digit revenue growth during the year with particularly strong demand for the Oat Cluster range.

On 18 October 2017 Donegal announced that it had entered into an agreement to settle the Company's shareholder oppression claim resulting in the conditional sale of the Company's interest in Monaghan Mushrooms for consideration of €45,000,000 plus a variable amount expected to be between €400,000 and €500,000, subject to approval by the Company's Shareholders. The disposal of the group's 30% shareholding in the Monaghan Middlebrook Mushrooms business was formally approved at an EGM held on the 27 November 2017. This disposal is expected to complete on or prior to the 15 February 2018.

The Group also concluded a number of significant non-core asset disposals over the course of 2017, including the successful sale of the Grianan Estate for €17.4m as well as Chef in a Box, the London based premium sandwich business.

Overall, Group revenue was €77.0m for the year with an adjusted operating profit of €4.5million. This resulted in adjusted earnings per share of 35.3c, an increase of 24.4c on the 8 months to 31 August 2016.

The combination of the non-core asset disposals during the year as well as the improved operational performance has resulted in the Group reporting a net cash position of €7.1m at the year end, an increase of €22.0m on the 31 August 2016 position.

The Group has and will continue to focus on its key strategic assets of produce seed potato and speciality dairy. As referred to in our most recent AGM announcement the Board is actively considering, subject to the requirements of the Group's businesses, a return of capital to its shareholders.

**AGM**

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

**Geoffrey Vance**  
**Chairman**

## **Managing Director's Review**

### **Produce Division**

Our Produce division comprises the seed potato business Irish Potato Marketing ('IPM') and AJ Allan in Scotland. IPM, the largest business within our Produce division has 30 proprietary potato varieties including names such as Rooster, Burren, Banba, Slaney, Nectar and Electra which it produces and exports to over 40 countries world-wide. Key markets include North Africa, the Middle East, the UK and Ireland. Seed production takes place in dedicated growing areas including Scotland, England, Ireland, France, Holland and Brazil. Both production and sales only take place in territories which recognise and embrace variety copyright regulation.

Revenue for the year was €30.2m with a segmental profit of €2.2m. As noted previously the majority of income generated by this business occurs and is reported in the first six months of the financial year.

The 2016/17 season has seen improved trading conditions for our seed potato varieties in key destination markets resulting in a significantly improved trading performance. While the harvest of seed potato in several European countries was negatively impacted by weather conditions, the diverse nature of IPM's growing platform resulted in normal levels of production of seed being achieved. The volume of seed produced for the season was virtually fully sold with a very limited amount of surplus seed being sold into the ware potato market.

The early indications for the 2017/18 season suggests that weather conditions across Europe have impacted on growing conditions and yields seem to be generally lower than expected. In normal trading conditions this should result in a reduction in the availability of seed from European growing areas and maintenance of prices in domestic and export markets.

As advised previously we are investing in new markets and new varieties and this work continues. We are making good progress in the emerging markets of South America and Africa and we remain very positive about the future potential for our business in these geographical areas. We are also gaining market share in Europe with our new varieties for the fresh sector. Developing seed potato for the processing sector has been a key focus for the business and we have successfully launched new varieties for the processing industry which we are confident will give IPM a greater presence in this sector of the market.

The Board remains confident in the strong growth potential of the Group's core seed potato business underpinned by increased demand for food from global population growth, the westernisation of diets in emerging markets and issues around water availability. IPM's proprietary varieties also have the potential to produce more carbohydrate per unit of water than most of the global carbohydrate staples. The Board believes that all of these factors will enable the Group to become a leading global player in seed potato production.

### **Food – Agri & Property Division**

Overall, revenues in the Food-Agri & Property division delivered turnover of €46.9m with a segmental result of €2.4m.

NOMADIC continued to deliver double digit revenue growth during the year with the Oat Cluster range performing strongly. We launched some new innovations during 2017 and have some exciting plans for 2018, particularly in the area of Adult Dairy Drinks. We are mindful of the challenges posed by Brexit as well as consolidation in the UK retail, convenience and wholesale channels but we still expect to deliver double digit revenue growth again in 2018.

Smyths, our animal feeds business, again had a satisfactory performance in 2017 with a small increase in volumes sold being offset by marginally reduced selling prices. This business has had a satisfactory start to the new season, nevertheless as stated previously our customers remain challenged with the volatility in milk and beef prices.

The Group disposed of a significant amount of property assets during the year, including the Grianan Estate as well as a number of Donegal based properties.

As per IFRS reporting requirements all investments including food-agri related property are revalued for each period. As outlined previously the Group will continue to be pro-active in its management of its property portfolio going forward with the aim of generating capital for investment in its strategic focus areas and improving Group returns on capital employed.

### Associates

On 18 October 2017 Donegal announced that it had entered into an agreement to settle the Company's shareholder oppression claim resulting in the conditional sale of the Company's interest in Monaghan Mushrooms for consideration of €45,000,000 plus a variable amount expected to be between €400,000 and €500,000, subject to approval by the Company's shareholders. The disposal of the Group's 30% shareholding in the Monaghan Middlebrook Mushrooms business was formally approved at an EGM held on 27 November 2017. The sale of the 30% shareholding is expected to complete on or prior to 15 February 2018.

### Finance and Balance Sheet

The Group has committed bank facilities of €14.8m. During the course of the year €6.3m in borrowings was repaid. The combination of the non-core asset disposals as well as the improved operational performance has resulted in the Group reporting a net cash position of €7.1m at the year end, an increase of €22.0m on the 31 August 2016 position.

### Substantial Shareholdings

The issued share capital of Donegal Investment Group plc at 31 August 2017 consists of 10,285,590 ordinary shares. Each share has a nominal value of €0.13. All shares have equal voting and dividend rights. The current shareholdings in excess of 3% of the issued share capital of the Company are as follows:

• Aurora Nominees Limited - Argos Investment Managers S.A	952,000	9.26%
• Goodbody Stockbroker Nominees Limited	906,913	7.85%
• Aurum Nominees Limited - Donegal Investment Group plc	596,614	5.80%
• Aurum Nominees Limited – Danbywiske	495,000	4.81%
• Pageant Investments Limited	463,846	4.51%

### Outlook

Currently all our businesses are on plan for the first quarter of our current financial year. We remain confident of delivering a satisfactory performance in our produce seed potato business but it is too early in the season to give guidance on performance in this business and therefore overall Group performance.

During the current year 2017/18, the Group will continue to review options to release capital from its non-core businesses and assets. As referred to in our recent AGM announcement the Board is actively considering, subject to the requirements of the Group's businesses, a return of capital to its shareholders.

The Group continues to concentrate financial and management resources on the strategic focus areas of produce seed potato and speciality dairy.

**Ian Ireland**  
**Managing Director**

## **General information and accounting policies**

At the date of issue of this Announcement, the Group's statutory accounts for the year ended 31 August 2017, and therefore the results shown in the Announcement, are unaudited. In the opinion of the directors, the Announcement includes all adjustments necessary for a fair presentation of the results for the periods presented.

The financial information set out in this Announcement does not constitute the Group or company's statutory accounts for the period ended 31 August 2016. The financial information for 2016 is derived from the statutory Group and company accounts for 2016 which have been delivered to the Companies Registration Office as an annex to the company's Annual Return for that year. The auditors have reported on the 2016 accounts; their report was (i) unqualified and (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. The Group and company statutory accounts for 2017 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Companies Registration Office in due course.

The financial information set out in this document does not constitute full statutory financial statements for the year ended 31 August 2017 but is derived from same. The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), applicable Irish law and Listing Rules of the Irish Stock Exchange. The Group financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial asset investments and financial liabilities (including derivative financial instruments and biological assets), which are held at fair value. The Group's accounting policies will be included in the Annual Report & Accounts to be published in January 2018.

Donegal Investment Group plc  
Condensed consolidated statement of profit or loss and comprehensive income  
for the year ended 31 August 2017

			<b>12 months ended 31 August 2017</b>			<b>8 months ended 31 August 2016</b>	
	<b>Note</b>	<b>Pre- Exceptional €'000</b>	<b>Note 12 Exceptional €'000</b>	<b>Total €'000</b>	<b>Pre- Exceptional €'000</b>	<b>Note 12 Exceptional €'000</b>	<b>Total €'000</b>
<b>Continuing operations</b>							
Revenue	5	77,018	-	77,018	47,501	-	47,501
Cost of sales		(56,399)	-	(56,399)	(36,109)	-	(36,109)
<b>Gross profit</b>		<b>20,619</b>	<b>-</b>	<b>20,619</b>	11,392	-	11,392
Other income		1,491	293	1,784	546	-	546
Other expenses		-	-	-	(657)	-	(657)
Distribution expenses		(7,859)	-	(7,859)	(3,707)	-	(3,707)
Administrative expenses		(9,795)	(1,067)	(10,862)	(6,809)	(2,545)	(9,354)
<b>Profit from operating activities</b>		<b>4,456</b>	<b>(774)</b>	<b>3,682</b>	765	(2,545)	(1,780)
Finance income		92	-	92	61	-	61
Finance expenses		(949)	(370)	(1,319)	(1,371)	-	(1,371)
<b>Net finance expense</b>		<b>(857)</b>	<b>(370)</b>	<b>(1,227)</b>	(1,310)	-	(1,310)
Share of loss of associates (net of tax)		(94)	-	(94)	-	-	-
<b>Profit/(loss) before income tax</b>		<b>3,505</b>	<b>(1,144)</b>	<b>2,361</b>	(545)	(2,545)	(3,090)
Income tax (charge)/credit		(222)	-	(222)	1,262	450	1,712
<b>Profit/(loss) for the year/period</b>	<b>5</b>	<b>3,283</b>	<b>(1,144)</b>	<b>2,139</b>	717	(2,095)	(1,378)

Donegal Investment Group plc  
Condensed consolidated statement of profit or loss and comprehensive income  
for the year ended 31 August 2017

	<b>12 months ended 31 August 2017</b>	8 months ended 31 August 2016
	Total	Total
	€'000	€'000
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified to profit or loss</b>		
Foreign currency translation differences for foreign operations	(257)	(528)
Recycle of currency translation differences for foreign operations	370	-
Recycle of change in fair value of available for sale financial asset	(558)	(264)
Tax on recycle of change in fair value of available for sale financial asset	184	88
Revaluation of available for sale financial assets	35	5
Tax on revaluation of available for sale financial assets	(12)	(2)
<b>Total comprehensive income for the year/period</b>	<u>1,901</u>	<u>(2,079)</u>
<b>Profit attributable to:</b>		
Equity holders of the Company	2,252	(1,460)
Non-controlling interest	(113)	82
	<u>2,139</u>	<u>(1,378)</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	1,998	(2,014)
Non-controlling interest	(97)	(65)
	<u>1,901</u>	<u>(2,079)</u>
<b>Earnings/(loss) per share</b>		
<b>Basic earnings/(loss) per share (euro cent)</b>		
Continuing	23.0	(14.7)
<b>Diluted earnings/(loss) per share (euro cent)</b>		
Continuing	<u>22.8</u>	<u>(14.7)</u>

Donegal Investment Group plc  
Condensed consolidated statement of financial position  
As at 31 August 2017

	Note	31 August 2017 €'000	31 August 2016 €'000
<b>Assets</b>			
Property, plant and equipment	8	8,708	12,696
Investment property	9	3,552	19,021
Goodwill		3,388	3,633
Intangible assets		393	399
Investment in associates	11	781	1,008
Other investments		187	1,144
Prepayment		-	188
<b>Total non-current assets</b>		<b>17,009</b>	<b>38,089</b>
Inventories		4,514	4,419
Trade and other receivables		18,030	17,800
Current tax		-	43
Cash at bank		12,733	-
Current financial instrument		5	53
Total current assets before asset held for sale		<b>35,282</b>	<b>22,315</b>
Asset held for sale	10	<b>23,835</b>	<b>23,835</b>
<b>Total current assets</b>		<b>59,117</b>	<b>46,150</b>
<b>Total assets</b>		<b>76,126</b>	<b>84,239</b>
<b>Equity</b>			
Share capital		1,337	1,337
Share premium		2,975	2,975
Other reserves		(3,335)	(2,430)
Retained earnings		57,236	54,951
<b>Total equity attributable to equity holders</b>		<b>58,213</b>	<b>56,833</b>
<b>Non-controlling interest</b>		<b>1,083</b>	<b>1,224</b>
<b>Total equity</b>		<b>59,296</b>	<b>58,057</b>
<b>Liabilities</b>			
Loans and borrowings		5,079	2
Deferred income		71	94
Deferred tax liabilities		487	1,797
<b>Total non-current liabilities</b>		<b>5,637</b>	<b>1,893</b>
Trade and other payables		9,446	9,350
Bank overdraft		527	3,621
Current tax		1,198	-
Loans and borrowings		22	11,318
<b>Total current liabilities</b>		<b>11,193</b>	<b>24,289</b>
<b>Total liabilities</b>		<b>16,830</b>	<b>26,182</b>
<b>Total equity and liabilities</b>		<b>76,126</b>	<b>84,239</b>



Donegal Investment Group plc  
Condensed consolidated statement of changes in equity  
for the year ended 31 August 2017

	Share capital €'000	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 September 2016	1,337	2,975	(2,879)	(2,739)	4,190	(1,511)	509	54,951	56,833	1,224	58,057
<b>Total comprehensive income for the period</b>											
Profit for the year	-	-	-	-	-	-	-	2,252	2,252	(113)	2,139
<b>Other comprehensive income</b>											
Foreign currency translation differences for foreign operations	-	-	(203)	-	-	-	-	-	(203)	(54)	(257)
Recycle of currency translation differences for foreign operations	-	-	300	-	-	-	-	-	300	70	370
Recycle of change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	(374)	-	-	(374)	-	(374)
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	23	-	-	23	-	23
Recycle of change in fair value of property, net of tax	-	-	-	-	(496)	-	-	496	-	-	-
<b>Other comprehensive income</b>	-	-	97	-	(496)	(351)	-	496	(254)	16	(238)
<b>Total comprehensive income for the period</b>	-	-	97	-	(496)	(351)	-	2,748	1,998	(97)	1,901
<b>Transactions with owners recorded directly in equity</b>											
<b>Contributions by and distributions to owners</b>											
Dividends paid	-	-	-	-	-	-	-	(490)	(490)	(44)	(534)
Acquisition of treasury shares	-	-	-	(272)	-	-	-	-	(272)	-	(272)
Shared based payments	-	-	-	(12)	-	-	129	27	144	-	144
<b>Total contributions by and distributions to owners</b>	-	-	-	(284)	-	-	129	(463)	(618)	(44)	(662)
<b>Balance at 31 August 2017</b>	<b>1,337</b>	<b>2,975</b>	<b>(2,782)</b>	<b>(3,023)</b>	<b>3,694</b>	<b>(1,862)</b>	<b>638</b>	<b>57,236</b>	<b>58,213</b>	<b>1,083</b>	<b>59,296</b>

Donegal Investment Group plc  
Condensed consolidated statement of changes in equity  
for the period ended 31 August 2016

	Share capital €'000	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 January 2016	1,337	2,975	(2,498)	(1,640)	4,190	(1,338)	369	57,293	60,688	1,347	62,035
<b>Total comprehensive income for the period</b>											
Loss for the period	-	-	-	-	-	-	-	(1,460)	(1,460)	82	(1,378)
<b>Other comprehensive income</b>											
Foreign currency translation differences for foreign operations	-	-	(381)	-	-	-	-	-	(381)	(147)	(528)
Recycle of change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	(176)	-	-	(176)	-	(176)
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	3	-	-	3	-	3
<b>Other comprehensive income</b>	-	-	(381)	-	-	(173)	-	-	(554)	(147)	(701)
<b>Total comprehensive income for the period</b>	-	-	(381)	-	-	(173)	-	(1,460)	(2,014)	(65)	(2,079)
<b>Transactions with owners recorded directly in equity</b>											
<b>Contributions by and distributions to owners</b>											
Dividends paid	-	-	-	-	-	-	-	(882)	(882)	(58)	(940)
Acquisition of treasury shares	-	-	-	(1,099)	-	-	-	-	(1,099)	-	(1,099)
Shared based payments	-	-	-	-	-	-	140	-	140	-	140
<b>Total contributions by and distributions to owners</b>	-	-	-	(1,099)	-	-	140	(882)	(1,841)	(58)	(1,899)
<b>Balance at 31 August 2016</b>	<b>1,337</b>	<b>2,975</b>	<b>(2,879)</b>	<b>(2,739)</b>	<b>4,190</b>	<b>(1,511)</b>	<b>509</b>	<b>54,951</b>	<b>56,833</b>	<b>1,224</b>	<b>58,057</b>

Donegal Investment Group plc  
Condensed consolidated statement of cash flows  
for the year ended 31 August 2017

	<b>12 months ended 31 August 2017 €'000</b>	8 months ended 31 August 2016 €'000
<b>Cash flows from operating activities</b>		
Profit/(loss) for the year/period	2,139	(1,378)
Adjustments for:		
Depreciation	1,095	755
Amortisation of intangibles	81	103
Change in fair value of investment property	52	576
Net finance expense	857	1,310
Share of loss of associates	94	-
Gain on sale of property, plant and equipment	(41)	(17)
Gain on sale of other investments	(657)	(285)
(Gain)/loss on sale of investment property	(288)	81
Loss on sale of subsidiary	225	-
Share-based payment transactions	201	190
Income tax expense/(credit)	222	(1,712)
Change in inventories	(416)	472
Change in trade and other receivables	(515)	14,376
Change in trade and other payables	243	(13,759)
	<u>3,292</u>	<u>712</u>
Interest paid	(289)	(204)
Income tax (paid)/refunded	(22)	142
	<u>(289)</u>	<u>(204)</u>
<b>Net cash from operating activities</b>	<u>2,981</u>	<u>650</u>
<b>Cash flows from investing activities</b>		
Interest received	12	6
Dividends received	4	2
Proceeds from sale of investment property, property, plant and equipment	18,318	113
Proceeds from disposal of other investments	1,205	386
Proceeds from subsidiary	1,255	-
Proceeds from disposal of associate investment	140	-
Exercise of share options	15	-
Acquisition of property, plant and equipment	(454)	(894)
Acquisition of intangibles	(48)	(37)
	<u>20,447</u>	<u>(424)</u>
<b>Net cash from investing activities</b>	<u>20,447</u>	<u>(424)</u>

Donegal Investment Group plc  
Condensed consolidated statement of cash flows *(continued)*  
for the year ended 31 August 2017

	<b>12 months ended 31 August 2017 €'000</b>	8 months ended 31 August 2016 €'000
<b>Cash flows from financing activities</b>		
Repayment of borrowings	<b>(6,300)</b>	(900)
Payment of finance lease liabilities	<b>(27)</b>	(65)
Acquisition of treasury shares	<b>(272)</b>	(1,099)
Dividend paid to non-controlling interest	<b>(44)</b>	(58)
Dividends paid	<b>(490)</b>	(882)
	<hr/>	<hr/>
<b>Net cashflow from financing activities</b>	<b>(7,133)</b>	(3,004)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,295</b>	(2,778)
Cash and cash equivalents at start of year/period	<b>(3,621)</b>	82
Effect of exchange rate fluctuations on cash held	<b>(468)</b>	(925)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year/period</b>	<b>12,206</b>	(3,621)
	<hr/>	<hr/>

**(1) Reporting entity**

Donegal Investment Group Plc (the “Company”) is a company domiciled in Ireland. The condensed consolidated financial statements of the Group as at and for the year ended 31 August 2017 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

**(2) Basis of preparation**

The consolidated financial statements for the year ended 31 August 2017 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 Standards and Interpretations applied were those that were effective for accounting periods ending on or before 31 August 2017.

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

**(3) Accounting policies**

The following standards, amendments and interpretations were applicable in the financial period beginning 1 September 2016:

- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities – exception to consolidation

For all changes to the standards above, the Group has changed its accounting policies accordingly, which did not have a material impact on the financial results or financial position of the Group.

#### **(4) Estimates**

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

#### **(5) Segment Information**

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

The Group comprises the following reportable business segments:

- Produce: The growing, sales and distribution of seed potatoes and organic produce.
- Food-Agri & Property: The manufacture, sale and distribution of farm inputs and dairy products and management of food-agri property assets.

As Monaghan Middlebrook Mushrooms was transferred to an asset held for sale as at 1 January 2016 and Leapgrange was disposed during the year, the Group no longer accounts for associate investments as a separate business segment.

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

**(5) Segment information** (continued)

**Business segments** (continued)

	<b>Produce</b>		<b>Food-Agri &amp; Property</b>		<b>Total-Group</b>	
	<b>12 months</b>	8 months	<b>12 months</b>	8 months	<b>12 months</b>	8 months
	<b>ended 31</b>	ended 31	<b>ended 31</b>	ended 31	<b>ended 31</b>	ended 31
	<b>August 2017</b>	August 2016	<b>August 2017</b>	August 2016	<b>August 2017</b>	August 2016
	<b>€'000</b>	€'000	<b>€'000</b>	€'000	<b>€'000</b>	€'000
Total revenues	<b>30,160</b>	13,745	<b>46,858</b>	33,756	<b>77,018</b>	47,501
Inter-segment revenue	-	-	-	-	-	-
Segment result before exceptional items & property devaluations	<b>2,179</b>	(515)	<b>2,436</b>	2,046	<b>4,615</b>	1,531
Property revaluations	-	-	<b>(52)</b>	(576)	<b>(52)</b>	(576)
Inter-segmental charges	-	-	-	-	-	-
Segmental result from continuing operations before exceptional items	<b>2,179</b>	(515)	<b>2,384</b>	1,470	<b>4,563</b>	955
Exceptional items					<b>(1,144)</b>	(2,545)
Net finance expense					<b>(857)</b>	(1,310)
Income tax (expense)/credit					<b>(222)</b>	1,712
Share-based payment transactions					<b>(201)</b>	(190)
<b>Profit/(loss) for the year/period– continuing operations</b>					<b>2,139</b>	(1,378)

**(5) Segment Information** (continued)  
**Business segments** (continued)

	Produce		Food-Agri & Property		Total-Group			
	31 August 2017 €'000	31 August 2016 €'000	31 August 2017 €'000	31 August 2016 €'000	31 August 2017 €'000	31 August 2016 €'000		
Segment assets	<b>8,353</b>	8,850	<b>31,200</b>	51,501	<b>39,553</b>	60,351		
Cash at bank (unallocated)	-	-	-	-	<b>12,733</b>	-		
Asset held for sale (unallocated)	-	-	-	-	<b>23,835</b>	23,835		
Current financial instrument (unallocated)	-	-	-	-	<b>5</b>	53		
<b>Total assets</b>	<b>8,353</b>	8,850	<b>31,200</b>	50,493	<b>76,126</b>	84,239		
Segment liabilities	<b>707</b>	1,843	<b>10,008</b>	7,601	<b>10,715</b>	9,444		
Bank overdraft (unallocated)					<b>527</b>	3,621		
Loans and borrowings (unallocated)					<b>5,101</b>	11,320		
Deferred tax (unallocated)					<b>487</b>	1,797		
<b>Total liabilities</b>					<b>16,830</b>	26,182		
Capital expenditure	<b>218</b>	161	<b>284</b>	770	<b>502</b>	931		
Depreciation and amortisation	<b>340</b>	275	<b>837</b>	585	<b>1,177</b>	860		
Revaluation of investment property and other assets	-	-	<b>87</b>	571	<b>87</b>	571		
	Island of Ireland		Europe		Rest of world		Total-Group	
	31 August 2017 €'000	31 August 2016 €'000	31 August 2017 €'000	31 August 2016 €'000	31 August 2017 €'000	31 August 2016 €'000	31 August 2017 €'000	31 August 2016 €'000
Revenue from external customers	<b>72,138</b>	40,925	<b>4,232</b>	5,998	<b>648</b>	383	<b>77,018</b>	47,501
Segment assets	<b>72,722</b>	79,473	<b>2,224</b>	4,261	<b>1,180</b>	665	<b>76,126</b>	84,239
Capital expenditure	<b>311</b>	876	<b>190</b>	54	<b>1</b>	12	<b>502</b>	931



**(5) Segment Information** (continued)  
***Business segments*** (continued)

*Entity-wide disclosures*

Section 1: Information about products and services

The Group's revenue from external customers in respect of its principal products and services is analysed in the disclosures above.

Section 2: Information about geographical areas and customers

The Group has a presence in several countries worldwide. The revenues from external customers and non-current assets (as defined in IFRS 8) attributable to the country of domicile of all foreign operations are noted above.

*Seasonality*

The Group's Produce and Food-Agri divisions are second half weighted. This weighting is primarily driven by weather and global buying patterns.

The Group had one customer that comprised 13% of its total revenue in the year ended 31 August 2017 (8 months ended 31 August 2016: None).

**(6) Earnings per share**

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

	<b>31 August 2017</b>	31 August 2016
	<b>€'000</b>	€'000
Profit/(loss) for the year/period	<b>2,139</b>	(1,378)
<b>Profit/(loss) attributable to ordinary shareholders</b>	<b>2,252</b>	(1,460)
<b>Weighted average number of ordinary shares In thousands of shares</b>	<b>31 August 2017</b>	31 August 2016
Weighted average number of ordinary shares in issue for the year/period	<b>10,286</b>	10,286
Weighted average number of treasury shares	<b>(502)</b>	(369)
Denominator for basic earnings per share	<b>9,784</b>	9,917
Effect of share options in issue	<b>79</b>	96
Weighted average number of ordinary shares (diluted) at 31 August	<b>9,863</b>	10,013

The Group purchased 46,878 treasury shares at a total purchase price of €272,000 including transaction costs, in a number of transactions, intended to be used to settle the Group share option scheme.

	<b>31 August 2017</b>	31 August 2016
<b>Basic earnings/(loss) per share (euro cent)</b>		
Continuing	<b>23.0</b>	(14.7)
<b>Diluted earnings/(loss) per share (euro cent)</b>		
Continuing	<b>22.8</b>	(14.7)

As the Group incurred a loss in the in 2016, share options have an anti-dilutive impact and as such have not been included in the diluted loss per share calculation.

**(7) Dividends**

	<b>31 August 2017</b>	31 August 2016
	<b>€'000</b>	€'000
€0.05 per qualifying ordinary share (31 August 2016: €0.09)	<b>490</b>	882

A dividend is not declared in respect of 2017. A final dividend for 2016 of €0.05 per share was paid on 9 December 2016.

**(8) Property, plant and equipment**

**Additions and disposals**

During the year ended 31 August 2017, the Group acquired assets for €454,000 (31 August 2016: €894,000). Assets with a net book value of €3,127,000 were disposed of during the year ended 31 August 2017 (31 August 2016: €20,000), resulting in a gain on disposal of €41,000 (31 August 2016: gain of €17,000).

**(9) Investment property**

	<b>31 August 2017</b>	31 August 2016
	<b>€'000</b>	€'000
Balance at beginning of year/period	<b>19,021</b>	18,634
Change in fair value	<b>52</b>	(13)
Reclassification from land & buildings	-	500
Disposal	<b>(15,509)</b>	(73)
Effect of movement in exchange rates	<b>(12)</b>	(27)
<b>Balance at end of year/period</b>	<b>3,552</b>	19,021

Investment property includes the Oatfield site in Letterkenny and development land in Donegal.

**Additions and disposals**

During the year ended 31 August 2017, the Group did not acquire any investment properties (31 August 2016: €nil). The Group disposed of investment property with a carrying value of €15,509,000 during the year (31 August 2016: €72,500) resulting in a gain on disposal of €288,000 (31 August 2016: loss of 81,000).

**(10) Asset held for sale**

	<b>31 August 2017</b>	31 August 2016
	<b>€'000</b>	€'000
Balance at beginning of year/period	<b>23,835</b>	-
Transfer from investment in associates	-	23,835
<b>Balance at end of year/period</b>	<b>23,835</b>	23,835

As outlined in note 10, as a result of the Court of Appeal decision to uphold the High Court Remedy Order, the Group's share in Monaghan Middlebrook Mushrooms was transferred to an asset held for sale as at 1 January 2016.

The asset held for sale is not held at market value and was accounted for using the equity accounting method up to the date of transfer from investment in associates.

On 18 October 2017 Donegal announced that it had entered into an agreement to settle the Company's shareholder oppression claim resulting in the conditional sale of the Company's interest in Monaghan Mushrooms for consideration of €45,000,000 plus a variable amount expected to be between €400,000 and €500,000, subject to approval by the Company's shareholders. The disposal of the Group's 30% shareholding in the Monaghan Middlebrook Mushrooms business was formally approved at an EGM held on 27 November 2017. The sale of the 30% shareholding is expected to complete on or prior to 15 February 2018.

**(11) Investment in associates**

	<b>31 August 2017</b>	<b>31 August 2017</b>	<b>31 August 2017</b>	31 August 2016	31 August 2016	31 August 2016
	<b>Interest in associate</b>	<b>Loans to associate</b>	<b>Total</b>	Interest in associate	Loans to associate	Total
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	€'000	€'000	€'000
Balance at beginning of year/period	<b>239</b>	<b>769</b>	<b>1,008</b>	24,074	830	24,904
Share of increase in net assets after tax	<b>(90)</b>	-	<b>(90)</b>	-	-	-
Impairment of impairment of loan to associate	-	-	-	-	(63)	(63)
Interest charged	-	<b>12</b>	<b>12</b>	-	2	2
Disposal of investment in associate	<b>(149)</b>	-	<b>(149)</b>	-	-	-
Transfer to asset held for sale	-	-	-	(23,835)	-	(23,835)
<b>Balance at end of year/period</b>	<b>-</b>	<b>781</b>	<b>781</b>	239	769	1,008

The Group's share of after tax profits in its associates for the year, primarily related to Leapgrange Limited for year ended 31 August 2017, was a loss €90,000 (31 August 2016: €Nil).

As a result of the Court of Appeal decision to uphold the High Court Remedy Order, the Group's share in Monaghan Middlebrook Mushrooms was transferred to an asset held for sale as at 1 January 2016.

On 18 October 2017 Donegal announced that it had entered into an agreement to settle the Company's shareholder oppression claim resulting in the conditional sale of the Company's interest in Monaghan Mushrooms for consideration of €45,000,000 plus a variable amount expected to be between €400,000 and €500,000, subject to approval by the Company's shareholders. The disposal of the Group's 30% shareholding in the Monaghan Middlebrook Mushrooms business was formally approved at an EGM held on 27 November 2017. The sale of the 30% shareholding is expected to complete on or prior to 15 February 2018.

**(12) Exceptional items**

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

		<b>31 August 2017</b>	31 August 2016
		<b>€’000</b>	€’000
Restructuring costs	a	<b>(141)</b>	(141)
Reversal of legal costs receivable in respect of oppression action with Monaghan	b	-	(1,800)
Profit on disposal of subsidiary	c	<b>293</b>	-
Cost of disposal of subsidiary	d	<b>(148)</b>	-
Recycle of currency translation differences of subsidiary disposed	e	<b>(370)</b>	-
Legal costs in respect of the ongoing legal case with Monaghan	f	<b>(778)</b>	(569)
Legal costs receivable in respect of other legal cases	g	-	(35)
Income tax benefit/(expense) in respect of exceptional items		-	450
		<hr/> <b>(1,144)</b> <hr/>	<hr/> (2,095) <hr/>

- a) Restructuring costs include operational costs, redundancy costs, legal, and accounting and taxation advice in respect of costs associated with restructuring the Group.
- b) Estimated legal costs receivable in respect of costs awarded by the Courts in 2015 to the Group in respect of the Oppression Action and overturned by the Courts in 2016.
- c) Profit on sale of subsidiary disposed during the year.
- d) Costs of disposal of subsidiary include legal & taxation advice and brokerage fees.
- e) Non cash recycle of foreign exchange translation reserves on foreign subsidiary disposed.
- f) Legal costs are costs in respect of the ongoing legal case with MMM.
- g) Legal costs are costs in respect of other legal cases.

**(13) Events after the balance sheet date**

There have been no significant events subsequent to the year end, other than those disclosed in Note 12, which would require adjustment to, or disclosure in, the financial statements.