Donegal

Annual Report & Financial Statements 2013

a bright future ahead

Contents

Financial highlights: pre-exceptional

Revenue - continuing operations	Adjusted operating profit	Profit after tax – continuing operations	Operating cashflow before interest & tax
€86.8m	€2.9m	€4.8m	€4.5m
2012: €80.2m***	2012: €1.8m***	2012: €4.4m***	2012: €1.8m ***
Up 8.1%	Up 59.2%	Up 10.2%	Up €2.7m

Basic earnings per share – continuing operations	Net Debt	Adjusted earnings per share*	Dividend per share
46.0c	€15.7m	50.4c	16c
2012: 14.7 ***	2012: €2.17m	2012: 44.4c	2012: 16c
Up 31.3c	Down €6m	Up 13.5%	

Investment property carrying value	Net asset value per share**
€24.4m	€5.88
2012: €25.7m	2012: €5.75
Down €1.3m	Up €0.13

* Adjusted earnings before the impact of change in fair value of investment properties in group & associates, the related deferred tax and CGT rate change in 2012 and 2013

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

*** As re-presented to reflect the effect of discontinued operations

SUMMARY

- Continued focus on our three strategic areas of Produce seed potato, Speciality Dairy and Associate Investments
- Overall revenue increase of 8.1% to €86.8m with growth achieved in each of our main operating businesses of seed potato, speciality dairy and animal feed
- Adjusted Operating Profit increased from €1.8m to €2.9m
- Despite the knock on effect of the 2012 harvest performance on our seed potato business, performance improved delivering a segmental result of €1.8m, an increase of 91.7%
- Good growth was achieved by our Food Agri businesses, in particular our Speciality Dairy business where volumes continue to increase from new listings – we continue to manage this business for growth. Our other Food Agri business, animal feed, also performed well during the year with revenue increasing despite 2012 benefitting strongly from adverse weather conditions. Overall our Food Agri and Property businesses delivered a segmental result of €1.1m, an increase of 9.4%
- Continued progress on non-core asset disposal program with a number of property holdings sold during the year and subsequent to the year-end the Group announced the disposal of 245 acres from the Grianan Estate
- Challenging year in Associates due to reduced mushroom sales volumes as a result of a prolonged period of hot weather experienced during the summer months
- Adjusted EPS of 50.4c up 13.5% versus 2012
- Net debt reduced from €21.7m to €15.7m due in the main to proceeds from non-core asset disposals and strong working capital management
- Dividend per share maintained at 16c
- Net asset value per share up 13c to €5.88
- During 2014 the Group will continue to review options to release capital from its non-strategic businesses and assets with the objective of focusing financial and management resources on the strategic areas of seed potato, speciality dairy and associate investments

Board of Directors

The Board of Directors of Donegal Investment Group plc currently comprises nine non-executive directors and one executive director.

NON-EXECUTIVE DIRECTORS

Geoffrey Vance (aged 62) 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 60), was appointed to the Board on 29 June 2011. Frank previously served on the Board of Donegal Investment Group plc from 1996 to 2006. He holds no other directorships.

Francis Devenny (aged 68) 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. He has significant residential and other property interests in the Letterkenny area.

Geoffrey McClay (aged 48) 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 46) was appointed to the Board on 28 August 2013. Henry was previously Managing Director of Pramerica Systems Ireland Limited. Previously, he worked in senior executive positions with Almarai in Saudi Arabia and Motorola and Accenture in Dublin.

Matt McNulty (aged 69) was appointed to the Board as an independent director on 19 August 1998. In a career of over 40 years he has held a number of senior positions in the public service including that of Director General of Bord Fáilte – the Irish Tourist Board. He currently works as a senior international management consultant specialising in planning and development in the Middle East Region.

Michael Griffin (aged 67) was appointed to the Board on 1 March 2010. Michael is a graduate of UCC and has over 35 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 41) was appointed to the Board on 7 July 2004. He is chairman of the Audit Committee. He is also a former director of Teagasc and former National Chairman of Macra na Feirme.

Norman Witherow (aged 61) was appointed to the Board on 2 July 2003. He is vice chairman of the Board and chairman of the Remuneration Committee. He is also a director of Raphoe Enterprise Company Limited.

EXECUTIVE DIRECTOR

Ian Ireland (Managing Director), BSC, MBA, Chartered Director (aged 52) 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.

BOARD OF DIRECTORS

G Vance (Chairman)
I Ireland (Managing Director)
F Browne
F Devenny
M Griffin
P Kelly Jnr
G McClay
H McGarvey
M McNulty
N Witherow

SECRETARY AND REGISTERED OFFICE

P Lenehan
Ballyraine
Letterkenny
Co Donegal

INDEPENDENT AUDITOR

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

SOLICITORS

VP McMullin & Son
Letterkenny
Co Donegal

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

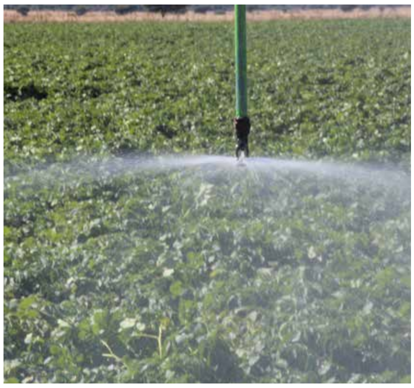
PRINCIPAL BANKERS

Ulster Bank Limited
Letterkenny
Co Donegal

REGISTERED NUMBER 162921

Chairman's statement

During 2013 the Group continued to make progress in its key strategic focus areas and also completed a number of non-core asset property disposals.



Overall, the Group delivered solid revenue growth of 8.1% to €86.8m and Adjusted Operating Profit of €2.9m, an increase of 59.2%. Adjusted EPS of 50.4c was achieved, an increase of 13.5%.

We were broadly happy with the performance of our Produce Division. The carryover of the poor 2012 harvest in the first half of the year was offset by the good growing and harvesting conditions which were experienced in the second half of 2013. Turning to our Food-Agri and Property Division we are pleased with the sales growth achieved and in particular the continued progress being made in Speciality Dairy in the UK market with further listings of our products secured during the year. The segmental result from our Associate Investments reflects a challenging year, in the main due to reduced mushroom sales volumes as a result of the prolonged period of hot weather experienced during the summer months and some one-off costs associated with acquisitions.

Furthermore we were pleased with the outcome of a number of non-core asset property disposals during the year and subsequent to the year end which generated proceeds of €3.7m. The Board expects such disposals to continue going forward.

Our Balance sheet remains strong with shareholder funds of €61.8m and during the year a further reduction of €6.0m was achieved in our net debt, principally due to the proceeds from non-core asset disposals and strong operating cash flows including good working capital management.

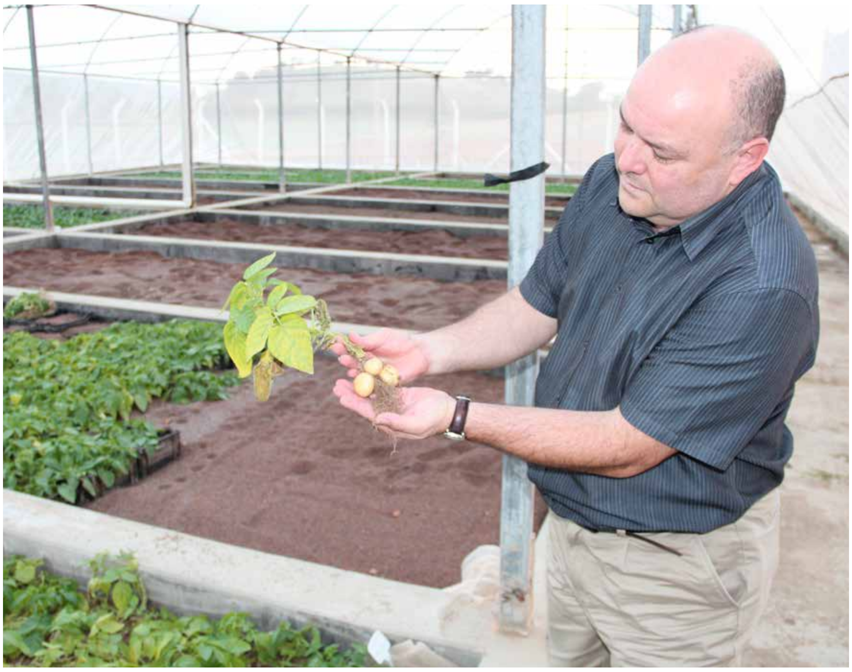
Dividend

The Directors are recommending a final dividend of 9 cent per share. If approved, this dividend will be paid on 22 August 2014 to those shareholders on the register on 1 August 2014. This will bring the total dividend per share to 16 cent, maintaining the 2012 dividend payment.

AGM

The Group's AGM will take place on Wednesday 2 July 2014 at 11.30am at the Silver Tassie Hotel, Letterkenny, Co. Donegal.

Geoffrey Vance
Chairman



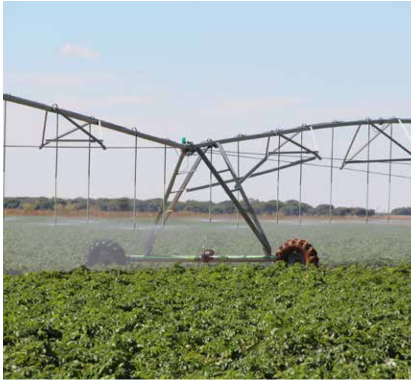
Managing Director's review

Overall, our seed potato business is a high growth business generating strong operating profit margins, has low capital expenditure requirements and yields consistently strong returns on capital.

Produce Division

Our Produce Division comprises the seed potato business IPM Potato Group, AJ Allan in Scotland, Donegal Potatoes and An Grianan Grain in Ireland. IPM, the largest business within our Produce division has circa 30 proprietary seed potato varieties including names such as Rooster, Burren, Banba, Infinity and Barna which it produces and exports to over 40 countries world-wide. Key markets include North Africa, the UK and Ireland. Seed production takes place in dedicated growing areas including Scotland, Ireland, France, Denmark and Brazil. Both production and sales only take place in territories which recognise and embrace variety copyright regulation. Overall, our seed potato business is a high growth business generating strong operating profit margins, has low capital expenditure requirements and yields consistently strong returns on capital. It will be the key strategic focus for the Group going forward.

During 2013 the seed potato business was impacted in the first half of the year by the extreme harvesting conditions in 2012 which reduced the quantity of certified proprietary variety seed volumes. In sharp contrast the harvest in 2013 was excellent, offsetting the negative impact on the first half of the year from 2012. This excellent and early harvest resulted in strong yields being achieved with margins achieved in line with expectations. This in turn allowed for deliveries to customers in North Africa and the Mediterranean areas to be made ahead of schedule which positively impacted on working capital.

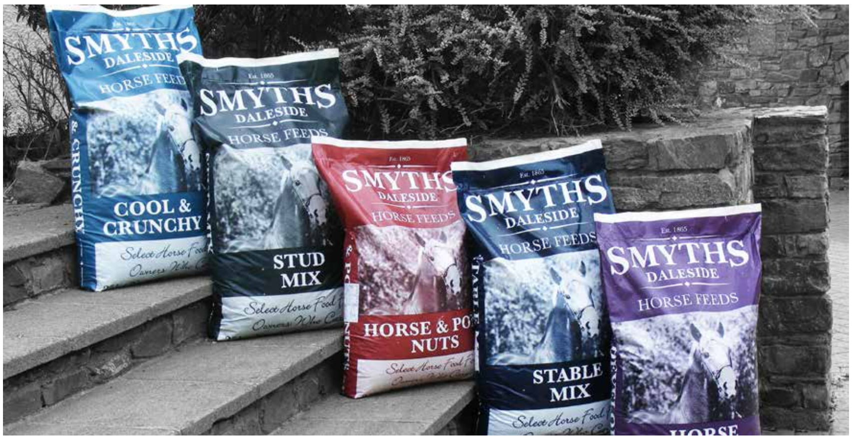


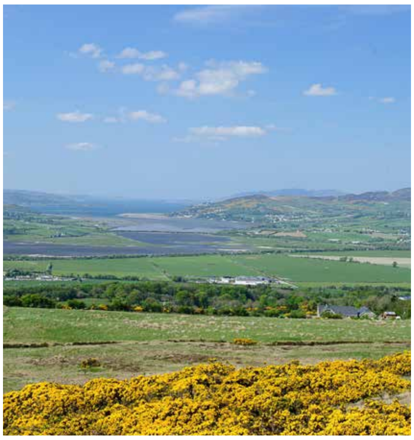
During 2013 turnover was maintained at €33.9m, delivering a segmental result of €1.8m, up from the €0.9m achieved in 2012. It is worth noting that some important markets, specifically Algeria and Syria, were well behind previous years due to local conditions and had more normal conditions existed, allowing for previous volume shipments to be achieved, then performance would have been materially better.

As advised in 2012 we are investing in new markets and new varieties and this work continues. We are making good progress in the Southern Hemisphere in developing and securing markets for our seed potato product and remain very positive about the future potential for our business in this geographical area.

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. All of these will enable the Group to become a leading global player in its core seed potato business.

Food – Agri and Property Division



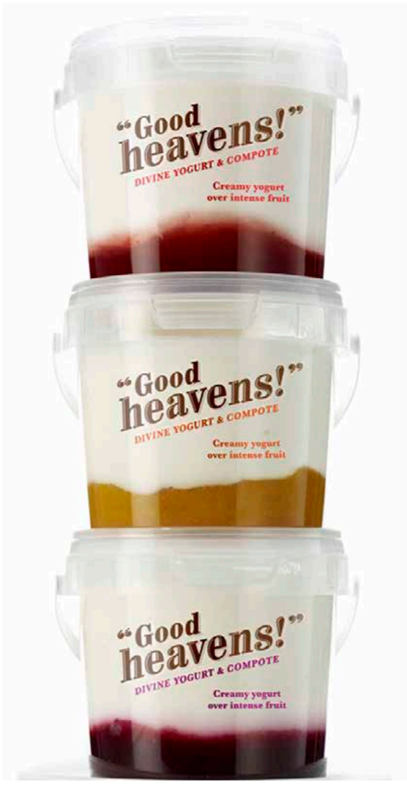


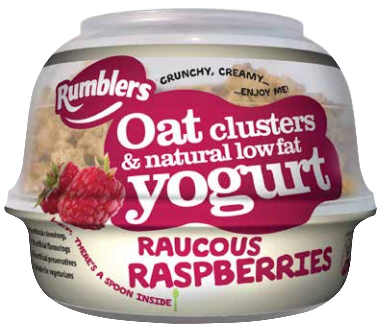
Overall, revenues in the Food-Agri and Property Division grew by 10.8% to €53.3m, delivering a segmental profit of €1.1m, a slight increase on the €1.0m achieved in 2012.

Our Speciality Dairy business comprises in the main two product brands namely our food on the go Rumblers breakfast pots and our Good Heavens/Biogreen premium ethnic yogurt products. The Speciality Dairy business is and will continue to be focussed predominately in the UK with distribution in over 8,000 outlets and on the premium and ethnic food to go category. In late 2013 The Different Dairy Company, through which we run our Speciality Dairy business, completed the outright purchase of the UK based Biogreen Dairy business thereby combining it with the Rumblers business. As part of this transaction 20% of The Different Dairy Company was transferred to the former Biogreen shareholder who is also a key member of the businesses' management team. Since year end we have commenced merging and integrating these two businesses with a view to maximising the sales and operational synergies in these niche categories for the next period of their growth. Both the Rumblers and Biogreen brands achieved sales volume growth of 30% during the year and further strong volume growth is planned over the next three years.

Our animal feed business continues to perform well and will continue to generate good cash flows for the Group going forward.

As per IFRS all investments including Food-Agri related property are revalued every year. There was no significant change to the property portfolio which was to be expected following the decision of the Board to value the majority of its development land within the Group's portfolio at agricultural values. The company's Food-Agri Property portfolio comprises both income generating and non-income generating investment property. As outlined previously the Group has decided that it will increase the active management of its property portfolio going forward with a view to both generating capital for investment in its Produce business and improving overall Group returns on capital employed. The Board recently announced that it had concluded a number of non-core asset property disposals which yielded proceeds of €3.7m and which underpinned the values of the Group's remaining property assets.





Associates

Our main associate investment is Monaghan Middlebrook Mushrooms. Performance in 2013 was negatively impacted due to the prolonged hot weather experienced during the summer months which resulted in reduced sales volumes. This caused a reduction in the segmental result to €2.7m from the €4.3m recorded in 2012. Monaghan Middlebrook Mushrooms continued to make acquisitions during the year including certain assets of Prime Champ Holland. The business and assets acquired comprise mainly property, plant and equipment, inventories and trade receivables. Our other associate business investments performed to plan.

The Company has taken a shareholder claim relating to its holding in Elst (the holding company of the Monaghan Middlebrook Mushrooms business). The matter is currently before the Irish courts.

Finance and Balance Sheet

The Group has committed bank facilities of €26.6m. Net Debt at the year-end was €15.7m (2012: €21.7m). The reduction in net debt was mainly due to proceeds from non-core asset disposals and strong operating cash flows, including efficient working capital management. The Group made principal loan repayments of €2.8m during the year, incurred €0.4m in capital expenditure and made dividend payments to shareholders of €1.6m.

Outlook

At this stage of the year all businesses other than seed potato are ahead of plan. The seed potato business is expected to be challenging for the first half of the year due to weak commodity markets caused by oversupply in Western Europe. We will update further at interim stage.

As with 2013 the Group will continue to review options to release capital from its non-strategic businesses and assets during 2014 so as to further focus financial and management resources on the strategic areas of seed potato, speciality dairy and associate investments, and continue to deliver value for our shareholders.

Ian Ireland
Managing Director

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2013.

Principal activities

During the year, the Group was engaged in the development, purchase and sale of seed potatoes, the manufacture, sale and distribution of farm inputs and dairy products by its Food-Agri business segment and the rental and sales of Food-Agri 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 increased by 8.1% to €86.8m (2012: €80.2m) in the year. The Group recorded an operating profit of €2.6m before exceptional items in comparison with a profit of €1.7m in 2012. Adjusted earnings per share increased from 44.4 cent in 2012 to 50.4 cent in 2013. Adjusted earnings comprises profit for the year less the impact of changes in valuation of investment properties. In monitoring performance the directors and management have regard to a range of key performance indicators (KPIs), including the following:

Financial KPI's	2013*	2012**	Change
EBITDA	**€7.2m**	€7.1m	Up €0.1m
Operating profit	**€2.6m**	€1.7m	Up €0.9m
Profit before tax	**€4.3m**	€4.7m	Down €0.4m
Net increase in cash & overdrafts	**€3.2m**	€7.9m	Down €4.7m
Net debt (including overdrafts)	**€15.7m**	€21.7m	Down €6.0m
Net assets	**€61.8m**	€59.0m	Up €2.8m

* Stated before exceptional items

** As re-presented to reflect the effect of discontinued operations

Profits and dividends

Profit for the financial year amounted to €4.19 million (2012: profit €7.98 million). A final dividend for 2012 of 9.0 cent per share was paid on 23 August 2013. An interim dividend for 2013 of 7.0 cent per share was paid on 6 December 2013. The Directors are recommending a final dividend of 9.0 cent per share. If approved, this dividend will be paid on 22 August 2014 to those shareholders on the register on 1 August 2014.

The results for the financial year ended 31 December 2013 are set out in detail on pages 26 to 92.

Principal risks and uncertainties

In accordance with the requirement to analyse the key risks and uncertainties facing the future development of the Group and Company, the following have been identified:

- Reduced consumer demand;
- Ability to sustain commercial relationships with key customers in a competitive environment;
- Ability to utilise debt capacity or obtain financing from financial institutions in the current economic climate;
- Ability to sustain growth through acquisitions;
- Default of counterparties in respect of money owed to the Group;
- The economic conditions in respect of the property market;
- Exposure to interest rate fluctuations; and
- Adverse changes to sterling relative to the euro.

The directors have analysed these and other risks and appropriate plans are in place to manage and control these risks. The corporate governance report on pages 13 to 17 sets out the policies and approach to risks 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 and other relevant information and have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. In addition, the directors are aware that certain of the Group's debt falls due for repayment in January 2015, but do not anticipate there to be any issue with regard to the availability of ongoing debt funding being available. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Future developments in the business

A review of future developments in the business is included in the Managing Director's Review on pages 6 to 9.

Events since the year end

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

The Company has taken a shareholder claim relating to its holding in Elst (the holding company of the Monaghan Middlebrook Mushrooms business). The matter is currently before the Irish courts.

Board of Directors

The directors of the Company on 26 May 2014 are listed on page 3. On 10 April 2013, Ian Ireland was replaced by Padraic Lenehan as company secretary. On 3 July 2013, Marshall Robinson retired as a director. Patrick Kelly Jnr, Ian Ireland and Frank Browne retire by rotation and intend to stand for re-election as directors at the Annual General Meeting. Matt McNulty also retires by rotation and does not intend to stand for re-election. On 28 August 2013, Henry McGarvey was appointed as an independent director of the company. The appointment must be ratified at the Annual General Meeting.

The interest of the directors and secretary are disclosed in the report of the remuneration committee on pages 19 to 22.

Purchase of own shares

At the Annual General Meeting of the Company held on 26 July 1995, the shareholders sanctioned the requisite alteration to the Articles of Association of the Company to enable the Group to purchase treasury shares and authorised the Group to make market purchases (as defined by Section 212 of the Companies Act, 1990). The aggregate nominal value of shares authorised to be so acquired was not to exceed 10% of the aggregate nominal value of the issued share capital of the Company. This authority was renewed at subsequent Annual General Meetings.

At year ended 31 December 2013, 37,611 ordinary shares of 13 cent each were held as treasury shares by Donegal Investment Group plc. This represented 0.4% of the called up share capital of the Company. The total cost of acquisition of treasury shares during 2013 was €148,000 (2012: Nil).

Substantial holdings

As at 26 May 2014, the Company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
Goodbody Stockbroker Nominees Limited	805,403	7.83%
BNY Custodial Nominees (Ireland) Limited	726,650	7.06%

Save for the interests referred to above, the Company is not aware of any person who is, directly or indirectly, interested in 5% or more of the issued ordinary share capital of the Company.

Books and records

The directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account are maintained at Ballyraine, Letterkenny, Co Donegal.

Directors' report and other information continued

Research and development

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

Corporate Governance

Compliance with the Group's system of internal control is set out on pages 13 to 17. For the purposes of statutory instrument 450/2009 European Communities (Directive 2006/46) Regulations 2009, 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 160(2) of the Companies Act, 1963.

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

There were no political contributions which require disclosure under the Electoral Act, 2012.

AGM

The Company's Annual General Meeting will take place at the Silver Tassie Hotel, Letterkenny, Co. Donegal on 2 July 2014. Your attention is drawn to the separate circular enclosed with the annual report and financial statements containing the notice of meeting and an explanatory statement which sets out details of the matters to be considered at the Annual General Meeting.

On behalf of the Board

Geoffrey Vance	**Ian Ireland**
Director	Director

26 May 2014

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 appropriate to the scale and complexity of the Group.

This report also takes into account the disclosure requirements set out in the corporate governance annex to the listing rules of the Irish Stock Exchange.

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, and that the Chairman is non-executive. At present, there is one executive and nine non-executive Directors. Biographical details are set out on pages 2 and 3.

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 director and the other directors, ensures that directors receive accurate, timely and clear information and manages effective communication with shareholders.

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

Senior Independent Director

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

Directors and Directors' Independence

All appointments to the Board are approved by the Nomination Committee. There are no formal time limits for service as director although service periods are kept under ongoing review and each year one third of the Board must retire and be reappointed by the AGM. No non-executive director has a service contract with any Group company.

The Board currently comprises the Chairman, one executive director and eight non-executive directors. The names of the directors together with their biographical details are set out on pages 2 and 3. 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.

Corporate Governance report continued

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 2013 and are held on a periodic basis and as requested by individual directors.

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

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

The Board believes that all directors bring the appropriate judgement, knowledge and experience to the Board's deliberations. The Board has in place an annual process to evaluate the independence of directors and the most recent review concluded that all the non-executive directors are independent, notwithstanding the fact that the majority of the non-executive directors, as farmers, have a business relationship with the Group and the fact that a number have served on the Board for more than nine years. The directors trade with the Group on normal business terms and it is noted that each director's business relationship with the Group reduced due to the sale of the liquid and trade milk and agri-stores business on 13 January 2012. 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 December 2013 was comprised of three non-executive directors, Geoffrey Vance, who acts as chairman, Patrick Kelly Jnr and Norman Witherow.

The Nomination Committee is responsible for proposing to the Board any new appointments, whether of 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.

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 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 the Board's committees are available at the Annual General Meeting. Notice of the Annual General Meeting, together with the Annual Report and Financial Statements, are sent to shareholders at least twenty working days before the meeting, and details of the proxy votes for and against each resolution and the number of abstentions are announced after each vote on a show of hands.

Internal Control

An ongoing process exists for identifying, evaluating and managing the significant risks faced by the Group. This process is periodically reviewed by the directors and has been in place throughout the accounting period 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, should 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 2013, including operational and compliance controls, risk management and the Group's high level internal control arrangements.

Corporate Governance report continued

These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls and reports from the external auditors 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 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, 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 annual accounts 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

Eight meetings of the Board, five meetings of the Remuneration Committee, four meetings of the Audit Committee and four meetings of the Nomination Committee were held during the year ended 31 December 2013 and the attendance record of each director is set out in the following table:

	Board		Remuneration		Audit		Nomination	
Name	A	B	A	B	A	B	A	B
Geoffrey Vance	8	8	-	-	-	-	4	4
Ian Ireland	8	8	-	-	-	-	-	-
Frank Browne	8	8	-	-	-	-	-	-
Francis Devenny	8	6	-	-	-	-	-	-
Michael Griffin	8	7	5	5	-	-	-	-
Patrick Kelly Jnr	8	8	-	-	4	4	4	4
Geoffrey McClay	8	8	-	-	1	1	-	-
Henry McGarvey	3	3	1	1	-	-	-	-
Matt McNulty	8	8	5	5	4	4	-	-
Marshall Robinson	5	5	-	-	3	3	-	-
Norman Witherow	8	8	5	5	-	-	4	4

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

Remuneration Committee

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

- to determine, on behalf of the Board, the remuneration and other terms and conditions of employment of the Executive Director;
- 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 19 to 22.

Audit Committee

The Audit Committee comprises of three non-executive directors – Patrick Kelly Jnr (Chairman), Geoffrey McClay and Matt McNulty. The Committee held four formal meetings during 2013. 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 December 2013, fees charged in relation to non-audit related services totalled €58,800 (2012: €45,000) 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 2013 the Audit Committee discharged its responsibilities by:
- reviewing the Group's draft financial statements for 2012, meeting and reviewing with the external auditor prior to Board approval of 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 auditors' plan for the annual audit of the Group's financial statements for 2013;
- confirmation of the external auditor's independence and terms of engagement;
- reviewing and redefining the Group's system of risk identification assessment and control to ensure their robustness and effectiveness;
- reporting to the Board on its review of the Group's systems and internal controls and their effectiveness to meet current, future and strategic requirements.

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

On behalf of the Board

Geoffrey Vance	**Ian Ireland**
Director	Director

26 May 2014

Corporate Social Responsibility

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.

Corporate governance

The Group's Board complies with the requirements of IFRS reporting along with the Group's corporate governance policies. A review of corporate governance is addressed in the corporate governance report on pages 13 to 17.

The environment

At a minimum, 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. The organic conversion of the Grianan Estate, Ireland's largest organic farm, further cements our commitment to the environment.

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 full time health & safety officer, continuous high level of staff and management awareness and regular training.

The community

The Group is also actively involved in the local community within which it operates supporting many important social and community activities such as the Skills @ Work Programme during the year.

Report of the remuneration committee

Composition of Board and Remuneration Committee

It is the practice of the Company that a majority of the Board comprises non-executive directors and that the chairman be non-executive. 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 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 executive directors.

Incentive plan

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

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. Additionally, a share option arrangement granted before 7 November 2002 exists. Options granted under this scheme have no expiration. The recognition and measurement principles in IFRS 2 have not been applied to these grants. Details of options granted to date and outstanding 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 20 to 22, details of directors' share options and shareholdings are given on page 22 and details of directors' pensions are set out on page 21.

Pensions

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

Report of the remuneration committee continued

Executive directors

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

Ian Ireland was the only executive director in place during the current year. There were two executive directors in 2012.

	2013 €	2012 €
Salaries and benefits		
Basic salary	**262,344**	516,160
Benefits (1)	**23,377**	39,537
	285,721	555,697
Performance related		
Annual incentives (2)	**91,820**	75,000
Pension charge (3)	**52,464**	66,830
Total executive directors' remuneration	**430,005**	697,527
Average number of executive directors	**1**	2
Average annual basic salary per executive director	**262,344**	258,080

Non executive directors

	2013 €	2012 €
Fees and other emoluments		
Fees (4)	**160,760**	175,813
Other emoluments and benefits	**-**	-
	160,760	175,813
Other remuneration	**-**	-
Total non-executive directors' remuneration	**160,760**	175,813
Average number of non-executive directors	**9**	10
Total directors' remuneration	**590,765**	873,340

In addition, a charge of €18,000 (2012: €15,000) has been recognised with respect to share options granted to executive directors and management.

Notes to directors' remuneration

1. Benefits principally relate to a car allowance.
2. The incentive plan is outlined on page 19.
3. The pension charge represents defined contributions made to pension funds.
4. Ten non-executive directors received fees in 2013 (2012: Eleven).

	Basic salary €	Incentive bonus €	Benefits €	Pension & other related costs €	2013 Total €	2012 Total €
Executive directors						
I Ireland	262,344	91,820	23,377	52,464	**430,005**	416,285
J McDermott (resigned 30 November 2012)	-	-	-	-	**-**	281,242
	262,344	91,820	23,377	52,464	**430,005**	697,527

	Basic fees €	Incentive bonus €	Benefits €	Pension & other related costs €	2013 Total €	2012 Total €
Non-executive directors						
G Vance	**44,139**	-	-	-	**44,139**	43,242
L Tinney (Resigned 4 July 2012)	-	-	-	-	-	7,731
M McNulty	**17,505**	-	-	-	**17,505**	19,000
N Witherow	**15,512**	-	-	-	**15,512**	16,112
F Devenny	**12,569**	-	-	-	**12,569**	12,569
I Grier (Resigned 4 July 2012)	-	-	-	-	-	6,285
M Robinson (Resigned 3 July 2013)	**6,883**	-	-	-	**6,883**	14,064
P Kelly Jnr	**15,262**	-	-	-	**15,262**	15,363
M Griffin	**16,608**	-	-	-	**16,608**	16,309
G McClay	**12,868**	-	-	-	**12,868**	12,569
F Browne	**12,569**	-	-	-	**12,569**	12,569
H McGarvey	**6,845**	-	-	-	**6,845**	-
	160,760	-	-	-	**160,760**	175,813

Report of the remuneration committee continued

Directors' share options

Details of movements on outstanding options are set out below:

	At 31 December 2012	Granted in 2013	Expired in 2013	Exercised in 2013	At 31 December 2013	Average Option Price 2013 €
I Ireland	150,000	-	(150,000)	-	**-**	**4.35**
	30,000	-	-	-	**30,000**	**6.90**
	30,000	-	-	(30,000)	**-**	**3.00**
	-	150,000	-	-	**150,000**	**4.70**
	210,000	150,000	(150,000)	(30,000)	**180,000**	

The market price of the Company's shares at 31 December 2013 was €6.00 (2012: €3.25) and the range during 2013 was €3.20 to €6.60 (2012: €3.10 to €3.90). 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.

Directors' and secretary's interests in shares

The beneficial interests, including family interests, of the directors and secretary in office at 31 December 2013 in the ordinary shares of the Company at 31 December 2013 (or date of appointment, if later) and 31 December 2012 are set out below:

	31 December 2013	31 December 2012
Directors:		
G Vance	**175,439**	175,439
I Ireland	**137,032**	124,965
F Devenny	**100,707**	100,707
P Kelly Jnr	**2,401**	2,401
M Mc Nulty	**11,800**	19,000
N Witherow	**50,471**	50,471
G McClay	**12,107**	12,107
M Griffin	**15,000**	15,000
F Browne	**6,917**	6,917
H McGarvey	**-**	-
P Lenehan (secretary)	**-**	-

All movements in shareholdings noted above represent purchases / sales on the open market or the exercise of share options by the Executive Director.

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. Under that law and in accordance with ESM Rules of the Irish Stock Exchange the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2013.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and the Company. The Companies Acts 1963 to 2013 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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;
- comply with applicable IFRSs as adopted by the EU, subject to any material departures disclosed in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Under applicable law and the requirements of the ESM Rules issued by the Irish Stock Exchange, the directors are also responsible for preparing a Directors' Report and reports relating to directors' remuneration that comply with that law and those Rules.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2013 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

On behalf of the Board

Geoffrey Vance	**Ian Ireland**
Director	Director

26 May 2014

Independent auditor's report
to the members of Donegal Investment Group plc

We have audited the Group and parent Company financial statements (''financial statements'') of Donegal Investment Group plc for the year ended 31 December 2013 which comprise the Group statement of profit or loss and comprehensive income, the Group and Company Statement of Financial Position, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Acts 1963 to 2013.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of directors' responsibilities on page 23 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended;
- the parent Company statement of financial position gives a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2013, of the state of the parent Company's affairs as at 31 December 2013; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2013 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Matters on which we are required to report by the Companies Acts 1963 to 2013

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

The parent Company statement of financial position is in agreement with the books of account and, in our opinion, proper books of account have been kept by the Company.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the Company, as stated in the Company statement of financial position are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2013 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2013 we are required to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Conall O'Halloran
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

26 May 2014

Consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2013

	Note	Pre-exceptional €'000	(Note 8) Exceptional €'000	2013 Total €'000	Pre-Exceptional €'000	(Note 8) Exceptional €'000	Restated 2012* Total €'000
Continuing operations							
Revenue	6	**86,760**	**-**	**86,760**	80,246	-	80,246
Cost of sales		**(66,132)**	**-**	**(66,132)**	(61,069)	-	(61,069)
Gross profit		**20,628**	**-**	**20,628**	19,177	-	19,177
Other income	7	**1,024**	**-**	**1,024**	846	-	846
Other expenses	7	**(297)**	**-**	**(297)**	(169)	-	(169)
Distribution expenses		**(8,632)**	**-**	**(8,632)**	(8,617)	-	(8,617)
Administrative expenses		**(10,093)**	**(251)**	**(10,344)**	(9,567)	(174)	(9,741)
Profit/(loss) from operating activities		**2,630**	**(251)**	**2,379**	1,670	(174)	1,496
Finance income		**58**	**-**	**58**	308	-	308
Finance expenses		**(1,296)**	**-**	**(1,296)**	(1,785)	(2,147)	(3,932)
Net finance expense	11	**(1,238)**	**-**	**(1,238)**	(1,477)	(2,147)	(3,624)
Share of profit of associates (net of tax)		**2,925**	**9**	**2,934**	4,515	(698)	3,817
Profit/(loss) before income tax		**4,317**	**(242)**	**4,075**	4,708	(3,019)	1,689
Income tax benefit/(expense)	12	**538**	**-**	**538**	(304)	-	(304)
Profit/(loss) for the year – continuing operations		**4,855**	**(242)**	**4,613**	4,404	(3,019)	1,385
Discontinued operations							
Net gain on disposal of operations	23	**-**	**-**	**-**	-	7,284	7,284
Loss from discontinued operations	13	**(420)**	**-**	**(420)**	(694)	-	(694)
Profit/(loss) for the year		**4,435**	**(242)**	**4,193**	3,710	4,265	7,975
Other comprehensive income							
Items that will never be reclassified to profit or loss							
Defined benefit plan actuarial gain/(loss)	27			**-**			91
Tax on defined benefit plan actuarial gain	19			**-**			(11)
				-			80
Items that are or may be reclassified to profit or loss							
Foreign currency translation differences for foreign operations	11			**(209)**			(101)
Currency translation adjustment in associate undertaking				**(509)**			162
Revaluation of available for sale financial asset	18			**146**			-
Tax on revaluation of available for sale financial asset	19			**(48)**			-
				(620)			61
Total comprehensive income for the year				**3,573**			8,116

* As restated to reflect the effect of discontinued operations (note 13)

	Note	2013 €'000	Restated 2012* €'000
Profit/(loss) attributable to:			
Equity holders of the Company		**4,239**	8,087
Non-controlling interest		**(46)**	(112)
		4,193	7,975
Total comprehensive income attributable to:			
Equity holders of the Company		**3,649**	8,239
Non-controlling interest		**(76)**	(123)
		3,573	8,116
Earnings/(loss) per share			
Basic earnings/(loss) per share (euro cent):	25		
Continuing		**46.0**	14.7
Discontinued		**(4.2)**	65.0
		41.8	79.7
Diluted earnings/(loss) per share (euro cent):	25		
Continuing		**45.4**	14.7
Discontinued		**(4.1)**	64.4
		41.3	79.1

The notes on pages 35 to 92 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of financial position
as at 31 December 2013

	Note	2013 €'000	2012 €'000
Assets			
Property, plant and equipment	14	**14,806**	16,025
Investment property	16	**24,389**	25,675
Goodwill	15	**3,633**	3,633
Intangible assets	15	**532**	534
Investment in associates	17	**23,580**	21,549
Other investments	18	**813**	667
Prepayment	21	**191**	192
Total non-current assets		**67,944**	68,275
Inventories	20	**4,783**	5,409
Trade and other receivables	21	**29,839**	38,603
Total current assets		**34,622**	44,012
Total assets		**102,566**	112,287
Equity			
Share capital	24	**1,337**	1,337
Share premium	24	**2,975**	2,975
Other reserves	24	**914**	1,495
Retained earnings		**55,072**	52,486
Total equity attributable to equity holders of the Company		**60,298**	58,293
Non-controlling interest		**1,468**	675
Total equity		**61,766**	58,968
Liabilities			
Loans and borrowings	26	**13,487**	14,784
Deferred income	29	**138**	1,020
Derivatives	29	**3,925**	3,856
Deferred tax liabilities	19	**3,567**	4,316
Total non-current liabilities		**21,117**	23,976
Trade and other payables	29	**17,048**	21,880
Bank overdraft	22	**1,135**	4,318
Loans and borrowings	26	**1,288**	2,905
Current tax		**212**	240
Total current liabilities		**19,683**	29,343
Total liabilities		**40,800**	53,319
Total equity and liabilities		**102,566**	112,287

The notes on pages 35 to 92 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Company statement of financial position
as at 31 December 2013

	Note	2013 €'000	2012 €'000
Assets			
Property, plant and equipment	14	**3,169**	3,238
Investment property	16	**21,184**	22,131
Intangible assets	15	**17**	19
Investment in associates	17	**6,055**	6,455
Other investments	18	**4,155**	4,065
Total non-current assets		**34,580**	35,908
Trade and other receivables	21	**12,511**	15,608
Bank	22	**-**	626
Total current assets		**12,511**	16,234
Total assets		**47,091**	52,142
Equity			
Share capital	24	**1,337**	1,337
Share premium	24	**2,975**	2,975
Revaluation reserve	24	**616**	616
Share option reserve	24	**194**	389
Other reserves	24	**143**	(159)
Retained earnings		**3,782**	13,602
Total equity		**9,047**	18,760
Liabilities			
Loans and borrowings	26	**13,400**	14,600
Derivatives	29	**3,925**	3,856
Deferred income	29	**3**	3
Deferred tax liabilities	19	**2,272**	3,099
Total non-current liabilities		**19,600**	21,558
Trade and other payables	29	**8,092**	8,943
Bank overdraft	22	**9,151**	-
Loans and borrowings	26	**1,200**	2,797
Current tax		**1**	84
Total current liabilities		**18,444**	11,824
Total liabilities		**38,044**	33,382
Total equity and liabilities		**47,091**	52,142

The notes on pages 35 to 92 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of changes in equity
for the year ended 31 December 2013

	Note	Share capital €'000	Share premium €'000	Translation reserve €'000	Reserve for own shares €'000	Revaluation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2013		1,337	2,975	(2,715)	(348)	4,169	-	389	52,486	58,293	675	58,968
Total comprehensive income for the year												
Profit/(loss) for the year		-	-	-	-	-	-	-	4,239	4,239	(46)	4,193
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	(179)	-	-	-	-	-	(179)	(30)	(209)
Currency translation adjustment in associate undertaking		-	-	(509)	-	-	-	-	-	(509)	-	(509)
Net Change in fair value of available for sale financial assets, net of tax		-	-	-	-	-	98	-	-	98	-	98
Other comprehensive income		-	-	(688)	-	-	98	-	-	(590)	(30)	(620)
Total comprehensive income for the year		**-**	**-**	**(688)**	**-**	**-**	**98**	**-**	**4,239**	**3,649**	**(76)**	**3,573**
Transactions with owners recorded directly in equity												
Changes in ownership interests												
Sale of non-controlling interest	31	-	-	-	-	-	-	-	(324)	(324)	899	575
Total changes in ownership interests		-	-	-	-	-	-	-	(324)	(324)	899	575
Contributions by and distributions to owners												
Dividends paid	24	-	-	-	-	-	-	-	(1,625)	(1,625)	(30)	(1,655)
Acquisition of treasury shares		-	-	-	(148)	-	-	-	-	(148)	-	(148)
Shared based payments	28	-	-	-	352	-	-	(195)	296	453	-	453
Total contributions by and distributions to owners		-	-	-	204	-	-	(195)	(1,329)	(1,320)	(30)	(1,350)
Balance at 31 December 2013		**1,337**	**2,975**	**(3,403)**	**(144)**	**4,169**	**98**	**194**	**55,072**	**60,298**	**1,468**	**61,766**

The notes on pages 35 to 92 are an integral part of these consolidated financial statements.

	Note	Share capital €'000	Share premium €'000	Translation reserve €'000	Reserve for own shares €'000	Revaluation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2012		1,337	2,975	(2,787)	(348)	4,169	-	374	45,942	51,662	829	52,491
Total comprehensive income for the year												
Profit/(loss) for the year		-	-	-	-	-	-	-	8,087	8,087	(112)	7,975
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	(90)	-	-	-	-	-	(90)	(11)	(101)
Currency translation adjustment in associate undertaking		-	-	162	-	-	-	-	-	162	-	162
Defined benefit plan actuarial gains and (losses), net of tax		-	-	-	-	-	-	-	80	80	-	80
Other comprehensive income		-	-	72	-	-	-	-	80	152	(11)	141
Total comprehensive income for the year		**-**	**-**	**72**	**-**	**-**	**-**	**-**	**8,167**	**8,239**	**(123)**	**8,116**
Transactions with owners recorded directly in equity												
Contributions by and distributions to owners												
Dividends paid	24	-	-	-	-	-	-	-	(1,623)	(1,623)	(31)	(1,654)
Shared based payments	28	-	-	-	-	-	-	15	-	15	-	15
Total contributions by and distributions to owners		-	-	-	-	-	-	15	(1,623)	(1,608)	(31)	(1,639)
Balance at 31 December 2012		**1,337**	**2,975**	**(2,715)**	**(348)**	**4,169**	**-**	**389**	**52,486**	**58,293**	**675**	**58,968**

The notes on pages 35 to 92 are an integral part of these consolidated financial statements.

Company statement of changes in equity
for the year ended 31 December 2013 continued

	Note	Share 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 January 2012		1,337	2,975	(348)	189	616	374	8,196	13,339
Profit for the year		-	-	-	-	-	-	6,949	6,949
Defined benefit plan actuarial gains and (losses), net of tax		-	-	-	-	-	-	80	80
Total comprehensive income for the year		-	-	-	-	-	-	7,029	7,029
Dividends to equity holders		-	-	-	-	-	-	(1,623)	(1,623)
Share-based payments	28	-	-	-	-	-	15	-	15
Balance at 31 December 2012		1,337	2,975	(348)	189	616	389	13,602	18,760
Loss for the year		-	-	-	-	-	-	(8,491)	(8,491)
Net change in fair value of available for sale financial assets, net of tax		-	-	-	98	-	-	-	98
Total comprehensive income for the year		-	-	-	98	-	-	(8,491)	(8,393)
Dividends to equity holders		-	-	-	-	-	-	(1,625)	(1,625)
Acquisition of treasury shares		-	-	(148)	-	-	-	-	(148)
Share-based payments	28	-	-	352	-	-	(195)	296	453
Balance at 31 December 2013		**1,337**	**2,975**	**(144)**	**287**	**616**	**194**	**3,782**	**9,047**

The notes on pages 35 to 92 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2013

	Note	2013 €'000	2012 €'000
Cash flows from operating activities			
Profit for the year		**4,193**	7,975
Adjustments for:			
Depreciation	14	**1,272**	1,378
Amortisation of intangibles	15	**105**	103
Non-cash defined benefit scheme settlement gain	27	**-**	(153)
Change in fair value of investment property	16	**297**	169
Defined benefit pension scheme service cost	27	**-**	18
Net finance expense		**1,238**	3,624
Share of profit of associates		**(2,934)**	(3,817)
Gain on sale of property, plant and equipment	7	**(19)**	(42)
Gain on sale of investment property		**(60)**	-
Gain on disposal of discontinued operations	23	**-**	(7,284)
Equity-settled share-based payment transactions	28	**18**	15
Income tax (benefit)/expense		**(538)**	304
Change in inventories		**620**	795
Change in trade and other receivables		**5,929**	(4,798)
Change in trade and other payables		**(5,596)**	3,476
		4,525	1,763
Interest paid		**(545)**	(807)
Defined benefit pension contributions paid		**-**	(46)
Income tax (paid)/refunded		**(281)**	41
Net cash from operating activities		**3,699**	951
Cash flows from investing activities			
Interest received		**29**	119
Dividends received		**29**	3
Drawdown of grant		**-**	40
Proceeds from sale of property, plant and equipment		**206**	112
Proceeds from repayment of loan stock in associate	17	**406**	780
Proceeds from disposals of discontinued operations		**2,500**	12,933
Proceeds from disposal of investment property		**1,040**	-
Acquisition of subsidiaries		**(264)**	(380)
Acquisition of treasury shares		**(148)**	-
Exercise of share options		**435**	-
Acquisition of property, plant and equipment		**(330)**	(833)
Acquisition of intangibles		**(109)**	(171)
Net cash generated from investing activities		**3,794**	12,603
Cash flows from financing activities			
Drawdown of borrowings		**-**	-
Repayment of borrowings		**(2,797)**	(3,902)
Payment of finance lease liabilities		**(117)**	(75)
Dividend paid to non-controlling interest		**(30)**	(31)
Dividends paid	24	**(1,625)**	(1,623)
Net cashflow from financing activities		**(4,569)**	(5,631)
Net increase/(decrease) in cash and cash equivalents		**2,924**	7,923
Cash and cash equivalents at 1 January		**(4,318)**	(12,200)
Effect of exchange rate fluctuations on cash held		**259**	(41)
Cash and cash equivalents at 31 December	22	**(1,135)**	(4,318)

The notes on pages 35 to 92 are an integral part of these consolidated financial statements.

Company statement of cash flows
for the year ended 31 December 2013

	Note	2013 €'000	2012 €'000
Cash flows from operating activities			
Profit for the year		(8,629)	6,949
Adjustments for:			
Depreciation	14	59	66
Amortisation	15	2	9
Non-cash defined benefit scheme settlement gain	27	-	(153)
Change in fair value of investment property	16	147	149
Net finance expense		218	3,204
Gain on sale of investment property		(48)	-
Equity-settled share-based payment transactions	28	18	15
Profit on disposal of fixed assets		(19)	-
Income tax (benefit)/expense		(965)	173
Defined benefit pension scheme charge		-	18
Gain on disposal of discontinued operations		-	(10,930)
Change in inventories		-	1,703
Change in trade and other receivables		629	(2,746)
Change in trade and other payables		(920)	2,520
		(9,508)	977
Interest paid		(678)	(835)
Defined benefit pension scheme contribution		-	(46)
Income tax paid		(2)	(2)
Net cash from operating activities		(10,188)	94
Cash flows from investing activities			
Interest received		27	118
Dividend received		563	563
Proceeds from sale of property, plant & equipment		14	-
Proceeds from repayment of loan in associate	17	406	780
Acquisition of property, plant and equipment		(4)	(5)
Proceeds from disposals of discontinued operations		2,500	12,933
Proceeds from disposal of investment property		1,040	-
Acquisition of treasury shares		(148)	-
Exercise of share options		435	-
Net cash generated from investing activities		4,833	14,389
Cash flows from financing activities			
Drawdown of borrowings		-	-
Repayment of borrowings		(2,797)	(3,902)
Dividends paid	24	(1,625)	(1,623)
Net cashflow from financing activities		(4,422)	(5,525)
Net increase/(decrease) in cash and cash equivalents		(9,777)	8,958
Cash and cash equivalents at 1 January		626	(8,332)
Cash and cash equivalents at 31 December	22	(9,151)	626

The notes on pages 35 to 92 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Notes to the consolidated financial statements continued

1. Reporting entity

Donegal Investment Group plc (the "Company") is a Company incorporated and tax resident in the Republic of Ireland. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 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 management and distribution of farm inputs and dairy products (the liquid and trade milk and agri-stores businesses were disposed of on 13 January 2012), the development and sale of produce and the sale of property.

Following the passing of resolutions relating to the name change which were proposed to shareholders at the Company's Annual General Meeting held on 3 July 2013, the Board of Donegal Creameries plc received the approval of the Registrar of Companies in Ireland to change its name to Donegal Investment Group plc effective 8 July 2013.

The consolidated and Company financial statements were authorised for issuance on 26 May 2014.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2013 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 Acts 1963 to 2013, which permits a Company that publishes its consolidated and Company financial statements together to take advantage of the exemption in Section 148(8) of the Companies Act, 1963 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 periods ending on or before 31 December 2013.

(b) Basis of preparation

The financial statements are presented in euro, which is the Group'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, defined benefit obligation and investment property.

The accounts have been prepared on the going concern basis. The directors are aware that certain of the Group's debt falls due for repayment in January 2015, but do not anticipate there to be any issue with regard to the availability of ongoing debt funding being available.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with EU IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

(d) Changes in accounting policies

Detailed below is a list of standards and interpretations which were required to be adopted from 1 January 2013.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12);
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1);
- IFRS 13 Fair Value Measurement;
- IAS 19 Employee Benefits (2011);
- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7);
- Annual Improvements to IFRSs 2009 – 2011 Cycle (issued May 2012).

2. Basis of preparation continued

(d) Changes in accounting policies continued

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that may be reclassified to profit or loss in the future from those that would never be reclassified. Tax impacts have also been so allocated. Comparative information has been represented accordingly. The adoption of the Amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

The Group's defined benefit pension scheme was wound up with effect from the 31 July 2012. The 2012 results have not been restated to implement the changes set out in IAS 19 as the impact would not have been material.

For all other changes to standards as detailed 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.

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) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

(ii) 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.

(iii) 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.

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(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.

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 as described below.

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(m).

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)), are recognised in other comprehensive income and presented in the fair value reserve in equity.
When an investment is derecognised, the cumulative gain or loss in equity is transferred to 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

An associate of the Group holds derivative financial instruments to hedge its foreign currency risk exposures. Hedge accounting is not applied to such derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. It also holds interest rate swap derivatives, for which hedge accounting is not applied. Changes in the fair value of these derivatives are recognised in profit or loss as part of the share of profit or loss of the associate.

(d) Share capital

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.

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, is net of any tax effects, recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

(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.

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.

3. Significant accounting policies continued

(e) Property, plant and equipment continued

(ii) 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.

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

(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
• tanks	6 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 is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, 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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(f) Intangible assets continued

(i) Goodwill continued

Acquisitions prior to 1 January 2006

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2006. In respect of acquisitions prior to 1 January 2006 goodwill represents the amount recognised under the Group's previous accounting framework, Irish GAAP.

Acquisitions on or after 1 January 2006 to 31 December 2009

For acquisitions on or after 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, a bargain purchase gain is recognised immediately 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) 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.

(iii) 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.

(iv) 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
• licenses	50 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) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3. Significant accounting policies continued

(h) Impairment continued

(i) Financial assets continued

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income is reclassified to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) 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.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans immediately.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(i) Employee benefits continued

(iii) Equity settled share-based payment transactions
The grant date fair value of equity settled options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest as a result of failure to meet the related service and non-market conditions.

(j) 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.

(k) 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 in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. 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.

(iii) 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.

(l) Lease payments

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

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

(m) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale debt securities), dividend income, the expected return on defined benefit pension assets, 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 as it accrues 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, interest on defined benefit pension scheme liabilities and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3. Significant accounting policies continued

(n) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

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

Deferred tax is provided using the balance sheet method, providing for 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: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit 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 reporting date. Deferred tax assets and liabilities are offset, where they are in the same jurisdiction.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(o) 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 period to acquire property, plant and equipment, and intangible assets other than goodwill, including amounts arising in business combinations.

(p) 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 operations 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 re-presented as if the operation had been discontinued from the start of the comparative period.

(q) 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 period, 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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(r) 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.

(s) 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 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 Comprehensive Income and notes to the Group Financial Statements as exceptional items. Exceptional items are included within the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

(t) New standards and interpretations not yet adopted

A number of new EU endorsed standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The Group is still reviewing the impact of the upcoming standards to determine their impact.

1. *IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities.* In addition, it also issued IAS 27 Separate Financial Statements (2011), which supersedes IAS 27 (2008) and IAS 28 Investments in Associates and Joint Ventures (2011), which supersedes IAS 28 (2008).

   IFRS 10 establishes a new control-based model for consolidation that replaces the existing requirements of both IAS 27 and SIC-12 Consolidation- Special Purpose Entities. Under the new requirements an investor controls an investee when (i) it has exposure to variable returns from that investee (ii) it has the power over relevant activities of the investee that affect those returns and (iii) there is a link between that power and those variable returns. The standard includes specific guidance on the question of whether an entity is acting as an agent or principal in its involvement with an investee. Also it is worth noting that the assessment of control is based on all facts and circumstances and is reassessed if there is an indication that there are changes in those facts and circumstances.

   IFRS 11 replaces IAS 31 Interests in joint ventures and SIC-13 Jointly-controlled entities – nonmonetary contributions by venturers. IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. The predecessor standard, IAS 31, focused to a greater extent on the legal form to determine the presence of 'jointly controlled entities' (JCEs) which would then have been equity accounted or proportionately consolidated. IFRS 11 may result in some of these JCEs instead being seen as joint operations which will be subject to (as at present) line-by-line accounting of the underlying assets and liabilities, when additional factors (other than legal form) are taken into account. All investee entities determined under the new criteria to be 'joint ventures' will be equity accounted for, with the option for the investor to proportionally consolidate being removed from the new standard.

   IFRS 12 sets out more comprehensive disclosures relating to the nature, risks and financial effects of interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity or operation.

   IAS 27 carries forward the existing accounting and disclosure requirements for separate financial statements; the requirements of IAS 28 and IAS 31 for separate financial statements have been incorporated into IAS 27. IAS 28 previously discussed how to apply equity accounting to associates in consolidated financial statements. The revised IAS 28 continues to include that guidance but it is now extended to also apply that accounting to entities that qualify as joint ventures under IFRS 11.

3. Significant accounting policies continued

(t) New standards and interpretations not yet adopted continued

2. *Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)*
These amendments clarify:
The meaning of 'currently has a legally enforceable right of set-off', and
That some gross settlement systems may be considered equivalent to net settlement.

3. *IFRS 10 Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*
Where a parent entity meets the definition of an investment entity as set out in the IFRS 10 Amendment, that parent must now carry its investment in certain of its subsidiaries at fair value through profit or loss; it is no longer allowed to consolidate them. The Amendment sets out various detailed criteria that need to be considered to determine if a parent falls into scope of this Amendment.

4. *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*
The IASB has issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. Early application is permitted by the IASB, which means that the amendments can be adopted at the same time as IFRS 13.

5. *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)*
The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

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
An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values 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 between a willing buyer and a willing seller in an arm's length transaction 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. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

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

(ii) Investments in equity and debt securities
The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. Where investments do not have a quoted bid price their fair value is estimated by the directors based on other information available at the reporting date.

Notes to the consolidated financial statements continued

4. Determination of fair values continued

(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, then 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).

The fair value of written options issued over Group investments is measured using a Black Scholes option pricing model.

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

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

5. Financial risk management

Overview
The Group has exposure to the following risks:

- credit risk;
- liquidity risk;
- market risk;
- currency risk; and
- commodity risk

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.

5. Financial risk management continued

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 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 incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

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 December 2013 the Group had committed bank facilities of €26.6 million (2012: €24.4 million), including an overdraft facility of €12 million (2012: €7 million) 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 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. All such transactions are carried out within the guidelines set by the Audit Committee.

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 and no derivatives are entered into.

Commodity risk

Commodity risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. The Group's approach to managing commodity risk is to ensure the commodity procurement policy in respect of forward purchasing is consistently applied across the Group and risks are considered and analysed in applying the commodity strategy.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not capable of net settlement.

Capital management

The Group considers that its capital comprises share capital, share premium, retained earnings and other reserves (excluding the translation, fair value, non-controlling interest and share options reserves) which amounted to €63.4 million at 31 December 2013 (2012: €60.6 million).

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 monitors 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 monitors the level of dividends to ordinary shareholders.

Notes to the consolidated financial statements continued

5. Financial risk management continued

Capital management continued

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for awarding shares under the Group's share option programme. Buy and sell decisions are made on a specific transaction basis by the executive directors based on criteria set by the Board of Directors. The Group does not have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Segment reporting

Business segments

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

Following the sale of our agri-stores and liquid milk business, the Group comprises the following reportable business segments:

- Produce: The future growth, sales and distribution of seed potatoes and organic produce.
- Food – Agri and Property: The manufacture, sale and distribution of farm inputs and dairy products and rental and sale of property assets.
- Associates: Associates is comprised of our existing investments in Monaghan Middlebrook Mushrooms, North Western Livestock Holdings and Leapgrange. Monaghan Middlebrook Mushrooms is by far the most significant associate.

Geographical segments

The Group operates in three geographical segments: the Island of 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 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, excluding expenditure relating to business combinations.

6. Segment reporting

Business segments continued

	Produce		Food-Agri & Property		Associates		Total - Group (Restated)	
	2013	2012	2013	2012	2013	2012	2013	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Group								
Total revenues	**33,910**	33,958	**53,286**	48,073	**160,779**	150,085	**247,975**	232,116
Less: Revenue for associates	**-**	-		-	**(160,779)**	(150,085)	**(160,779)**	(150,085)
Less: Revenue from discontinued operations (note 13)	**-**	-	**(436)**	(1,785)	**-**	-	**(436)**	(1,785)
Revenue – continuing operations	**33,910**	33,958	**52,850**	46,288	**-**	-	**86,760**	80,246
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**-**	-
Segment result before exceptional items	**1,800**	939	**428**	70	**2,925**	4,515	**5,153**	5,524
Inter-segment charges	**-**	-	**249**	239	**(249)**	(239)	**-**	
Add: segmental loss from discontinued operations (note 13)	**-**	-	**420**	694	**-**	-	**420**	694
Segmental result from continuing operations before exceptional items	**1,800**	939	**1,097**	1,003	**2,676**	4,276	**5,573**	6,218
Exceptional items							**(242)**	(3,019)
Net finance costs							**(1,238)**	(1,477)
Income tax benefit/(expense)							**538**	(304)
Share option expense							**(18)**	(15)
Current pension service cost							**-**	(18)
Profit for the year – continuing operations							**4,613**	1,385

Notes to the consolidated financial statements continued

6. Segment reporting

Business segments continued

	Produce		Food-Agri & Property		Associates		Total – Group	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Segment assets	**20,322**	27,331	**58,664**	63,407	**-**	-	**78,986**	90,738
Investments in associates	**-**	-	**-**	-	**23,580**	21,549	**23,580**	21,549
Assets held for sale	**-**	-	**-**	-	**-**	-	**-**	
Total assets as reported in Group Balance Sheet	**20,322**	27,331	**58,664**	63,407	**23,580**	21,549	**102,566**	112,287
Segment liabilities	**8,787**	12,494	**8,604**	10,646	**-**	-	**17,391**	23,140
Liabilities held for sale (unallocated)							**-**	-
Bank overdraft (unallocated)							**1,135**	4,318
Derivatives (unallocated)							**3,925**	3,856
Loans and borrowings (unallocated)							**14,775**	17,689
Deferred tax (unallocated)							**3,574**	4,316
Employee benefits (unallocated)							**-**	-
Total liabilities as reported in Group Balance Sheet							**40,800**	53,319
Other segment information								
Capital expenditure	**113**	363	**279**	641	**-**	-	**392**	1,004
Depreciation and amortisation	**499**	521	**878**	960	**-**	-	**1,377**	1,481
Change in fair value of investment property and other assets	**-**	-	**151**	970	**-**	-	**151**	970
Discontinued operations								
Capital expenditure	**-**	-	**-**	-	**-**	-	**-**	-
Depreciation and amortisation	**-**	-	**-**	137	**-**	-	**-**	137

6. Segment reporting continued

Business segments continued

	Island of Ireland		Europe		Rest of world		Total - Group	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Total revenue from external customers (by origin)	**76,570**	70,367	**9,934**	9,528	**256**	351	**86,760**	80,246
Segment assets as reported in Group Balance Sheet	**96,470**	103,005	**5,859**	8,802	**237**	480	**102,566**	112,287
Capital expenditure	**279**	542	**110**	459	**3**	3	**392**	1,004

The Group is not reliant on any single customer for greater than 10% of its revenues.

7. Other income/(expenses) - continuing operations

	2013 €'000	2012 €'000
Income from investment property rentals	**957**	804
Profit on disposal of property, plant and equipment	**19**	42
Profit on disposal of investment property	**48**	-
	1,024	846
Change in fair value of investment property	**(297)**	(169)
	727	677

8. 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:

		2013 €'000	2012 €'000
Restructuring costs	a	**(251)**	(174)
Associate exceptional income/(costs), net	b	**9**	(698)
Net gain on disposal of operations	c	**-**	7,284
Change in fair value of option granted over investments	d	**-**	(2,147)
		(242)	4,265

a) Restructuring costs include redundancy costs, legal, accounting and taxation advice in respect of costs associated with restructuring the Group.

b) Associate exceptional costs include redundancy costs and income/(costs incurred) in respect of company and asset acquisitions during 2013.

c) The gain on disposal of operations is described in detail in note 23.

d) This relates to an exceptional once off charge in respect of fair value of option due to business acquisitions (see note 29).

Notes to the consolidated financial statements continued

9. Personnel expenses

Group

Employees

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

	2013 Number	2012 Number
Production	120	109
Stores	16	16
Transport	13	11
Administration	87	89
	236	225

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

	2013 €'000	2012 €'000
Wages and salaries	7,698	7,594
Social welfare costs	838	793
Pension costs (note 27)	431	451
Share option benefits (note 28)	18	15
	8,985	8,853

Included in total staff costs figures in 2013 are staff costs for discontinued activities totalling €0.2m (2012: €0.2m).

Company

Employees

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

	2013 Number	2012 Number
Administration	14	17
	14	17

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

	2013 €'000	2012 €'000
Wages and salaries	976	1,020
Social welfare costs	119	130
Pension costs	113	134
Share option benefits	18	15
	1,226	1,299

10. Statutory and other information

The profit/(loss) for the year has been arrived at after charging/(crediting) the following amounts:

	2013 €'000	2012 €'000
Grant income	(19)	(40)
Depreciation	1,272	1,378
Amortisation of intangible assets	105	103
Impairment of loan to associate	-	185
Impairment of available for sale investment	-	634
Auditor's remuneration - group:		
- audit fees	95	85
- taxation services	39	35
- other non audit services	20	10
Auditor's remuneration - company:		
- audit fees	30	30
- taxation services	10	10
- other non audit services	10	10

Amounts paid to directors are disclosed in the report of the Remuneration Committee on pages19 to 22.

11. Finance income and expense – continuing operations

	2013 €'000	2012 €'000
Recognised in profit or loss		
Interest income on bank deposits	23	103
Interest income on associate loan stock	6	15
Net foreign exchange gain	-	104
Expected rate of return on pension scheme assets	-	83
Dividends received	29	3
Finance income	58	308
Interest expense on bank loans and overdraft	(654)	(824)
Impairment of loan to associate	-	(185)
Change in fair value of option granted over investments	(69)	-
Interest on pension scheme liabilities	-	(93)
Impairment loss on trade receivables	(281)	(49)
Net foreign exchange loss	(292)	-
Impairment of available for sale investment	-	(634)
Finance expense – pre exceptional	(1,296)	(1,785)
Exceptional expense (note 8)	-	(2,147)
Net finance expense recognised in profit or loss	(1,238)	(3,624)

Notes to the consolidated financial statements continued

11. Finance income and expense – continuing operations continued

Recognised directly in other comprehensive income	2013 €'000	2012 €'000
Foreign currency translation differences for foreign operations	(209)	(101)
Finance expense recognised in other comprehensive income, net of tax	(209)	(101)
Finance expense recognised in other comprehensive income, net of tax		
Recognised in:		
Translation reserve	(179)	(90)
Non-Controlling interest	(30)	(11)
	(209)	(101)

12. Income tax (benefit)/expense – continuing operations

	2013 €'000	2012 €'000
Current tax (benefit)/expense		
Current year	398	155
Adjustment for prior years	(139)	(69)
	259	86
Deferred tax expense		
Origination and reversal of temporary differences	(797)	(64)
Change in tax rate	-	282
	(797)	218
Income tax (benefit)/expense excluding share of income tax of associates	(538)	304

In the Republic of Ireland, the CGT rate applicable to the disposal of certain capital assets increased from 30% to 33% with effect from 6 December 2012. As this rate was enacted at the balance sheet date, the deferred tax assets and liabilities relating to certain assets have been calculated using this rate at the current and prior year balance sheet dates.

In the UK, the Finance Act 2012, which was substantively enacted on 17 July 2012, amended the main rate of corporation tax to 24 % effective from 1 April 2012 and to 23% effective from 1 April 2013. Furthermore, the Finance Act 2013, which was substantively enacted on 17 July 2013, amended the main rate of corporation tax to 21% from 1 April 2014 and to 20 % effective from 1 April 2015. This will reduce the group's future current tax charge accordingly. UK deferred tax balances have been calculated based on the rate applicable to when the balance is expected to unwind.

12. Income tax (benefit)/expense – continuing operations continued

Tax reconciliation	2013 €'000	Restated 2012* €'000
Profit for year before tax – continuing activities	4,075	1,689
Adjustment for share of profit of associates	(2,934)	(3,817)
Profit/(loss) for year before tax, excluding share of profit of associates	1,141	(2,128)
Tax at 12.5% (2012: 12.5%)	143	(266)
Depreciation in excess of capital allowances	-	40
Expenses not allowable for tax purposes	9	589
Income not taxable	(217)	-
Passive income taxed at higher rate	31	1
Rental income	8	-
Deductions allowable for tax	4	(129)
Adjustment for prior years	(139)	69
Recognition of deferred tax not previously recognised	(323)	-
Losses utilised	(82)	-
Losses carried forward	28	-
Income tax (benefit)/expense	(538)	304

Income tax recognised directly in other comprehensive income	2013 €'000	2012 €'000
Available-for-sale financial assets revaluation	48	-
Defined benefit plan actuarial gains/(losses)	-	11
Total income tax recognised directly in other comprehensive income	48	11

13. Discontinued operations

During 2013, the Group has discontinued the production and sale of UHT minipot products which has been presented as a discontinued operation. The loss incurred up to the date of cessation in 2013 was €420,000 and the 2012 results have been restated to present the impact of this (2012: loss of €58,000).

On 13 January 2012 and upon receipt of Competition Authority approval, the Group completed a sale agreement to dispose of its liquid and trade milk business and agri-stores business. The proceeds of sale substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. The disposal was completed on 13 January 2012, on which date control of the liquid and trade milk business and agri-stores business passed to the acquirer. This was reflected as a discontinued operation in 2011.

On 31 December 2012, the Group disposed of its Organic-for-us business on which date control was passed to the acquirer.

Details of the assets and liabilities disposed of and the profit on disposal, are disclosed in note 23.

Notes to the consolidated financial statements continued

13. Discontinued operations continued

The revenue, results and cashflows of the Group's discontinued operations were as follows:

	2013 €'000	2012 €'000
Revenue	436	1,785
Cost of sales	(323)	(1,898)
Gross profit	113	(113)
Distribution expenses	(110)	(179)
Administration expenses	(333)	(402)
Other expenses	-	-
Loss from operating activities	(330)	(694)
Finance income	-	-
Finance expenses	(90)	-
Net finance expense	(90)	-
Loss before income tax	(420)	(694)
Income tax credit	-	-
Loss for the year from discontinued activities (excluding gain on disposal)	(420)	(694)
Loss for the year	(420)	(694)
Adjustments for:		
Depreciation	-	137
Net finance expense	90	-
Changes in inventory	(78)	50
Changes in trade & other receivables	(110)	(55)
Changes in trade & other payables	30	95
Net cash from operating activities	(488)	(467)
Cashflows from investing activities		
Proceeds from sale of property, plant & equipment	-	-
Acquisition of property, plant & equipment	-	(75)
Net cash used in investing activities	-	(75)
Net decrease in cash & cash equivalents	(488)	(542)

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 or deemed cost					
Balance at 1 January 2012	12,735	12,572	2,426	1,456	29,189
Additions	11	504	95	223	833
Disposals	-	(122)	(2)	(143)	(267)
Effect of movements in exchange rates	46	68	23	(2)	135
Balance at 31 December 2012	12,792	13,022	2,542	1,534	29,890
Balance at 1 January 2013	12,792	13,022	2,542	1,534	29,890
Additions	16	165	67	82	330
Disposals	(19)	(444)	(1,007)	(303)	(1,773)
Effect of movements in exchange rates	(40)	(72)	(26)	(11)	(149)
Balance at 31 December 2013	**12,749**	**12,671**	**1,576**	**1,302**	**28,298**
Depreciation and impairment losses					
Balance at 1 January 2012	1,952	8,228	1,505	947	12,632
Depreciation for the year	273	710	129	266	1,378
Disposals	-	(74)	(2)	(121)	(197)
Effect of movements in exchange rates	-	41	11	-	52
Balance at 31 December 2012	2,225	8,905	1,643	1,092	13,865
Balance at 1 January 2013	2,225	8,905	1,643	1,092	13,865
Depreciation for the year	258	658	171	185	1,272
Disposals	(10)	(355)	(964)	(257)	(1,586)
Effect of movements in exchange rates	(2)	(39)	(12)	(6)	(59)
Balance at 31 December 2013	**2,471**	**9,169**	**838**	**1,014**	**13,492**
Carrying amounts					
At 1 January 2012	10,783	4,344	921	509	16,557
At 31 December 2012	10,567	4,117	899	442	16,025
At 1 January 2013	10,567	4,117	899	442	16,025
At 31 December 2013	**10,278**	**3,502**	**738**	**288**	**14,806**

Leased plant and machinery
The Group leases production equipment under a number of finance lease agreements (see note 26). At 31 December 2013 the net carrying amount of leased plant and machinery was €334,000 (2012: €418,000). Depreciation charged on leased plant and machinery was €45,000 (2012:€30,000).

Land assets
The carrying value of land not subject to depreciation at 31 December 2013 was €4.8 million (2012: €4.8 million).

Notes to the consolidated financial statements continued

14. Property, plant and equipment continued

	Land and buildings €'000	Plant and equipment €'000	Fixtures and fittings €'000	Motor vehicles €'000	Total €'000
Company					
Cost or deemed cost					
Balance at 1 January 2012	3,759	446	1,158	175	5,538
Additions	-	-	5	-	5
Balance at 31 December 2012	3,759	446	1,163	175	5,543
Balance at 1 January 2013	3,759	446	1,163	175	5,543
Additions	-	-	-	4	4
Disposals	-	(311)	(723)	(117)	(1,151)
Balance at 31 December 2013	**3,759**	**135**	**440**	**62**	**4,396**
Depreciation and impairment losses					
Balance at 1 January 2012	585	363	1,158	133	2,239
Depreciation for the year	46	7	5	8	66
Balance at 31 December 2012	631	370	1,163	141	2,305
Balance at 1 January 2013	631	370	1,163	141	2,305
Depreciation for the year	29	7	-	23	59
Disposals	-	(311)	(723)	(103)	(1,137)
Balance at 31 December 2013	**660**	**66**	**440**	**61**	**1,227**
Carrying amounts					
At 1 January 2012	3,174	83	-	42	3,299
At 31 December 2012	3,128	76	-	34	3,238
At 1 January 2013	3,128	76	-	34	3,238
At 31 December 2013	**3,099**	**69**	**-**	**1**	**3,169**

The carrying value of land not subject to depreciation at 31 December 2013 was €2.8 million (2012: €2.8 million). The Company holds no finance leases (2012: Nil).

15. Intangible assets – Group

	Goodwill €'000	Software €'000	Acquisition related intangibles €'000	Total €'000
Cost				
Balance at 1 January 2012	4,815	286	311	5,412
Additions	-	171	-	171
Translation adjustment	-	(6)	-	(6)
Balance at 31 December 2012	4,815	451	311	5,577
Balance at 1 January 2013	4,815	451	311	5,577
Additions	-	62	47	109
Disposal	-	(31)	-	(31)
Translation adjustment	-	(6)	-	(6)
Balance at 31 December 2013	**4,815**	**476**	**358**	**5,649**
Amortisation and impairment losses				
Balance at 1 January 2012	1,182	123	2	1,307
Amortisation for the year	-	99	4	103
Balance at 31 December 2012	1,182	222	6	1,410
Balance at 1 January 2013	1,182	222	6	1,410
Accumulated amortisation on disposal	-	(31)	-	(31)
Amortisation for the year	-	99	6	105
Balance at 31 December 2013	**1,182**	**290**	**12**	**1,484**
Carrying amounts				
At 1 January 2012	3,633	163	309	4,105
At 31 December 2012	3,633	229	305	4,167
At 1 January 2013	3,633	229	305	4,167
At 31 December 2013	**3,633**	**186**	**346**	**4,165**

Intangible assets are amortised to the statement of comprehensive income over their estimated useful lives as follows: Software - 4 years; Acquisition related intangibles - 50 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.

	2013		2012	
	Food-Agri €'000	Produce €'000	Food-Agri €'000	Produce €'000
Goodwill at 1 January and 31 December	**3,069**	**564**	3,069	564

Notes to the consolidated financial statements continued

15. Intangible assets – Group continued

Goodwill acquired through business combinations is monitored for impairment annually by review of the performance of each individual acquisition compared to pre-acquisition objectives and budgets.

Key assumptions used to assess the recoverable amount of cash generating units and related impairment were:

- Forecasted sales and cashflows are based on management approved budgets for 2014 projected forward for an additional five years with a terminal value, based on the year five cashflows used thereafter. Growth, estimated at 5%, is based on historical organic sales data adjusted by management in their assessment of economic factors affecting the industry. Incremental profit and cashflows resulting from future acquisitions are excluded.

- Forecasted gross margin is based on historically achieved gross margin, adjusted by management in their assessment of competitive factors affecting the industry and opportunities for margin improvement.

- Forecasted cashflows for individual cash generating units are discounted at a rate of 9%, representing the Group's weighted average cost of capital.

- The Group assesses the uncertainty of the above estimates by making sensitivity analyses. The discount rate reflects the time value of money and a 20% fluctuation in the rate used would not have lead to any impairment. The business risk is included in the determination of the cashflows.

No impairment of goodwill was identified in 2013 as a result of this review (2012: Nil).

Intangible assets - Company

	Software €'000
Cost	
Balance at 1 January 2012	75
Balance at 31 December 2012	75
Balance at 1 January 2013	75
Disposals	(31)
Balance at 31 December 2013	**44**
Amortisation and impairment losses	
Balance at 1 January 2012	47
Amortisation for the year	9
Balance at 31 December 2012	56
Balance at 1 January 2013	56
Amortisation for the year	2
Disposals	(31)
Balance at 31 December 2013	**27**
Carrying amounts	
At 1 January 2012	28
At 31 December 2012	19
At 1 January 2013	19
At 31 December 2013	**17**

16. Investment property

	2013 €'000	2012 €'000
Group		
Balance at 1 January	**25,675**	25,833
Change in fair value	**(297)**	(169)
Disposal	**(980)**	-
Effect of movement in exchange rates	**(9)**	11
Balance at 31 December	**24,389**	25,675

Investment property includes the Grianan estate, student residences in Ballyraine, the Oatfield site in Letterkenny, the Bridgend property and development land in both Donegal and Northern Ireland.

	2013 €'000	2012 €'000
Company		
Balance at 1 January	**22,131**	22,280
Change in fair value	**(147)**	(149)
Additions	**180**	-
Disposal	**(980)**	-
Balance at 31 December	**21,184**	22,131

The fair values of the investment properties are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and, when relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. A table showing the range of yields applied for each type of property is included below.

	2013 Yields	2012 Yields
Land	**1%-2%**	1%-2%
Student residences	**11-12%**	11%-12%

In the absence of current prices in an active market, the valuations are generally prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the 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 of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property.

The property valuations have been prepared in a period which continues to have considerable market uncertainty. As such the fair value of investment properties has been categorised as a level 3 fair value based on the inputs to the valuation techniques used. The table above reflects a reconciliation from the opening balance to the closing balance. As outlined above, the valuation techniques used are based on comparable market transactions and discounted cashflows. The unobservable inputs in the valuations include comparable market prices of land and buildings, and rental yields, whereby an increase/(decrease) in these inputs would result in an increase/(decrease) in the fair value measurement.

Notes to the consolidated financial statements continued

17. Investment in associates

Group

The Group's share of after tax profits in its associates, primarily related to Monaghan Middlebrook Mushrooms, for the year was €2,431,000 (2012: €3,979,000).

	2013 Interest in associate €'000	2013 Loans to associate €'000	2013 Total €'000	2012 Interest in associate €'000	2012 Loans to associate €'000	2012 Total €'000
Balance at 1 January	**20,357**	**1,192**	**21,549**	16,378	2,125	18,503
Share of increase in net assets after tax	**2,431**	**-**	**2,431**	3,979	-	3,979
Interest charged	**-**	**6**	**6**	-	32	32
Repayment of loan stock in associate	**-**	**(406)**	**(406)**	-	(780)	(780)
Impairment	**-**	**-**	**-**	-	(185)	(185)
Balance at 31 December	**22,788**	**792**	**23,580**	20,357	1,192	21,549

Investments in associates comprise primarily of Monaghan Middlebrook Mushrooms and also include North Western Livestock Holdings Limited and Leapgrange Limited.

The Company has taken a shareholder claim relating to its holding in Elst (the holding company of the Monaghan Middlebrook Mushrooms business) which may (or may not) alter the nature of the Company's investment in Elst. The matter is currently before the Irish courts.

Monaghan Middlebrook Mushrooms (MMM) loan notes attract interest at market rates and are repayable over a five year period that commenced in February 2008. Loan repayments and interest charged in 2013 are included in the Group's interest in associates in the statement of financial position. The total loan notes and interest outstanding from MMM at 31 December 2013 is €Nil (2012: €0.4 million).

In 2007, the Group granted an option over 5% of Monaghan Middlebrook Mushrooms to the majority shareholder and a member of key management personnel of Monaghan Middlebrook Mushrooms exercisable if the company achieves certain performance criteria during the five year period to 31 December 2012. This option has been accounted for as a cash settled derivative and a liability of €3,925,000 (2012: €3,856,000) is recognised in derivatives in this regard.

During 2013, the Group recognised an impairment of €Nil (2012: €185,000) to the carrying value of loans to associates following a review of the recoverability of those assets. The impairment is included within finance income and expenses.

The total loan notes and interest outstanding from North Western Livestock Holdings Limited at 31 December 2013 is €0.358.million (2012: €0.352 million).

At 31 December 2013, land held as investment property by associated companies was re-valued by an independent professional valuer, resulting in an impairment of €26,000 (2012: €35,000) attributable to the Group, which is included in the share of profit of associate in the statement of comprehensive income.

17. Investment in associates continued

Summary financial information for equity accounted investees, primarily related to Monaghan Middlebrook Mushrooms, not adjusted for the percentage ownership held by the Group:

2013	Total assets €'000	Total liabilities €'000	Profit/(loss) €'000
Investments in associates	**277,636**	**179,428**	**8,396**

2012	Total assets €'000	Total liabilities €'000	Profit/(loss) €'000
Investments in associates	264,095	184,898	10,970

Company	2013 Interest in associate €'000	2013 Loans to associate €'000	2013 Total €'000	2012 Interest in associate €'000	2012 Loans to associate €'000	2012 Total €'000
Balance at 1 January	**5,263**	**1,192**	**6,455**	5,263	2,125	7,388
Interest charged	**-**	**6**	**6**	-	32	32
Repayment of loan stock in associate	**-**	**(406)**	**(406)**	-	(780)	(780)
Impairment	**-**	**-**	**-**	-	(185)	(185)
Balance at 31 December	**5,263**	**792**	**6,055**	5,263	1,192	6,455

The movements in the Company balance are explained above.

18. Other investments

	2013 €'000	2012 €'000
Group		
Non-current investments		
Available-for-sale equity investments	**813**	667

Available-for-sale equity investments include €48,700 quoted shares (2012: €48,700), prize bonds held of €100,000 (2012: €100,000) and €663,600 unquoted shares (2012: €517,600). Quoted shares have been stated at market value in the manner stated in Note 4. The fair value of unquoted shares with a carrying value of €663,600 (2012: €517,600) has been based upon recent market transactions. The directors' estimate of the fair value of the remaining unquoted shares is not significantly different from their cost, being their carrying value.

	2013 €'000	2012 €'000
Movement during the year		
Balance at 1 January	**667**	1,301
Revaluation of available for sale financial assets	**146**	-
Impairment of available for sale financial assets	**-**	(634)
Balance at 31 December	**813**	667

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

	2013 €'000	2012 €'000
Company		
Non-current investments		
Available-for-sale financial assets	**663**	517
Investments in subsidiaries	**3,492**	3,548
	4,155	4,065

	2013 Available-for-sale investments €'000	2013 Investments in subsidiaries €'000	2013 Total €'000	2012 Available-for-sale investments €'000	2012 Investments in subsidiaries €'000	2012 Total €'000
Movement during the year						
Balance at 1 January	**517**	**3,548**	**4,065**	1,274	4,498	5,772
Revaluation of available-for-sale financial assets	**146**	**-**	**146**	(757)	-	(757)
Impairment	**-**	**-**	**-**	-	(20)	(20)
Deferred consideration	**-**	**(56)**	**(56)**	-	-	-
Disposal	**-**	**-**	**-**	-	(930)	(930)
Balance at 31 December	**663**	**3,492**	**4,155**	517	3,548	4,065

Available-for-sale equity investments include €49,000 quoted shares (2012: €49,000), prize bonds held of €100,000 (2012: €100,000) and €514,000 unquoted shares (2012: €368,000). Quoted shares have been stated at market value in the manner stated in Note 4 and Note 30. The director's estimate of the fair value of the remaining unquoted shares is not significantly different from their cost, being their carrying value.

19. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Property, plant and equipment	-	-	(1,316)	(1,059)	(1,316)	(1,059)
Investment property	-	-	(2,618)	(3,666)	(2,618)	(3,666)
Available-for-sale financial assets	343	361	-	-	343	361
Employee benefit plans	-	-	-	-	-	-
Share-based payments	24	48	-	-	24	48
Deferred tax assets/(liabilities)	367	409	(3,934)	(4,725)	(3,567)	(4,316)
Set off of tax	(367)	(409)	367	409	-	-
Net deferred tax liabilities	-	-	(3,567)	(4,316)	(3,567)	(4,316)

Group

Unrecognised deferred tax assets

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

	2013 €'000	2012 €'000
Tax losses	1,966	1,785

Deferred tax assets have not been recognised in respect of certain tax losses carried forward because it is not probable that future taxable profit will be available against which the relevant Group entity can utilise the benefits there from.

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Property, plant and equipment	-	-	(714)	(717)	(714)	(717)
Investment property	-	-	(1,895)	(2,791)	(1,895)	(2,791)
Available for sale financial asset	313	361	-	-	313	361
Employee benefits	-	-	-	-	-	-
Share-based payments	24	48	-	-	24	48
Deferred tax assets/(liabilities)	337	409	(2,609)	(3,508)	(2,272)	(3,099)
Set off of tax	(337)	(409)	337	409	-	-
Net tax liabilities	-	-	(2,272)	(3,099)	(2,272)	(3,099)

Unrecognised deferred tax assets

The Company had no unrecognised deferred tax assets or liabilities at 31 December 2013 (2012: € Nil).

Notes to the consolidated financial statements continued

19. Deferred tax assets and liabilities continued

€'000	Balance 1 Jan 12	Recognised in profit or loss	Recognised In other comprehensive income	Balance at 31 Dec 12	Recognised in profit or loss	Recognised In other comprehensive income	Balance at 31 Dec 13
Group							
Property, plant and equipment	(997)	(62)	-	(1,059)	(257)	-	**(1,316)**
Investment property	(3,342)	(324)	-	(3,666)	1,048	-	**(2,618)**
Available-for-sale financial assets	105	256	-	361	30	(48)	**343**
Employee benefit plans	100	(89)	(11)	-	-	-	**-**
Share based payment	47	1	-	48	(24)	-	**24**
Tax losses carried forward	-	-	-	-	-	-	**-**
	(4,087)	(218)	(11)	(4,316)	797	(48)	**(3,567)**

€'000	Balance 1 Jan 12	Recognised in profit or loss	Recognised In other comprehensive income	Balance at 31 Dec 12	Recognised in profit or loss	Recognised In other comprehensive income	Balance at 31 Dec 13
Company							
Property, plant and equipment	(628)	(89)		(717)	3		**(714)**
Investment property	(2,632)	(159)	-	(2,791)	896	-	**(1,895)**
Available for sale financial asset	102	259	-	361	9	(57)	**313**
Employee benefit plans	100	(89)	(11)	-	-	-	**-**
Share based payment	47	1	-	48	(24)	-	**24**
	(3,011)	(77)	(11)	(3,099)	884	(57)	**(2,272)**

20. Inventories

Group	2013 €'000	2012 €'000
Dairy	**80**	48
Animal feeds	**2,041**	2,880
Packaging and other stocks	**1,776**	1,696
Biological assets	**886**	785
	4,783	5,409

Inventories impairment	2013 €'000	2012 €'000
Balance at 1 January	**-**	100
Impairment reversal	**-**	(100)
Balance at 31 December	**-**	-

In 2013, the impairment of inventories to net realisable value amounted to € Nil (2012: €Nil). The impairment is included in cost of sales. Total inventory costs of €59,015,000 (2012: €63,303,000) were charged to the statement of comprehensive income.

21. Trade and other receivables

	2013 €'000	2012 €'000
Group		
Current trade and other receivables		
Trade receivables	**26,782**	33,210
Other receivables due from related parties	**41**	105
Value added tax	**900**	873
Other receivables	**599**	3,099
Prepayments	**1,517**	1,316
	29,839	38,603
Non-current trade and other receivables		
Long leasehold interest prepaid	**191**	192
	30,030	38,795

	2013 €'000	2012 €'000
Company		
Trade receivables	**2,184**	2,529
Other receivables due from related parties	**9,938**	10,244
Other receivables	**55**	2,500
Prepayments	**334**	335
	12,511	15,608

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

Notes to the consolidated financial statements continued

22. Cash and cash equivalents

	2013 €'000	2012 €'000
Group		
Bank balances including overdrafts due within one year, net	**(1,135)**	(4,318)

	2013 €'000	2012 €'000
Company		
Bank balances including overdrafts due within one year, net	**(9,151)**	626

There is a Group facility with our bank which allows for legal offset of the Group and subsidiary bank balances. The Group's and Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 30.

23. Disposal of discontinued operations

During 2013, the Group discontinued the production and sale of UHT minipot products (see note 13). There was no disposal of assets as part of this business transaction.

On 13 January 2012, the Group disposed of its interest in the liquid and trade milk business by way of a sale of its shareholding in Glenveagh Agricultural Co-Operative Society Limited. On the same date, the Group also disposed of its agri-stores business by way of a sale of the business operated by Donegal Investment Group Plc and the sale of its shareholding in Maybrook Dairy (Omagh) Limited. On 31 December 2012 the Group disposed of its interest in the Organic-for-Us brand. The losses for the year ended 31 December 2012 are disclosed within discontinued operations in the income statement (see note 13). The following is a breakdown of disposal of operations in the year:

	2012 €'000
Redundancy costs	**(194)**
Gain on disposal of operations	**7,478**
Net gain on disposal of operations	**7,284**

(i) Gain on disposal of operations

The gain on the transactions arose as follows:

Net assets transferred	€'000
Intangible assets	**1,116**
Property, plant & equipment	**3,705**
Working capital	**4,672**
Deferred tax	**(96)**
Total net assets	**9,397**
Consideration including contingent consideration receivable, net of transaction costs incurred	**(16,875)**
Gain on disposal of operations in year	**(7,478)**

Deferred contingent consideration receivable is based on the operating and financial performance of the liquid and trade milk businesses during the year to 31 December 2012 and has been paid subsequent to the year end.

24. Capital and reserves

Share capital and share premium

	Ordinary shares 2013 Number	Ordinary shares 2012 Number
In issue at 1 January - Ordinary shares of 13 cent each	**10,285,590**	10,285,590
In issue at 31 December - Ordinary shares of 13 cent each	**10,285,590**	10,285,590

The Group also has issued share options (see note 28).

At 31 December 2013, the authorised share capital comprised 50,000,000 ordinary shares of 13 cent each. (2012: 50,000,000). All issued shares are fully paid.

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

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.

Fair value reserve

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

Revaluation reserve

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

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2013, the Group held 37,611 of the Company's shares (2012: 143,835). This represented 0.4% (2012: 1.4%) of the issued share capital of the Company. The distribution of retained earnings is restricted by the value of own shares held.

Share option reserve

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

Dividends

The following dividends were declared and paid by the Group:

	2013 €'000	2012 €'000
€0.16 per qualifying ordinary share (2012: €0.16)	**1,625**	1,623

A final dividend for 2012 of €0.09 cent per share was paid on 23 August 2013. An interim dividend for 2013 of €0.07 per share was paid on 6 December 2013.

After 31 December 2013 dividends of €0.09 per qualifying share were proposed by the directors for 2013. The proposed dividends have not been provided for and there are no income tax consequences.

Notes to the consolidated financial statements continued

25. Earnings/(loss) per share

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

Profit attributable to ordinary shareholders

	2013 €'000	2012 €'000
Profit/(loss) for the year – continuing operations	4,613	1,385
Profit/(loss) for the year – discontinued operations	(420)	6,590
Profit/(loss) for the year	4,193	7,975
Profit/(loss) attributable to ordinary shareholders	4,239	8,087

Weighted average number of ordinary shares In thousands of shares

	2013 €'000	2012 €'000
Weighted average number of ordinary shares in issue for the year	10,286	10,286
Weighted average number of treasury shares	(155)	(144)
Denominator for basic earnings per share	10,131	10,142
Effect of share options in issue	130	87
Weighted average number of ordinary shares (diluted) at 31 December	10,261	10,229

The Group purchased 38,776 treasury shares at a total price of €148,000 including transaction costs, in a number of transactions, intended to be used to settle the Group share option scheme.

Earnings/(loss) per share	2013	2012
Basic earnings/(loss) per share (euro cent):		
Continuing	46.0	14.7
Discontinued	(4.2)	65.0
	41.8	79.7
Diluted earnings/(loss) per share (euro cent):		
Continuing	45.4	14.7
Discontinued	(4.1)	64.4
	41.3	79.1

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.

	2013 €'000	2012 €'000
Non-current liabilities		
Secured bank loans	**13,400**	14,600
Finance lease liabilities	**87**	184
	13,487	14,784
Current liabilities		
Secured bank loans	**1,200**	2,797
Finance lease liabilities	**88**	108
	1,288	2,905
Total	**14,775**	17,689

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	Face value €'000	Carrying amount €'000	31 Dec 2013 Face value €'000	31 Dec 2012 Carrying amount €'000
Secured bank loan	eur	Euribor+1.50%	2013	-	-	1,597	1,597
Secured bank loan	eur	Euribor+2.20%	2015	**11,000**	**11,000**	11,000	11,000
Secured bank loan	eur	Euribor+2.25%	2016	**1,800**	**1,800**	2,400	2,400
Secured bank loan	eur	Euribor+3.00%	2016	**1,800**	**1,800**	2,400	2,400
Finance lease liabilities	eur	6%	2015	**189**	**175**	315	292
Total interest-bearing liabilities				**14,789**	**14,775**	17,712	17,689

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2013 €'000	Interest 2013 €'000	Present value of minimum lease payments 2013 €'000	Future minimum lease payments 2012 €'000	Interest 2012 €'000	Present value of minimum lease payments 2012 €'000
Less than one year	**95**	**7**	**88**	116	8	108
Between one and five years	**94**	**7**	**87**	199	15	184
	189	**14**	**175**	315	23	292

Notes to the consolidated financial statements continued

26. Loans and borrowings continued

Company	2013 €'000	2012 €'000
Non-current liabilities		
Secured bank loans	**13,400**	14,600
Current liabilities		
Secured bank loans	**1,200**	2,797
Total	**14,600**	17,397

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 Dec 2013 Face value €'000	31 Dec 2013 Carrying amount €'000	31 Dec 2012 Face value €'000	31 Dec 2012 Carrying amount €'000
Secured bank loan	eur	Euribor+1.50%	2013	**-**	**-**	1,597	1,597
Secured bank loan	eur	Euribor+1.50%	2015	**11,000**	**11,000**	11,000	11,000
Secured bank loan	eur	Euribor+2.25%	2016	**1,800**	**1,800**	2,400	2,400
Secured bank loan	eur	Euribor+3.00%	2016	**1,800**	**1,800**	2,400	2,400
Total interest-bearing liabilities				**14,600**	**14,600**	17,397	17,397

27. Employee benefits

The Group did not operate a defined benefit scheme during the year. The Group's defined benefit scheme was wound up with effect from 31 July 2012.

The Group also operates four defined contributions schemes, one in the Company and three in subsidiaries.

The assets of the schemes are held separately from those of the Companies in independently administered funds. The pension cost charge represents contributions payable by the companies to the funds and totalled €431,000 (2012: €433,000). At 31 December 2013, €33,700 (2012: €19,400) was included within creditors in respect of defined contribution pension liabilities.

27. Employee benefits continued

The full cost of employee pension costs recognised in the consolidated income statement was as follows:

	2013 €'000	2012 €'000
Defined benefit scheme, net	-	(125)
Defined contribution scheme costs	431	433
Total	431	309

Group and Company

	2013 €'000	2012 €'000
Present value of funded obligations	-	(663)
Fair value of plan assets	-	663
Recognised liability for defined benefit obligations	-	-

Up to date of wind up, the Group made contributions to a non-contributory defined benefit plan that provides pension for employees upon retirement. Plans entitle a retired employee to receive an annual payment equal to 1/60 of final salary for each year of service that the employee provided.

	2013 €'000	2012 €'000
Plan assets comprise:		
Cash	-	663
	-	663

Notes to the consolidated financial statements continued

27. Employee benefits continued

Movement in the present value of the defined benefit obligations

	2013 €'000	2012 €'000
Defined benefit obligations at 1 January	663	2,885
Benefits paid by the plan	(663)	(2,236)
Current service costs	-	18
Interest on obligation	-	93
Employee contributions	-	6
Administration fees	-	(55)
Actuarial gains recognised in other comprehensive income	-	105
Settlement gain	-	(153)
Defined benefit obligations at 31 December	-	663

Movement in the present value of plan assets

	2013 €'000	2012 €'000
Fair value of plan assets at 1 January	663	2,628
Contributions paid into the plan	-	46
Benefits paid by the plan	(663)	(2,236)
Expected return on plan assets	-	83
Actuarial gains/losses recognised in other comprehensive income	-	198
Administration fees	-	(56)
Fair value of plan assets at 31 December	-	663

Expense recognised in profit or loss

	2013 €'000	2012 €'000
Current service costs	-	18
Interest on obligation	-	93
Expected return on plan assets	-	(83)
Settlement gain	-	(153)
	-	(125)

The expense is recognised in the following line items in the income statement:

	2013 €'000	2012 €'000
Cost of sales	-	(13)
Finance income/(expense)	-	(10)
Administrative expenses	-	148
	-	125
Actual return on plan assets	-	281

27. Employee benefits continued

Actuarial gains and losses recognised directly in other comprehensive income

	2013 €'000	2012 €'000
Cumulative gain at 1 January	**(612)**	(703)
Recognised during the year	**-**	91
Cumulative gain at 31 December	**(612)**	(612)

Historical information

	2012 €'000	2011 €'000	2010 €'000	2009 €'000
Present value of the defined benefit obligation	(663)	(2,885)	(3,651)	(3,331)
Fair value of plan assets	663	2,628	3,123	2,595
Deficit in the plan	-	(257)	(528)	(736)
Experience (losses)/gains arising on plan liabilities	(105)	97	12	176
Experience adjustments arising on plan assets	198	(322)	160	318

28. 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. On 1 May 2006, 150,000 options were granted under this scheme which lapsed during the year. On 28 May 2007 120,000 options were granted of which 30,000 were forfeited in 2008. On 22 October 2009, 215,000 options were granted under the scheme, 145,000 of which were exercised during 2013. A further 150,000 were granted on 1 October 2013. In accordance with this programme, options granted in 2006 and 2007 are exercisable at the market price of the shares at the date of grant. Options granted in 2009 are exercisable at a price of €3. Options granted in 2013 are exercisable at a price of €4.70. 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.

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

Grant date	Number of instruments in thousands	Vesting conditions	Contractual life of options
Option grant on 1 May 2006	150	3 years' service	7 years
Option grant on 28 May 2007 (net)	90	3 years' service	7 years
Option grant on 22 October 2009	215	3 years' service	7 years
Option grant on 1 October 2013	150	3 years' service	7 years
Total share options	**605**		

At 31 December 2013 there were 67,000 (2012: 67,000) options outstanding with a grant date pre 7 November 2002.

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:

In thousands of options	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Outstanding at 1 January:				
Pre 2002 options	**€0.13**	**67**	€0.13	67
Options issued in 2006	**€4.35**	**150**	€4.35	150
Options issued in 2007	**€6.90**	**90**	€6.90	90
Options issued in 2009	**€3.00**	**215**	€3.00	215
	€4.22	**522**	€4.22	522
Options issued during the year	**€4.70**	**150**	-	-
Options exercised	**€3.00**	**(145)**	-	-
Options lapsed	**€4.35**	**(150)**	-	-
Options forfeited	**€3.00**	**(5)**	-	-
Outstanding at 31 December	**€4.11**	**372**	€4.22	522
Exercisable at 31 December:	**€0.13**	**67**	€0.13	67
	-	**-**	€4.35	150
	€6.90	**90**	€6.90	90
	€3.00	**65**	€3.00	215

The options outstanding at 31 December 2013 have an exercise price in the range of €0.13 to €6.90 and a weighted average remaining contractual life of 4.05 years. In accordance with accounting standards, the fair value of options granted pre 2002 have not been reflected in these financial statements.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model. 150,000 share options were granted in 2013. There were no grants in 2012.

28. Share-based payments continued

Fair value of share options granted and assumptions

	2013
Fair value at grant date – awarded to key management (€ per share option)	1.42
Share price (€)	4.70
Exercise price (€)	4.70
Expected volatility (weighted average volatility)	40%
Option life (expected weighted average life – years)	3
Expected dividends	2.75%
Risk free interest rate (based on government bonds)	12%

Employee expenses

	2013 €'000	2012 €'000
Share options granted in 2009	-	15
Share options granted in 2013	18	-
Total expense recognised as employee costs	18	15

29. Trade and other payables

	2013 €'000	2012 €'000
Group		
Trade payables	12,736	16,267
PAYE	187	228
PRSI	94	93
Accrued expenses	4,012	5,292
Value added tax	19	-
	17,048	21,880
Deferred income		
Capital grant	138	157
Derivatives		
Deferred consideration	-	863
Fair value of option granted over investment in associate	3,925	3,856
	21,111	26,756

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

Notes to the consolidated financial statements continued

29. Trade and other payables continued

	2013 €'000	2012 €'000
Company		
Trade payables due to related parties	6,240	6,466
Other trade payables	229	216
PAYE	78	87
PRSI	17	16
Accrued expenses	1,509	2,158
Value added tax	19	-
	8,092	8,943
Deferred income		
Capital grant	3	3
Derivatives		
Fair value of option granted over investment in associate	3,925	3,856
	12,020	12,802

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

30. Financial instruments

The Group's financial instruments at 31 December 2013 were classified as follows:

31 December 2013	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	813	-	-
Loan to associates	792	-	-	-
Trade receivables due from related parties	41	-	-	-
Trade receivables	26,782	-	-	-
Other receivables	599	-	-	-
Loans and borrowings	-	-	-	(14,600)
Bank overdraft	-	-	-	(1,135)
Trade and other payables	-	-	-	(17,048)
Option over financial asset	-	-	(3,925)	-
	28,214	813	(3,925)	(32,783)

30. Financial instruments continued

31 December 2012	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	667	-	-
Loan to associates	1,192	-	-	-
Trade receivables due from related parties	105	-	-	-
Trade receivables	33,210	-	-	-
Other receivables	3,099	-	-	-
Loans and borrowings	-	-	-	(17,397)
Bank overdraft	-	-	-	(4,318)
Trade and other payables	-	-	-	(21,880)
Option over financial asset	-	-	(3,856)	-
Deferred consideration	-	-	(863)	-
	37,606	667	(4,719)	(43,595)

Company

31 December 2013	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	660	-	-
Loan to associates	792	-	-	-
Trade receivables due from related parties	9,938	-	-	-
Other trade receivables	2,184	-	-	-
Other receivables	389	-	-	-
Cash at bank	-	-	-	(9,151)
Loans and borrowings	-	-	-	(14,600)
Payables due to related parties	-	-	-	(6,240)
Trade and other payables	-	-	-	(1,852)
Option over financial asset	-	-	(3,925)	-
	13,303	660	(3,925)	(31,843)

Notes to the consolidated financial statements continued

30. Financial instruments continued

Company

31 December 2012	Loans and receivables €'000	Available for sale financial assets €'000	Derivatives €'000	Liability at amortised cost €'000
Equity investments	-	517	-	-
Loan to associates	1,192	-	-	-
Trade receivables due from related parties	10,244	-	-	-
Other trade receivables	2,529	-	-	-
Other receivables	2,835	-	-	-
Cash at bank	668	-	-	-
Loans and borrowings	-	-	-	(17,397)
Payables due to related parties	-	-	-	(6,466)
Trade and other payables	-	-	-	(2,477)
Option over financial asset	-	-	(3,856)	-
	17,468	517	(3,856)	(26,340)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group and Company.

Assets held for sale are recovered through the sale of the liquid and trade milk and stores business on 13 January 2012.

The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount 2013 €'000	2012 €'000
Group			
Loans due from associates	17	**792**	1,192
Available-for-sale equity investments	18	**813**	667
Trade receivables from related parties		**41**	105
Trade receivables		**26,782**	33,210
Other receivables		**599**	3,099
		29,027	38,273

	Note	2013 €'000	2012 €'000
Company			
Loans due from associates	17	**792**	1,192
Available-for-sale financial assets	18	**663**	517
Trade receivables from related parties		**9,938**	10,244
Trade and other receivables		**2,573**	5,364
		13,966	17,317

30. Financial instruments continued

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

Group	Carrying amount 2013 €'000	Carrying amount 2012 €'000
Domestic	**10,613**	11,705
United Kingdom	**6,650**	6,751
Other Euro-zone countries	**1,139**	1,903
Other regions	**8,380**	12,851
	26,782	33,210

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 for trade receivables of the Company at the reporting date by geographic region was:

Company	Carrying amount 2013 €'000	Carrying amount 2012 €'000
Domestic	**2,184**	2,529

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 for trade receivables of the Group at the reporting date by type of customer was:

Group	Carrying amount 2013 €'000	Carrying amount 2012 €'000
Wholesale customers	**10,900**	15,256
Retail customers	**15,882**	17,954
	26,782	33,210

Notes to the consolidated financial statements continued

30. Financial instruments continued

Impairment losses

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

Company	Carrying amount 2013 €'000	2012 €'000
Wholesale customers	**2,184**	2,529

The ageing of trade receivables at the reporting date was:

Group	Gross 2013 €'000	Impairment 2013 €'000	Gross 2012 €'000	Impairment 2012 €'000
Not past due	**18,340**	**-**	23,342	1
Past due < 30 days	**1,928**	**-**	2,873	1
Past due 30 – 365 days	**3,986**	**179**	4,134	199
Past due > 365 days	**9,827**	**7,120**	9,863	6,801
	34,081	**7,299**	40,212	7,002

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

	2013 €'000	2012 €'000
Balance at 1 January	**7,002**	6,522
Fully impaired debts written off	**(39)**	-
Debts recovered	**(9)**	-
Impairment	**345**	480
Balance at 31 December	**7,299**	7,002

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables up to 30 days except for €1,000 of credit charges. Amounts past due have been analysed for impairment on a specific basis, resulting in impairment provided for 0% of the balance past due less than 30 days being a category of customers suffering from poor market conditions 4% of the balance past due from 30 to 365 days and 72% of balances past due in excess of 365 for which security has not been received over the amount receivable.

No significant credit risk is perceived with respect to receivables due from related parties. Loans to associates are routinely reviewed for impairment. An impairment of €Nil was recognised in respect of associate loans in 2013 (2012: €0.19m).

30. Financial instruments continued

	Gross 2013 €'000	Impairment 2013 €'000	Gross 2012 €'000	Impairment 2012 €'000
Company				
Not past due	**201**	**-**	203	-
Past due < 30 days	**4**	**-**	11	-
Past due 30 – 365 days	**-**	**-**	48	-
Past due > 365 days	**7,531**	**5,552**	7,819	5,552
	7,736	**5,552**	8,081	5,552

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

	2013 €'000	2012 €'000
Balance at 1 January	**5,552**	5,352
Transfer of debts from subsidiary	**-**	200
Balance at 31 December	**5,552**	5,552

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables up to 30 days. Amounts past due have been analysed for impairment on a specific basis, resulting in impairment provided of 0% of the balance past due less than 30 days being a category of customers suffering from poor market conditions, 0% of the balance past due from 30 to 365 days and 74% of balances past due in excess of 365 days for which security has not been received over the amount receivable.

No significant credit risk is perceived with respect to receivables due from related parties. Loans to associates are routinely reviewed for impairment. An impairment of €Nil was recognised in respect of associate loans in 2013 (2012: €0.19m).

Notes to the consolidated financial statements continued

30. Financial instruments continued

Liquidity risk

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

31 December 2013

	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
Group							
Secured bank loans	14,600	(15,047)	(789)	(781)	(12,256)	(1,221)	-
Finance lease liabilities	175	(175)	(64)	(7)	(61)	(43)	-
Trade and other payables	17,048	(17,048)	(17,048)	-	-	-	-
Option over financial asset	3,925	(4,161)	(4,161)	-	-	-	-
Bank overdraft	1,135	(1,135)	(1,135)	-	-	-	-
Deferred consideration	-	-	-	-	-	-	-
	36,883	(37,566)	(23,197)	(788)	(12,317)	(1,264)	-

31 December 2012

	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
Group							
Secured bank loans	17,397	(18,162)	(1,652)	(1,543)	(1,567)	(13,400)	-
Finance lease liabilities	292	(292)	(38)	(38)	(76)	(140)	-
Trade and other payables	21,880	(21,880)	(21,880)	-	-	-	-
Option over financial asset	3,856	(4,319)	-	-	(4,319)	-	-
Bank overdraft	4,318	(4,318)	(4,318)	-	-	-	-
Deferred consideration	863	(863)	-	-	(863)	-	-
	48,606	(49,834)	(27,888)	(1,581)	(6,825)	(13,540)	-

30. Financial instruments continued

31 December 2013

	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
Company							
Secured bank loans	14,600	(15,047)	(789)	(781)	(12,256)	(1,221)	-
Payables due to related parties	6,240	(6,240)	(6,240)	-	-	-	-
Trade and other payables	1,852	(1,852)	(1,852)	-	-	-	-
Option over financial asset	3,925	(4,161)	(4,161)	-	-	-	-
Bank Overdraft	9,151	(9,151)	(9,151)	-	-	-	-
	35,768	(36,451)	(22,193)	(781)	(12,256)	(1,221)	-

31 December 2012

	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
Company							
Secured bank loans	17,397	(18,162)	(1,652)	(1,543)	(1,567)	(13,400)	-
Payables due to related parties	6,466	(6,466)	(6,466)	-	-	-	-
Trade and other payables	2,477	(2,477)	(2,477)	-	-	-	-
Option over financial asset	3,856	(4,319)	-	-	(4,319)	-	-
	30,196	(31,424)	(10,595)	(1,543)	(5,886)	(13,400)	-

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:

	GBP 2013 €'000	GBP 2012 €'000
Trade receivables	10,229	12,463
Loans and overdrafts	3,858	2,769
Trade payables	(4,639)	(6,742)
Gross balance sheet exposure	9,448	8,490

Notes to the consolidated financial statements continued

30. Financial instruments continued

Currency risk

Exposure to currency risk continued

The following significant exchange rates applied during the year:

euro	Average rate 2013	2012	Reporting date spot rate 2013	2012
GBP	**1.20**	1.22	**1.20**	1.22

Sensitivity analysis

A 10 percent strengthening of the euro against the following currencies at 31 December 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 2012.

	Equity €'000	Profit or loss €'000
GBP		
31 December 2012	**(852)**	**176**
31 December 2013	(64)	(50)

A 10 percent weakening of the euro against the above currencies at 31 December 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 2012.

	Profit or loss		Equity	
	100 bp increase €'000	100 bp decrease €'000	100 bp increase €'000	100 bp decrease €'000
31 December 2013				
Cash flow sensitivity (net)	**(157)**	**157**	**(157)**	**157**
31 December 2012				
Cash flow sensitivity (net)	(217)	217	(217)	217

30. Financial instruments continued

Equity Risk

The value of the Group and Company's available-for-sale financial assets are exposed to fluctuations in the Irish equity market. A 5% strengthening of equity prices at 31 December 2013 would have increased equity and profit or loss by €23,700 (2012: €17,300). A 5% weakening of equity prices would have had an equal but opposite effect.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2013		31 December 2012	
	Carrying amount €'000	Fair value €'000	Carrying amount €'000	Fair value €'000
Available-for-sale financial assets	**813**	**813**	667	667
Loans and receivables	**28,214**	**28,214**	37,606	37,606
Secured bank loans	**(14,600)**	**(14,600)**	(17,396)	(17,396)
Finance lease liabilities	**(175)**	**(175)**	(292)	(292)
Trade and other payables	**(17,048)**	**(17,048)**	(21,880)	(21,880)
Derivatives - option over financial asset	**(3,925)**	**(3,925)**	(3,856)	(3,856)
Bank overdraft	**(1,135)**	**(1,135)**	(4,318)	(4,318)
Deferred consideration	**-**	**-**	(863)	(863)
	(7,856)	**(7,856)**	(10,332)	(10,332)

The basis for determining fair values is disclosed in note 4.

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 December 2013 and 31 December 2012, the Group recognised and measured the following financial instruments at fair value:

	2013 Total €'000	2013 Level 1 €'000	2013 Level 2 €'000	2013 Level 3 €'000
Available-for-sale financial assets				
Equity investments	**813**	**149**	**-**	**664**
Derivatives – option granted over investment in associate	**(3,925)**	**-**	**-**	**(3,925)**

	2012 Total €'000	2012 Level 1 €'000	2012 Level 2 €'000	2012 Level 3 €'000
Available-for-sale financial assets				
Equity investments	667	149	-	518
Derivatives - option granted over investment in associate	(3,856)	-	-	(3,856)
Derivatives – deferred consideration	(863)	-	-	(863)

Notes to the consolidated financial statements continued

30. Financial instruments continued

Fair values continued

Fair value hierarchy continued

Additional disclosures for level 3 fair value measurements

	2013 €'000	2012 €'000
Derivatives – option granted over investment in associate		
At beginning of year	**3,856**	1,709
Expense recognised in the income statement	**69**	2,147
At the end of the year	**3,925**	3,856
Unquoted equity investments		
At beginning of year	**518**	1,152
Loss recognised in the income statement	**-**	(634)
Gain recognised in other comprehensive income	**146**	-
At the end of the year	**664**	518

The fair value of the option over a financial asset was measured by deriving an enterprise value using an earnings multiple comparable with recent market transactions. The resulting enterprise value was adjusted for the net funds of the investee. The significant unobservable input is the earnings multiple used in the valuation, an increase/(decrease) in which would result in an increase/(decrease) in the fair value measurement. The effect of a change to a reasonably possible alternative assumption does not have a significant impact upon Group profit, total assets, or total equity.

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:

	2013	2012
Derivatives	**3.1%**	3.1%
Loans and borrowings	**2.7%**	2.7%
Leases	**6.0%**	6.0%

31. Business combinations

20% of The Different Dairy Company Limited was sold to a minority interest on 23 December 2013. There was no profit or loss impact for the year ended 31 December 2013 as this was determined to be a change in ownership interest while retaining control. The transaction resulted in €899,000 being transferred to non-controlling interest. Transaction costs of €0.1m are represented as an exceptional charge within administration costs in Note 8.

32. Operating leases

Leases as lessor

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

	2013 €'000	2012 €'000
Less than one year	**394**	334
Between one and five years	**969**	2,135
	1,363	2,469

During the year ended 31 December 2013 €1,386,000 was recognised as rental income in the income statement (2012: €1,311,000). Expense charges against this income was as follows: maintenance costs €85,000 (2012: €85,000), management expenses €307,000 (2012: €292,000) and depreciation €37,000 (2012: €127,000). The Group and Company had no operating lease commitments as lessee at 31 December 2013 (2012: €Nil).

33. Capital commitments

At the year end there were no capital commitments authorised by the Directors and not provided for in the financial statements (2012: €Nil).

34. Contingencies

Capital grants up to a maximum of €188,000 (2012: €188,000) could be become repayable in certain circumstances as set out in the agreements.

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:

	2013 €'000	2012 €'000
Short-term employee benefits	**378**	631
Post-employment benefits	**52**	67
Share-based payments	**18**	4
	448	702

Notes to the consolidated financial statements continued

35. Related parties continued

Key management personnel and director transactions

Directors of the Company control 5.17 percent of the voting shares of the Company.

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

In the ordinary course of their business as farmers, directors have traded on standard commercial terms with the Group. Aggregate purchases from, and sales to, these directors amounted to €Nil (2012: €Nil) and €471,281 (2012: €438,863), respectively. Directors receive a dividend per qualifying share held at dividend date.

Related party transactions – Group

	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Sale of goods and services				
Sales by Group to directors	471	439	41	105

Other related party transactions – Company

	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Sale of goods and services				
By parent to subsidiaries	862	855	6,240	10,244
Parent from subsidiaries	-	-	9,938	6,466

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

Subsidiaries	Country of incorporation	Ownership 2013 %	interest 2012 %
Robert Smyth & Sons (Strabane & Donegal) Limited *Registered office: Millsessiagh, Ballindrait, Lifford, Co Donegal*	Ireland	**100**	100
Zopitar Limited *Registered office: Ballyraine, Letterkenny, Co Donegal*	Ireland	**83**	83
Milburn Dairy Limited *Registered office: Ballyraine, Letterkenny, Co Donegal*	Ireland	**100**	100
IPM Potato Group Limited (formerly Irish Potato Marketing Limited) *Registered office: 412 Q House, Furze Rd, Sandyford Industrial Estate, Dublin 18*	Ireland	**100**	100
Donegal Potatoes Limited *Registered office: Colehill, Newtoncunningham, Co Donegal*	Ireland	**100**	100
The Different Dairy Company Limited *Registered office: Crossroads, Killygordon, Co Donegal*	Ireland	**80**	100
Biogreen Foods Limited *Registered office: 65 Cavendish Street, London, W1G 7LS*	UK	**80**	45
McCorkell Holdings Limited *Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL*	Northern Ireland	**75**	75
Maybrook Dairy Limited *Registered office:14A Dromore Rd, Omagh, Co Tyrone, BT78 1QZ*	Northern Ireland	**100**	100
Euro-Agri Limited *Registered office:14A Dromore Rd, Omagh, Co Tyrone, BT78 1QZ:*	Northern Ireland	**100**	100
Estuary Trading Limited *Registered office:14A Dromore Rd, Omagh, Co Tyrone, BT78 1QZ*	Northern Ireland	**100**	100
IPM Holland B.V. *Registered office: Marssumerdyk 1, 9033 WD Deinum, The Netherlands*	Holland	**100**	100
MPCO Limited *Registered office: Ballyraine, Letterkenny, Co Donegal*	Ireland	**100**	100
High Meadow Patents Limited *Registered office: Crossroads, Killygordon, Co Donegal*	Ireland	**100**	100
An Grianan Grain Company Limited *Registered office: Ballyraine, Letterkenny, Co Donegal*	Ireland	**100**	100
Aisheco Limited *Registered office: Ballyraine, Letterkenny, Co Donegal*	Ireland	**100**	100
Donra Dairies *Registered office: Ballyraine, Letterkenny, Co Donegal*	Ireland	**100**	100
Chef in a Box Limited *Registered office: 762A/763A Henley Rd, Slough Trading Estate, Slough, Berks, SL1 4JW*	UK	**100**	100
AJ Allan (Brechin) Limited *Registered office: East Mill, Brechin, Angus, UK, DD9 7HJ*	UK	**100**	100
AJ Allan (Potato Merchants) Limited *Registered office: East Mill, Brechin, Angus, UK, DD9 7HJ*	UK	**100**	100
Solanex Limited *Registered office: Rua Samuel Hahnemann nº17, Jardim Santo Andre, São João da Boa - SP, CEP 13872 – 029, Brazil*	Brazil	**85**	85

Notes to the consolidated financial statements continued

36. Group entities continued

Subsidiaries	Country of incorporation	Ownership interest 2013 %	2012 %
IPM Brazil *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
Associated undertakings:			
Monaghan Middlebrook Mushrooms *Registered office: Tyholland, Monaghan, Co Monaghan*	Ireland	**35**	35
North Western Livestock Holdings Limited *Registered office: Tubbercurry, Co Sligo*	Ireland	**22.4**	22.4
Leapgrange Limited *Registered office: The Mall, Ballyshannon, Co Donegal*	Ireland	**42.7**	42.7

The following subsidiaries will avail of the filing exemption available under Section 17 of the Companies (Amendment) Act 1986, whereby they will annex the financial statements of Donegal Investment Group plc to their annual returns: Robert Smyth & Sons (Strabane & Donegal) Limited, Milburn Dairy Limited, IPM Potato Group Limited, The Different Dairy Company Limited, MPCO Limited, High Meadow Patents Limited, Aisheco Limited, Donra Dairies Limited and An Grianan Grain Company Limited.

37. Post balance sheet events

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

38. Approval of consolidated financial statements

The consolidated financial statements were approved by the directors on 26 May 2014.

Donegal

Donegal Investment Group plc
Ballyraine, Letterkenny, Co. Donegal.
T: +353 (0) 74 9121766
F: +353 (0) 74 9124823
www.donegaligroup.com